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# THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in any doubt as to any aspect of this Prospectus or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Computech Holdings Limited, you should at once hand this Prospectus together with any enclosed PAL (as defined herein) and EAF (as defined herein) to the purchaser(s) or the transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

A copy of this Prospectus, having attached thereto all documents required to be attached to it (if any) and a copy of the PAL and EAF and the written consent given by PKF have been registered by the Registrar of Companies in Hong Kong pursuant to section 342C of the Companies Ordinance (Chapter 32 of Laws of Hong Kong). The Securities and Futures Commission in Hong Kong and the Registrar of Companies in Hong Kong take no responsibility as to the contents of any of these documents.

Subject to the granting of listing of, and permission to deal in, the Rights Shares (in both their nil-paid and fully-paid forms) on GEM, the Rights Shares (in both their nil-paid and fully-paid forms) will be accepted as eligible securities by Hong Kong Securities Clearing Company Limited ("HKSCC") for deposit, clearance and settlement in the Central Clearing and Settlement System ("CCASS") with effect from the commencement date of dealings in the Rights Shares (in both their nil-paid and fully-paid forms), or such other dates as may be determined by HKSCC. All activities under CCASS are subject to the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time.

Dealings in the shares in Computech Holdings Limited may be settled through CCASS and you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or professional adviser for details of those settlement arrangements and how such arrangements may affect your rights and interests.

The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this Prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Prospectus.

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## Computech Holdings Limited 駿科網絡訊息有限公司\*

(Incorporated in the Cayman Islands with limited liability)  
(Stock Code: 8081)

### RIGHTS ISSUE OF 240,000,000 RIGHTS SHARES TO QUALIFYING SHAREHOLDERS ON THE BASIS OF ONE RIGHTS SHARE FOR EVERY ONE EXISTING SHARE HELD AT A SUBSCRIPTION PRICE OF HK\$0.02 PER RIGHTS SHARE

Financial adviser to Computech Holdings Limited  
ALTUS CAPITAL LIMITED

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The latest time for acceptance/application and payment for the Rights Shares is 4:00 pm. on Monday, 25 April 2005. The procedure for application is set out on pages 10 to 12 of this Prospectus.

Shareholders (as defined herein) should note that the Underwriter may terminate the arrangements set out in the Underwriting Agreement by notice in writing to the Company at any time prior to 4:00 p.m. on the third Business Day following the Acceptance Time if the Underwriter becomes aware of the fact that or have reasonable cause to believe that there shall develop, occur, exist or come into effect:-

- (a) any new law or regulation or any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong or any other place that is the place of incorporation of any member of the Group, or in which any member of the Group conducts or carries on business; or
- (b) any change in, or any event or series of events resulting or likely to result in any change in local, national or international financial, political, legal, military, industrial, economic, currency, stock market or (whether or not sui generis with any of the foregoing) other market conditions; or
- (c) any change in the conditions of local, national or international securities markets (including but without limitation, the imposition of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange due to exceptional financial circumstances or otherwise); or
- (d) any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out; or
- (e) the imposition of economic sanction or withdrawal of trading privileges, in whatever form, by Hong Kong or any jurisdiction relevant to the Group; or
- (f) a general moratorium on commercial banking activities in Hong Kong declared by the relevant authorities; or
- (g) any change or development involving a prospective change in taxation or exchange control (or implementation of any exchange control) in Hong Kong or other jurisdictions relevant to the Group; or
- (h) any change occurs in the circumstances, business or financial or trading position of the Group which would materially and adversely affect the prospects of the Group as a whole; or
- (i) any other adverse change whether or not ejusdem generic with any of the foregoing,

and in the reasonable opinion of the Underwriter, such change has or would have a material and adverse effect on the business, financial or trading position or prospects of the Company or the Group as a whole or the success of the Rights Issue or the level of Rights Shares taken up or make it inadvisable or inexpedient for the Company to proceed with the Rights Issue.

If, at any time prior to 4:00 p.m. on the third Business Day following the Acceptance Time, the Company commits any material breach of or omits to observe any of the obligations or undertakings expressed to be assumed by it under the Underwriting Agreement which breach or omission will have a material and adverse effect on its business, financial or trading position, the Underwriter shall be entitled (but not bound) by notice in writing to the Company to elect to treat such matter or event as releasing and discharging the Underwriter from its obligations under the Underwriting Agreement.

It should be noted that the Shares have been dealt with on an ex-rights basis from Wednesday, 30 March 2005. To qualify for the Rights Issue, a Qualifying Shareholder's name must appear on the register of members of the Company on the Record Date, which was Wednesday, 6 April 2005. In order to be registered as members on the Record Date, any transfers of Shares (with the relevant share certificates) must be lodged for registration by 4:00 p.m. on Thursday, 31 March 2005.

The Rights Shares are expected to be dealt with in their nil-paid form from Tuesday, 12 April 2005 to Wednesday, 20 April 2005, both days inclusive. If the Underwriter terminates the Underwriting Agreement, or the conditions of the Rights Issue are not fulfilled, the Rights Issue will not proceed.

Any dealings in the Shares or Rights Shares in their nil-paid form from now up to the date on which all conditions of the Underwriting Agreement are fulfilled are accordingly at the investors' own risk. Any Shareholder or other person contemplating any dealings in the Shares or Rights Shares in their nil-paid form is recommended to consult his/her own professional adviser.

This Prospectus will remain on the GEM website at [www.hkgem.com](http://www.hkgem.com) on the "Latest Company Announcements" page for at least 7 days from the date of its posting.

\* for identification purpose only

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## CHARACTERISTICS OF GEM

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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 of the Stock Exchange 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 Stock 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.

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## DEFINITIONS

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

“Announcement”	the Company’s announcement dated 27 January 2005 regarding, among other things, the proposed Rights Issue
“Acceptance Time”	4:00 p.m. on Monday, 25 April 2005 (or such other time and date as the Underwriter may agree in writing with the Company as the latest time for acceptance of, and payment for Rights Shares and application for excess Rights Shares)
“AFS”	AFS Holdings Limited is wholly owned by The General Trust Co. Ltd., which is the trustee of AFS Trust, one of the beneficiaries of which is the spouse of Mr. Fung
“Aplus” or “Underwriter”	Aplus Worldwide Limited, a company incorporated in the British Virgin Islands with limited liability and is owned as to 84% by Win Plus Group Limited
“Ardian”	Ardian Holdings Limited is wholly owned by The General Trust Co. Ltd., which is the trustee of Ardian Trust, one of the beneficiaries of which is the spouse of Mr. Lo
“Board”	the board of Directors
“Business Day”	means a day (other than a Saturday or a day on which the storm warning is hoisted in Hong Kong at any time between 9:00 a.m. and 4:00 p.m.) on which banks in Hong Kong are generally open for business
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Company”	Computech Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on GEM
“Director(s)”	director(s) of the Company
“EAF(s)”	the form(s) of application for excess Rights Shares to be used in connection with the Rights Issue
“EGM”	the extraordinary general meeting of the Company convened to approve, inter alia, the Rights Issue
“GEM”	Growth Enterprise Market of the Stock Exchange

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## DEFINITIONS

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“GEM Listing Rules”	the Rules governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Shareholders”	Shareholders other than the Underwriter, its associates as defined in the GEM Listing Rules and the Directors
“Last Trading Day”	20 January 2005, being the last trading day before the suspension of the trading of the Shares on the Stock Exchange pending the release of the Announcement
“Latest Practicable Date”	6 April 2005, being the latest practicable date for ascertaining certain information contained in this Prospectus
“Mr. Fung”	Mr. Fung Pak Chuen, Alphonso, an executive Director and the Chairman of the Company
“Mr. Lo”	Mr. Lo, Richard, an executive Director of the Company
“Non-Qualifying Shareholder(s)”	the Shareholder(s) whose name(s) appear on the register of members of the Company on the Record Date and whose address is/are in a place(s) outside Hong Kong in respect of whom the Directors consider the exclusion from the Rights Issue to be necessary or expedient on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place upon making enquiry regarding the legal restrictions under the laws of the relevant place and the requirements of the relevant statutory body or stock exchange
“PAL(s)”	the provisional allotment letter(s) to be used in connection with the Rights Issue
“Posting Date”	Friday, 8 April 2005 or such other date as the Underwriter may agree in writing with the Company as the date of despatch of the Prospectus Documents
“Prospectus”	this prospectus to be issued by the Company in relation to the Rights Issue

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## DEFINITIONS

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“Prospectus Documents”	the Prospectus, the PAL and the EAF
“Qualifying Shareholder(s)”	Shareholder(s) whose names appear on the register of members of the Company as at the close of business on the Record Date other than the Non-Qualifying Shareholders
“Record Date”	Wednesday, 6 April 2005
“Registrar”	Hong Kong Registrars Limited
“Rights Issue”	the issue of the Rights Shares on the basis of one Rights Share for every one existing Share held on the Record Date at a price of HK\$0.02 per Rights Share as described in the Announcement
“Rights Share(s)”	the 240,000,000 new Shares to be allotted and issued pursuant to the Rights Issue
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price of HK\$0.02 per Rights Share
“Trading Day(s)”	day(s) on which the Stock Exchange is open for trading
“Underwriting Agreement”	the agreement dated 20 January 2005 between the Company and the Underwriter relating to the underwriting and other arrangements in respect of the Rights Issue
“%”	per cent.

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## TERMINATION OF THE UNDERWRITING AGREEMENT

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The Underwriter may terminate the arrangements set out in the Underwriting Agreement by notice in writing to the Company at any time prior to 4:00 p.m. on the third Business Day following the Acceptance Time if the Underwriter becomes aware of the fact that or have reasonable cause to believe that there shall develop, occur, exist or come into effect:-

- (a) any new law or regulation or any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong or any other place that is the place of incorporation of any member of the Group, or in which any member of the Group conducts or carries on business; or
- (b) any change in, or any event or series of events resulting or likely to result in any change in local, national or international financial, political, legal, military, industrial, economic, currency, stock market or (whether or not sui generis with any of the foregoing) other market conditions; or
- (c) any change in the conditions of local, national or international securities markets (including but without limitation, the imposition of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange due to exceptional financial circumstances or otherwise); or
- (d) any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out; or
- (e) the imposition of economic sanction or withdrawal of trading privileges, in whatever form, by Hong Kong or any jurisdiction relevant to the Group; or
- (f) a general moratorium on commercial banking activities in Hong Kong declared by the relevant authorities; or
- (g) any change or development involving a prospective change in taxation or exchange control (or implementation of any exchange control) in Hong Kong or other jurisdictions relevant to the Group; or
- (h) any change occurs in the circumstances, business or financial or trading position of the Group which would materially and adversely affect the prospects of the Group as a whole; or
- (i) any other adverse change whether or not ejusdem generic with any of the foregoing,

and in the reasonable opinion of the Underwriter, such change has or would have a material and adverse effect on the business, financial or trading position or prospects of the Company or the Group as a whole or the success of the Rights Issue or the level of Rights Shares taken up or make it inadvisable or inexpedient for the Company to proceed with the Rights Issue.

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## **TERMINATION OF THE UNDERWRITING AGREEMENT**

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If, at any time prior to 4:00 p.m. on the third Business Day following the Acceptance Time, the Company commits any material breach of or omits to observe any of the obligations or undertakings expressed to be assumed by it under the Underwriting Agreement which breach or omission will have a material and adverse effect on its business, financial or trading position, the Underwriter shall be entitled (but not bound) by notice in writing to the Company to elect to treat such matter or event as releasing and discharging the Underwriter from its obligations under the Underwriting Agreement.



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## EXPECTED TIMETABLE

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2005

First day of dealings in nil-paid Rights Shares .....	Tuesday, 12 April
Latest time for splitting nil-paid Rights Shares .....	4:00 p.m. on Friday, 15 April
Last day of dealings in nil-paid Rights Shares .....	Wednesday, 20 April
Latest time for acceptance of, and payment for Rights Shares and application for excess Rights Shares .....	4:00 p.m. on Monday, 25 April
Rights Issue expected to become unconditional .....	4:00 p.m. on Tuesday, 3 May
Announcement of results of acceptance of Rights Issue on or before .....	Thursday, 5 May
Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares to be despatched on or before .....	Monday, 9 May
Certificates for fully-paid Rights Shares expected to be despatched on or before .....	Monday, 9 May
Dealings in fully-paid Rights Shares on the Stock Exchange to commence on .....	Wednesday, 11 May

*Note:* All time in this Prospectus refer to Hong Kong time.

Dates or deadlines specified in this Prospectus for events in the timetable for (or otherwise in relation to) the Rights Issue are indicative only and may be varied by agreement between the Company and the Underwriter. Any changes to the expected timetable will be notified to Shareholders.



**Computech Holdings Limited**  
**駿科網絡訊息有限公司\***

*(Incorporated in the Cayman Islands with limited liability)*

(Stock Code: 8081)

*Directors:*

*Executive Directors:*

Fung Pak Chuen, Alphonso  
Lo, Richard

*Non-executive Director:*

Toshio Sugii

*Independent non-executive Directors:*

Lee Sai Yeung  
Chung Kong Fei, Stephen  
Ng Chik Sum, Jackson

*Registered office:*

Century Yard  
Cricket Square  
Hutchins Drive  
P.O. Box 2681GT  
George Town  
Grand Cayman  
British West Indies

*Head office and principal place  
of business:*

10th Floor, Westlands Centre  
20 Westlands Road  
Quarry Bay  
Hong Kong

8 April 2005

*To the Qualifying Shareholders and, for information only,  
to the Non-Qualifying Shareholders*

Dear Sir or Madam,

**RIGHTS ISSUE  
OF 240,000,000 RIGHTS SHARES TO  
QUALIFYING SHAREHOLDERS ON THE BASIS OF  
ONE RIGHTS SHARE FOR  
EVERY ONE EXISTING SHARE HELD AT  
A SUBSCRIPTION PRICE OF HK\$0.02 PER RIGHTS SHARE**

**INTRODUCTION**

On 27 January 2005, the Board announced that the Company proposed to raise approximately HK\$4.8 million before expenses by way of Rights Issue of 240,000,000 Rights Shares at a price of HK\$0.02 per Rights Share payable in full on acceptance on the basis of one Rights Share for every one existing Share held by the Qualifying Shareholders on the Record Date. At the EGM of the Company held on 6 April 2005, the ordinary resolution approving, inter alia, the Rights Issue was duly passed by poll. The Rights Issue will not be available to the Non-Qualifying Shareholders.

\* For identification purpose only

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## LETTER FROM THE BOARD

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This Prospectus set out further information regarding the Rights Issue, including information on dealing, transfer and acceptance of the Rights Shares, and certain financial and other information in respect of the Group.

Aplus, being the beneficial owner of 131,688,000 Shares, was entitled to exercise voting rights in respect of such number of Shares. However, as Aplus is the Underwriter, Aplus and its associates have abstained from voting on the resolution to approve the Rights Issue at the EGM.

The ordinary business of Aplus does not include underwriting.

### RIGHTS ISSUE

#### Issue statistics

Basis of Rights Issue	:	one Rights Share for every one existing Share held by a Qualifying Shareholder on the Record Date
Subscription Price	:	HK\$0.02 per Rights Share
Number of existing Shares in issue	:	240,000,000 Shares
Number of Rights Shares	:	240,000,000 Rights Shares
Number of Rights Shares undertaken to be taken up by Aplus	:	Aplus, which is also the Underwriter, has undertaken to take up or procure to take up 131,688,000 Rights Shares which will be provisionally allotted to it and its nominee pursuant to the Rights Issue

The Company has no outstanding options or convertible securities as at the Latest Practicable Date.

The Company expects to raise about HK\$4.8 million before expenses through the Rights Issue.

#### Subscription Price for the Rights Shares

The Subscription Price will be HK\$0.02 per Rights Share, payable in full by the Qualifying Shareholders upon acceptance of the provisional allotment of the Rights Shares under the Rights Issue or on application for excess Rights Shares.

The Subscription Price represents:

1. a discount of approximately 28.6% to the closing price of HK\$0.028 per Share as quoted on the Stock Exchange on the Last Trading Day;

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## LETTER FROM THE BOARD

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2. a discount of approximately 16.7% to the theoretical ex-rights price of HK\$0.024 per Share based on the closing price of HK\$0.028 per Share as quoted on the Stock Exchange on the Last Trading Day;
3. a discount of approximately 42.9% to the average closing price of about HK\$0.035 per Share as quoted on the Stock Exchange for the last 10 Trading Days up to and including the Last Trading Day; and
4. a discount of approximately 39.4% to the closing price of about HK\$0.033 per Share on the Latest Practicable Date.

The Subscription Price was agreed between the Company and the Underwriter after arm's length negotiations taking into consideration (a) the declining trend of the prices of Shares; (b) the low liquidity of the trading of Shares in the market; (c) pricing of rights issues of other listed issuers; and (d) the weak financial position of the Group. The Directors consider the terms of the Rights Issue and the Subscription Price to be fair and reasonable and are in the interests of the Company and the Shareholders as a whole. The Directors also consider that the discount of the Subscription Price as compared to recent market prices should encourage Shareholders to participate in the Rights Issue.

### **Qualifying Shareholders**

Upon closing of the Record Date, the Company has taken appropriate actions to check with the Registrar the registered address of the Shareholders and the Company will send the Prospectus Documents to Qualifying Shareholders only.

To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company at the close of business on the Record Date and must be a Qualifying Shareholder. In order to be registered as a member at the close of business on the Record Date, owners of Shares must lodge any transfers of Shares (together with the relevant share certificates) with the Company's branch share registrar in Hong Kong no later than 4:00 p.m. on Thursday, 31 March 2005.

The branch share registrar of the Company in Hong Kong is:

Hong Kong Registrars Limited  
Shops 1712-1716, 17th Floor, Hopewell Centre  
183 Queens' Road East  
Hong Kong

### **Closure of register of members**

The register of members of the Company was closed from Friday, 1 April 2005 to Wednesday, 6 April 2005, both days inclusive, for the purpose of determining entitlements to participate in the Rights Issue. No transfers of Shares was registered during this period.

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## LETTER FROM THE BOARD

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### **Basis of provisional allotment**

The basis of the provisional allotment shall be one Rights Share for every one Share held on the Record Date, being a total of 240,000,000 Rights Shares at a price of HK\$0.02 per Rights Share. Acceptances for all or any part of a Qualifying Shareholder's provisional allotment should be made by completing the PAL and lodging the same with a remittance for the Rights Shares being applied for.

### **Status of the Rights Shares**

The Rights Shares, when allotted, issued and fully-paid, will rank pari passu in all respects with the then existing Shares in issue as to dividends and distributions which are declared, made or paid after the date of allotment and issue of the Rights Shares.

### **Shares certificates for Rights Shares and refund cheques**

Subject to the fulfilment of the conditions to which the Rights Issue is subject, share certificates for all fully-paid Rights Shares are expected to be posted on or before Monday, 9 May 2005 to those who have accepted or where applicable, applied for, and paid for the Rights Shares, by ordinary post at their own risk. Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares are also expected to be posted on or before Monday, 9 May 2005, by ordinary post to the applicants at their own risk.

### **Rights of Non-Qualifying Shareholders**

As at the Record Date, based on record of the Company's register of members, the Company does not have any Shareholder whose registered address is outside Hong Kong.

### **Procedure for acceptance and transfer**

A PAL is enclosed with this Prospectus which entitles the Qualifying Shareholders to whom it is addressed subscribe for the number of Rights Shares shown therein. If the Qualifying Shareholders wish to accept all the Rights Shares provisionally allotted to them as specified in the PAL, they must lodge the PAL in accordance with the instructions printed thereon, together with a remittance for the full amount payable on acceptance, with the Registrar, by no later than 4:00 p.m. on Monday, 25 April 2005. All remittances must be made in Hong Kong dollars and cheques or cashier orders must be drawn on a bank account in Hong Kong and made payable to "**Computech Holdings Limited – Rights Issue**" and crossed "Account Payee Only".

It should be noted that unless the PAL, together with the appropriate remittance, has been lodged with the Registrar by 4:00 p.m. on Monday, 25 April 2005, whether by the original allottee or any person in whose favour the rights have been validly transferred, that provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled.

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## LETTER FROM THE BOARD

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If the Qualifying Shareholders wish to accept only part of their provisional allotment or transfer a part of their rights to subscribe for the Rights Shares provisionally allotted to them under the PAL or to transfer their rights to more than one person, the entire PAL must be surrendered and lodged for cancellation by no later than 4:00 p.m. on Friday, 15 April 2005, to the Registrar, who will cancel the original PAL and issue new PALs in the denominations required.

The PAL contains full information regarding the procedures to be followed for acceptance and/or transfer of the whole or part of your provisional allotment.

All cheques or cashier orders will be presented for payment following receipt and all interest earned on such moneys will be retained for the benefit of the Company. Any PAL in respect of which the cheque or cashier order is dishonoured on first presentation is liable to be rejected, and in that event the provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled.

If the Underwriter exercises the right to terminate the Underwriting Agreement or if the conditions of the Rights Issue are not fulfilled, the monies received in respect of acceptances of the Rights Shares will be returned to the Qualifying Shareholders or such other persons to whom the Rights Shares in their nil-paid form have been validly transferred or, in the case of joint acceptances, to the first-named person without interest, by means of cheques despatched by ordinary post at the risk of such Qualifying Shareholders to the registered address or such other persons on or before Monday, 9 May 2005.

### **Applications for excess Rights Shares**

Qualifying Shareholders may apply for any Rights Shares provisionally allotted to but not accepted by Qualifying Shareholders or otherwise subscribed for by transferees of nil-paid Rights Shares. Application can be made by completing the EAF and lodging the same with remittance for the excess Rights Shares. The Directors will allocate the excess Rights Shares at their discretion on a fair and equitable basis and will give preference to topping up odd lots to whole board lots.

If the Qualifying Shareholders wish to apply for any Rights Shares in addition to their provisional allotment, they must complete and sign the enclosed EAF in accordance with the instructions printed thereon and lodge it, together with a separate remittance for the amount payable on application in respect of the excess Rights Shares applied for, with the Registrar, by no later than 4:00 p.m. on Monday, 25 April 2005. All remittances must be made in Hong Kong dollars and cheques or cashier orders must be drawn on a bank account in Hong Kong and made payable to “**Computech Holdings Limited – Excess Application**” and crossed “Account Payee Only”. The Registrar will notify the Qualifying Shareholders of any allotment of excess Rights Shares made to them, which will be at the sole discretion of the Directors on a fair and equitable basis but with a view to creating whole board lots of Shares.

If no excess Rights Shares are allotted to a Qualifying Shareholder, the amount tendered on application is expected to be returned to that Qualifying Shareholder in full on or before Monday, 9 May 2005. If the number of excess Rights Shares allotted to the Qualifying Shareholders is less than that applied for, the surplus application moneys are also expected to be returned to them on or before Monday, 9 May 2005.

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## LETTER FROM THE BOARD

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If the Underwriter exercises the right to terminate the Underwriting Agreement or if the conditions of the Rights Issue are not fulfilled, the monies received in respect of the application for the excess Rights Shares in addition to their provisional allotment will be returned to the Qualifying Shareholders or, in the case of joint acceptances, to the first-named person without interest, by means of cheques despatched by ordinary post at the risk of such Qualifying Shareholders to the registered address on or before Monday, 9 May 2005.

All cheques or cashier orders will be presented for payment following receipt and all interest earned on such moneys will be retained for the benefit of the Company. Any EAF in respect of which a cheque or cashier order is dishonoured on first presentation is liable to be rejected.

The EAF is for use only by the person(s) to whom it is addressed and is not transferable. All documents, including cheques or cashier orders for amounts due, will be sent at the risk of the persons entitled thereto to their registered addresses by the Registrar.

### **Certificates for the Rights Shares**

It is expected that certificates for the fully-paid Rights Shares will be despatched by ordinary post to those entitled thereto at their own risk to their registered addresses on or before Monday, 9 May 2005.

### **Listings and dealings**

The Company has applied to the GEM Listing Committee of the Stock Exchange for the listings of, and permission to deal in, the Rights Shares in both nil-paid and fully-paid forms.

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms on GEM, the Rights Shares in their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in their nil-paid and fully-paid forms on GEM or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any Trading Day is required to take place in CCASS on the second Trading Day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Shareholders should seek the advice of their stockbroker or other professional adviser for details of those settlement arrangement and how such arrangement will affect their rights and interests.

Dealings in the Rights Shares in their nil-paid and fully-paid forms, both in board lots of 30,000 Shares, will be subject to the payment of stamp duty in Hong Kong.

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## LETTER FROM THE BOARD

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### UNDERWRITING ARRANGEMENTS

#### Underwriting Agreement

Date: 20 January 2005

Parties: the Company and the Underwriter

Number of Rights Shares underwritten: 108,312,000 Rights Shares, being the 240,000,000 Rights Shares to which holders of the existing Shares held on the Record Date are entitled to subscribe pursuant to the Rights Issue less 131,688,000 Rights Shares which Aplus has undertaken to accept or procure acceptance according to its and its nominee's entitlement under the Rights Issue

No commission will be payable to the Underwriter.

Undertaking from Aplus: Aplus, which is also the Underwriter, has undertaken to the Company that the Shares beneficially owned by it will not be disposed of from the date of the Underwriting Agreement to the close of business on the Record Date and it will subscribe or procure subscribers for its and its nominee's entitlement in full, representing 131,688,000 Rights Shares.

#### Conditions of the Rights Issue

The Rights Issue is conditional upon, among other things, the following conditions being fulfilled (or waived (where permissible)) on or before 4:00 p.m. on the third Business Day following the Acceptance Time (or such other time as the Underwriter and the Company may agree):

- (i) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms;
- (ii) the registration of the Prospectus Documents with the Registrar of Companies in Hong Kong no later than the Posting Date;
- (iii) the obligations of the Underwriter under the Underwriting Agreement becoming unconditional and the Underwriting Agreement not being terminated; and
- (iv) the passing by the Independent Shareholders at the EGM of an ordinary resolution by way of poll to approve the Rights Issue.

As at 6 April 2005, condition (iv) has been satisfied.



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## LETTER FROM THE BOARD

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### Termination of the Underwriting Agreement

The Underwriter may terminate the arrangements set out in the Underwriting Agreement by notice in writing to the Company at any time prior to 4:00 p.m. on the third Business Day following the Acceptance Time if the Underwriter becomes aware of the fact that or have reasonable cause to believe that there shall develop, occur, exist or come into effect:-

- (a) any new law or regulation or any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong or any other place that is the place of incorporation of any member of the Group, or in which any member of the Group conducts or carries on business; or
- (b) any change in, or any event or series of events resulting or likely to result in any change in local, national or international financial, political, legal, military, industrial, economic, currency, stock market or (whether or not sui generis with any of the foregoing) other market conditions; or
- (c) any change in the conditions of local, national or international securities markets (including but without limitation, the imposition of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange due to exceptional financial circumstances or otherwise); or
- (d) any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out; or
- (e) the imposition of economic sanction or withdrawal of trading privileges, in whatever form, by Hong Kong or any jurisdiction relevant to the Group; or
- (f) a general moratorium on commercial banking activities in Hong Kong declared by the relevant authorities; or
- (g) any change or development involving a prospective change in taxation or exchange control (or implementation of any exchange control) in Hong Kong or other jurisdictions relevant to the Group; or
- (h) any change occurs in the circumstances, business or financial or trading position of the Group which would materially and adversely affect the prospects of the Group as a whole; or
- (i) any other adverse change whether or not ejusdem generic with any of the foregoing,

and in the reasonable opinion of the Underwriter, such change has or would have a material and adverse effect on the business, financial or trading position or prospects of the Company or the Group as a whole or the success of the Rights Issue or the level of Rights Shares taken up or make it inadvisable or inexpedient for the Company to proceed with the Rights Issue.

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## LETTER FROM THE BOARD

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If, at any time prior to 4:00 p.m. on the third Business Day following the Acceptance Time, the Company commits any material breach of or omits to observe any of the obligations or undertakings expressed to be assumed by it under the Underwriting Agreement which breach or omission will have a material and adverse effect on its business, financial or trading position, the Underwriter shall be entitled (but not bound) by notice in writing to the Company to elect to treat such matter or event as releasing and discharging the Underwriter from its obligations under the Underwriting Agreement.

As at the Latest Practicable Date, the Underwriter has not exercised its right to terminate the Underwriting Agreement.

### **WARNING OF THE RISKS OF DEALING IN SHARES AND NIL-PAID RIGHTS SHARES**

**Existing Shares have been dealt with on an ex-rights basis from Wednesday, 30 March 2005. To qualify for the Rights Issue, a Qualifying Shareholder's name must appear on the register of members of the Company on the Record Date, which was Wednesday, 6 April 2005. In order to be registered as members on the Record Date, any transfers of Shares (with the relevant share certificates) must be lodged for registration by 4:00 p.m. on Thursday, 31 March 2005.**

**The Rights Shares are expected to be dealt with in their nil-paid form from Tuesday, 12 April 2005 to Wednesday, 20 April 2005, both days inclusive. If the Underwriter terminates the Underwriting Agreement, or the conditions of the Rights Issue are not fulfilled, the Rights Issue will not proceed.**

**Any dealings in the Shares or Rights Shares in their nil-paid form from now up to the date on which all conditions of the Underwriting Agreement are fulfilled are accordingly at the investors' own risk. Any Shareholder or other person contemplating any dealings in the Shares or Rights Shares in their nil-paid form is recommended to consult his/her own professional advisor.**

## LETTER FROM THE BOARD

### Effects on shareholding structure

The following is the shareholding structure of the Company immediately before and after completion of the Rights Issue:

	Number of Shares and approximate % held before completion of the Rights Issue	Number of Shares and approximate % held immediately after completion of the Rights Issue (assuming all Qualifying Shareholders take up their Rights Shares in full)	Number of Shares and approximate % held immediately after completion of the Rights Issue (assuming no Qualifying Shareholder takes up its Rights Shares, except that, Aplus, which is also the Underwriter, takes up all its entitlement under the Rights Issue)
Aplus, also the Underwriter ( <i>Note 1</i> )	131,688,000 (54.9%)	263,376,000 (54.9%)	371,688,000 (77.4%)
Hitachi, Limited ( <i>Note 2</i> )	60,000,000 (25.0%)	120,000,000 (25.0%)	60,000,000 (12.5%)
Public	48,312,000 (20.1%)	96,624,000 (20.1%)	48,312,000 (10.1%)
<b>Total</b>	<b><u>240,000,000 (100%)</u></b>	<b><u>480,000,000 (100%)</u></b>	<b><u>480,000,000 (100%)</u></b>

*Note:*

- (1) Aplus is owned as to 84% of its issued share capital by Win Plus Group Limited (“Win Plus”). Win Plus is wholly-owned by Gumpton Investments Limited (“Gumpton”) which in turn is owned by AFS and Ardian on an equal basis.
- (2) As at the Latest Practicable Date, Hitachi, Limited has not indicated to the Company whether it will subscribe for its provisional entitlement, amounting to 60,000,000 Rights Shares.

**It is the intention of Aplus, which is also the Underwriter, to maintain the listing of the Company following completion of the Rights Issue. Accordingly, the Company, the Underwriter and their respective directors have jointly and severally undertaken to the Stock Exchange that the Company and the Underwriter will take appropriate steps, to ensure not less than 20% of the Shares are held by the public at all times in compliance with the minimum public float requirement of the GEM Listing Rules.**

### Reasons for the Rights Issue and use of proceeds

The Group is principally engaged in the research, development and sale of banking packaged software products, the provision of software-related consultancy and technical services and system integration service in the People’s Republic of China and Hong Kong.

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## LETTER FROM THE BOARD

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The financial performance of the Group has been weak where it incurred losses in each of the two consecutive years ended 31 December 2004. The Directors therefore believe it is appropriate that the Group strengthens its capital base for general financial health which would improve the Group's positions during discussions with its suppliers and bankers. The Directors have explored various financing alternatives including loan financing and placing of Shares. Nevertheless, given the Group's weak financial position, the Group has not been able to obtain loan financing from banks independently. The Directors consider that placing of Shares would result in a dilution to the shareholding interest of current Shareholders.

Thus, the Directors believe that the Rights Issue is appropriate as it provides a good opportunity for the Group to strengthen its capital base and to enhance its financial position while allowing the Qualifying Shareholders to maintain their respective pro rata shareholdings in the Company. The Directors therefore consider that it is in the interests of the Company and the Shareholders as a whole to raise the capital by way of the Rights Issue.

The Company has not conducted any equity fund raising activities, including rights issue and open offer, during the 12 months immediately preceding the Latest Practicable Date.

The estimated expense of the Rights Issue is about HK\$500,000, which will be borne by the Company. The net proceeds of the Rights Issue will amount to approximately HK\$4.3 million. The Company intends to use the net proceeds from the Rights Issue for general working capital purposes.

### **ADDITIONAL INFORMATION**

Your attention is drawn to the additional information set out in the appendix to this Prospectus.

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

## 1. THREE YEARS FINANCIAL SUMMARY

As set out in the auditors' report of the Company for the financial year ended 31 December 2004, the financial statements have been prepared on a going concern basis, the validity of which depends on the successful outcome of the measures being undertaken by the Directors to ensure that the Group is able to generate sufficient cash resources to meet its future working capital requirements and financial obligations. The financial statements do not include any adjustments that may be necessary if the implementation of such measures become unsuccessful. The auditors of the Company consider that the fundamental uncertainty has been adequately accounted for and disclose in the financial statements and their opinion is not qualified in this respect. Details of the audited financial statements of the Group for year ended 31 December 2004 are set out in paragraph (b) under section 2 in this appendix to the Prospectus.

Set out below is a summary of the audited consolidated income statements for each of the three years ended 31 December 2004 and the audited consolidated balance sheets as at 31 December 2002, 31 December 2003 and 31 December 2004 as extracted from the annual report of the Company for the relevant years.

### Consolidated Income Statement

	For the year ended 31 December		
	2004	2003	2002
	HK\$'000	HK\$'000	HK\$'000
Turnover	43,240	35,399	68,635
Cost of sales	(32,959)	(32,543)	(55,012)
Gross profit	10,281	2,856	13,623
Other income	235	23	143
Impairment loss of development costs	(862)	(2,396)	(2,532)
Bad debts	(8,992)	(4,825)	(3,945)
Provision for diminution in value of investment securities	–	–	(2,342)
Selling and distribution expenses	(498)	(4,086)	(4,866)
Administrative expenses	(11,774)	(17,745)	(19,011)
Operating (loss)/profit	(11,610)	(26,173)	(18,930)
Finance costs	(10)	(447)	(335)
Amortisation of goodwill on consolidation	–	(661)	(1,587)
(Loss)/profit before income tax	(11,620)	(27,281)	(20,852)
Income tax expense	(221)	(1)	–
(Loss)/profit for the year	<u>(11,841)</u>	<u>(27,282)</u>	<u>(20,852)</u>
(Loss)/earnings per share			
– Basic (HK cents)	<u>(4.93)</u>	<u>(11.37)</u>	<u>(8.78)</u>

## Consolidated Balance Sheet

	For the year ended 31 December		
	2004	2003	2002
	HK\$'000	HK\$'000	HK\$'000
NON-CURRENT ASSETS			
Fixed assets	99	220	2,165
Development costs	–	1,896	6,196
Goodwill on consolidation	–	–	661
	<u>99</u>	<u>2,116</u>	<u>9,022</u>
CURRENT ASSETS			
Inventories – spare parts	2,854	308	178
Debtors, deposits and prepayments	5,595	11,075	39,038
Pledged time deposit	–	–	3,203
Cash and bank balances	5,337	8,494	4,997
	<u>13,786</u>	<u>19,877</u>	<u>47,416</u>
DEDUCT:			
CURRENT LIABILITIES			
Bank overdrafts			
– secured	–	–	2,746
– unsecured	–	42	43
Secured bank loan	91	115	107
Bills payable	–	–	466
Creditors, accruals and deposits	15,793	18,660	23,712
Value-added tax payable	799	178	1,200
Income tax payable	219	1	–
Obligations under finance lease	–	–	16
Amounts due to related companies	6,339	461	431
Amounts due to directors	–	332	–
	<u>23,241</u>	<u>19,789</u>	<u>28,721</u>
NET CURRENT ASSETS	<u>(9,445)</u>	<u>88</u>	<u>18,695</u>
	<u>(9,356)</u>	<u>2,204</u>	<u>27,717</u>

	For the year ended 31 December		
	2004	2003	2002
	HK\$'000	HK\$'000	HK\$'000
REPRESENTING:			
SHARE CAPITAL	24,000	24,000	24,000
RESERVES	<u>(35,612)</u>	<u>(23,771)</u>	<u>3,511</u>
SHAREHOLDERS' FUNDS	(11,612)	229	27,511
NON-CURRENT LIABILITIES			
Secured bank loan	–	91	206
Loan from a director	<u>2,256</u>	<u>1,884</u>	<u>–</u>
	<u>(9,356)</u>	<u>2,204</u>	<u>27,717</u>

**2. AUDITORS' REPORT AND FINANCIAL STATEMENTS OF THE COMPANY**

- (a) Set out below are the full texts of the auditors' report of the Company for the year ended 31 December 2004 as extracted from the 2004 annual report of the Company. Reference to page numbers in the auditors' report and the audited financial statements of the Group is to the page numbers of the 2004 annual report of the Company.

梁學濂會計師事務所

**PKF**

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

To the members of  
**Computech Holdings Limited**  
*(Incorporated in the Cayman Islands with limited liability)*

We have audited the financial statements on pages 19 to 51 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

**RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS**

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

**BASIS OF OPINION**

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material



misstatement. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

#### **FUNDAMENTAL UNCERTAINTY**

In forming our opinion, we have considered the adequacy of the disclosures made in note 1(b)(ii) to the financial statements concerning the validity of the going concern basis being adopted for the preparation of the financial statements. The financial statements have been prepared on a going concern basis, the validity of which depends upon the successful outcome of the measures being undertaken by the Directors to ensure that the Group is able to generate sufficient cash resources to meet its future working capital requirements and financial obligations. The financial statements do not include any adjustments that may be necessary if the implementation of such measures become unsuccessful. We consider that the fundamental uncertainty has been adequately accounted for and disclosed in the financial statements and our opinion is not qualified in this respect.

#### **OPINION**

In our opinion the financial statements give a true and fair view of the state of the affairs of the Company and the Group as at 31st December, 2004 and of the Group's loss and cash flows for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

#### **PKF**

*Certified Public Accountants*

Hong Kong, 29th March, 2005

- (b) Set out below are the audited financial statements of the Group for the year ended 31 December 2004 as extracted from the 2004 annual report of the Company. Reference to page numbers in the audited financial statements of the Group is to the page numbers of the 2004 annual report of the Company.

### CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2004

	<i>Note</i>	<b>2004</b> <i>HK\$'000</i>	<b>2003</b> <i>HK\$'000</i>
Turnover	2	43,240	35,399
Cost of sales		<u>(32,959)</u>	<u>(32,543)</u>
Gross profit		10,281	2,856
Other income		235	23
Impairment loss of development costs		(862)	(2,396)
Bad debts		(8,992)	(4,825)
Selling and distribution expenses		(498)	(4,086)
Administrative expenses		<u>(11,774)</u>	<u>(17,745)</u>
Operating loss		(11,610)	(26,173)
Finance costs		(10)	(447)
Amortisation of goodwill on consolidation		<u>–</u>	<u>(661)</u>
Loss before income tax	3	(11,620)	(27,281)
Income tax expense	4	<u>(221)</u>	<u>(1)</u>
Loss for the year	5	<u><u>(11,841)</u></u>	<u><u>(27,282)</u></u>
Loss per share – Basic ( <i>HK cents</i> )	6	<u><u>(4.93)</u></u>	<u><u>(11.37)</u></u>

## CONSOLIDATED BALANCE SHEET

At 31 December 2004

	<i>Note</i>	<b>2004</b> <i>HK\$'000</i>	<b>2003</b> <i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Fixed assets	9	99	220
Investment securities	11	–	–
Development costs	12	–	1,896
		<u>99</u>	<u>2,116</u>
<b>CURRENT ASSETS</b>			
Inventories	13	2,854	308
Debtors, deposits and prepayments	14	5,595	11,075
Cash and bank balances	16	5,337	8,494
		<u>13,786</u>	<u>19,877</u>
<b>DEDUCT:</b>			
<b>CURRENT LIABILITIES</b>			
Bank overdrafts			
– unsecured		–	42
Secured bank loan	15 & 17	91	115
Creditors, accruals and deposits	18	15,793	18,660
Value-added tax payable		799	178
Income tax payable		219	1
Amounts due to related companies	19	6,339	461
Amounts due to directors		–	332
		<u>23,241</u>	<u>19,789</u>
<b>NET CURRENT (LIABILITIES)/ASSETS</b>		<u>(9,445)</u>	<u>88</u>
		<u>(9,356)</u>	<u>2,204</u>

	<i>Note</i>	<b>2004</b> <i>HK\$'000</i>	<b>2003</b> <i>HK\$'000</i>
REPRESENTING:			
SHARE CAPITAL	20	24,000	24,000
RESERVES		<u>(35,612)</u>	<u>(23,771)</u>
(CAPITAL DEFICIENCY) /SHAREHOLDERS' FUNDS		(11,612)	229
NON-CURRENT LIABILITIES			
Secured bank loan	15 & 17	–	91
Loans from directors	22	<u>2,256</u>	<u>1,884</u>
		<u><u>(9,356)</u></u>	<u><u>2,204</u></u>

**BALANCE SHEET***At 31 December 2004*

	<i>Note</i>	<b>2004</b> <i>HK\$'000</i>	<b>2003</b> <i>HK\$'000</i>
<b>NON-CURRENT ASSET</b>			
Interests in subsidiaries	10	14	9,982
<b>CURRENT ASSETS</b>			
Deposits and prepayments		320	219
Cash at bank		13	7
		<u>333</u>	<u>226</u>
<b>DEDUCT:</b>			
<b>CURRENT LIABILITIES</b>			
Bank overdraft – unsecured		–	42
Accruals		290	460
Amounts due to subsidiaries	10(b)	413	–
Amount due to a director		–	197
		<u>703</u>	<u>699</u>
<b>NET CURRENT LIABILITIES</b>		<u>(370)</u>	<u>(473)</u>
		<u>(356)</u>	<u>9,509</u>
<b>REPRESENTING:</b>			
<b>SHARE CAPITAL</b>	20	24,000	24,000
<b>RESERVES</b>	21	<u>(26,612)</u>	<u>(14,491)</u>
<b>(CAPITAL DEFICIENCY)/ SHAREHOLDERS' FUNDS</b>		(2,612)	9,509
<b>NON-CURRENT LIABILITIES</b>			
Loans from directors	22	2,256	–
		<u>(356)</u>	<u>9,509</u>

**CONSOLIDATED CASH FLOW STATEMENT***For the year ended 31 December 2004*

	<b>2004</b> <i>HK\$'000</i>	<b>2003</b> <i>HK\$'000</i>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before income tax	(11,620)	(27,281)
Adjustments for:		
Interest income	–	(23)
Interest expenses	10	227
Impairment loss of development costs	862	2,396
Loss on disposal of fixed assets	–	985
Amortisation of goodwill on consolidation	–	661
Depreciation and amortisation	1,167	3,854
	<hr/>	<hr/>
Operating loss before working capital changes	(9,581)	(19,181)
Increase in inventories	(2,546)	(130)
Decrease in debtors, deposits and prepayments	5,480	27,963
Decrease in pledged time deposit	–	3,203
Decrease in creditors, accruals and deposits	(2,867)	(5,052)
Increase/(decrease) in value-added tax payable	621	(1,022)
Increase in amounts due to related companies	5,878	30
	<hr/>	<hr/>
Cash (used in)/generated from operations	(3,015)	5,811
Interest received	–	23
Interest paid	(10)	(227)
Income tax paid	(3)	–
	<hr/>	<hr/>
<b>NET CASH (USED IN)/</b>		
<b>FROM OPERATING ACTIVITIES</b>	<hr style="border-top: 1px dashed black;"/> (3,028)	<hr style="border-top: 1px dashed black;"/> 5,607
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payment to acquire fixed assets	(12)	(7)
Sales proceeds of fixed assets	–	5
Increase in development costs	–	(988)
	<hr/>	<hr/>
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<hr style="border-top: 1px dashed black;"/> (12)	<hr style="border-top: 1px dashed black;"/> (990)

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Decrease in bank loan	(115)	(107)
Decrease in bills payable	–	(466)
(Decrease)/increase in amounts due to directors	(332)	332
Increase in loans from directors	372	1,884
Principal repayment of obligations under finance lease	–	(16)
	<u>          </u>	<u>          </u>
<b>NET CASH (USED IN)/ FROM FINANCING ACTIVITIES</b>	<u>          (75)</u>	<u>          1,627</u>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	(3,115)	6,244
<b>CASH AND CASH EQUIVALENTS AT 1ST JANUARY</b>	<u>          8,452</u>	<u>          2,208</u>
<b>CASH AND CASH EQUIVALENTS AT 31ST DECEMBER</b>	<u>          5,337</u>	<u>          8,452</u>
<b>ANALYSIS OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	5,337	8,494
Bank overdrafts	–	(42)
	<u>          5,337</u>	<u>          8,452</u>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY***For the year ended 31 December 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 1.1.2003	24,000	19,030	100	(15,619)	27,511
Loss for the year	<u>          –</u>	<u>          –</u>	<u>          –</u>	<u>          (27,282)</u>	<u>          (27,282)</u>
At 31.12.2003 and 1.1.2004	24,000	19,030	100	(42,901)	229
Loss for the year	<u>          –</u>	<u>          –</u>	<u>          –</u>	<u>          (11,841)</u>	<u>          (11,841)</u>
At 31.12.2004	<u>          24,000</u>	<u>          19,030</u>	<u>          100</u>	<u>          (54,742)</u>	<u>          (11,612)</u>

**NOTES TO THE FINANCIAL STATEMENTS**

*For the year ended 31 December 2004*

**1. PRINCIPAL ACCOUNTING POLICIES**

The principal accounting policies adopted in the preparation of these financial statements are set out below:

**(a) Group reorganisation**

The Company was incorporated in the Cayman Islands on 29th March, 2000 as an exempted company with limited liability under the Companies Law (1998 Revision) of the Cayman Islands. Pursuant to a reorganisation scheme to rationalise the structure of the Group in preparation for the public listing of its shares in June, 2000, the Company became the holding company of the companies now comprising the Group on 3rd June, 2000. The shares of the Company were listed on the Growth Enterprise Market ("GEM") of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 19th June, 2000.

**(b) Basis of preparation**

(i) These financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with Statements of Standard Accounting Practice issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and are prepared under the historical cost convention.

(ii) These financial statements have also been prepared on a going concern basis notwithstanding the existence of the capital deficiency and net current liabilities position at the balance sheet date as the Directors have adopted the following measures with a view to improving the Group's overall financial position, immediate liquidity and cash flows in order to sustain the Group to continue its business as a going concern:

1. Subsequent to the balance sheet date, the Company proposed to raise HK\$4,800,000, before expenses, from a rights issue of 240,000,000 new shares of the Company. The rights issue will be fully underwritten by Aplus Worldwide Limited and is scheduled to become unconditional on 3rd May, 2005. The estimated net proceeds of the rights issue will amount to approximately HK\$4.3 million. The Company intends to use the net proceeds from the rights issue for general working capital purposes.
2. The Directors are actively exploring new business opportunities in order to revitalize the Group. In the fourth quarter of 2004, the Group has successfully diversified into 2 new lines of business, namely IT services and supply chain solutions, which contributed operating profit of approximately HK\$1,261,000 in aggregate to the Group.
3. The Directors have taken stringent cost-saving measures to streamline the Group's exiting operations and to strengthen its financial control.

In the opinion of the Directors, if the above measures accomplish the expected results, the Group will have sufficient cash resources to satisfy its future working capital requirements and financial obligations. Accordingly, the Directors consider that it is appropriate to prepare these financial statements on a going concern basis.

Should the Group be unable to continue in business as a going concern, adjustments would have to be made to reduce the value of assets to their recoverable amounts, to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively and to provide for any further liabilities which might arise.



**1. PRINCIPAL ACCOUNTING POLICIES (continued)****(c) Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st December each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. All significant intra-group transactions and balances have been eliminated on consolidation.

**(d) Goodwill/negative goodwill**

Goodwill/negative goodwill arising on consolidation represents the excess/shortfall of the cost of investments in subsidiaries over the appropriate share of the fair value of the net tangible assets at the date of acquisition.

Goodwill is recognised as an asset which is amortised on a straight line basis over its estimated useful life of three years. Negative goodwill is recognised in the income statement depending on the circumstances which give rise to it.

**(e) Fixed assets and depreciation**

Fixed assets are stated at cost less aggregate depreciation. 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. Expenditure incurred after the assets have been put into operation, such as repairs and maintenance, is charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the asset, the expenditure is capitalised as an additional cost of the asset.

The gain or loss on disposal of the fixed assets representing the difference between the net sales proceeds and the carrying amount of the relevant asset, is recognised in the income statement.

Depreciation is calculated to write off the cost of fixed assets over their estimated useful lives as set out below on a straight line basis:

Computer equipment	–	3 years
Furniture and fixtures	–	4 years
Motor vehicles	–	3 years
Leasehold improvements	–	shorter of 5 years and lease term

**(f) Leases**

Leases are classified as finance leases whenever the terms of the leases transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

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

**(g) Subsidiaries**

A subsidiary is an enterprise over which the Company has control either directly or indirectly. Control is the power to govern the financial and operating policies of a company so as to obtain benefits from its activities.

Investments in subsidiaries are stated in the Company's balance sheet at cost less any identified impairment loss. Income from subsidiaries is recognised in the Company's financial statements on the basis of dividends declared by the subsidiaries.

**1. PRINCIPAL ACCOUNTING POLICIES (continued)****(h) Investment securities**

Investment securities are stated at cost less any provision for diminution in value.

The carrying amounts of individual investments are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts. When a decline other than temporary has occurred, the carrying amount of such securities should be reduced to its fair value. The amount of the reduction is recognised as an expense in the income statement.

**(i) Development costs**

Development costs are capitalised only when it is expected that the product under development will generate probable future economic benefits and will be produced or used internally, its technical feasibility has been demonstrated and the expenditure is separately identifiable and has been measured reliably. Development costs are amortised on a straight line basis over three years commencing when the relevant product is available for sale or use. Development costs which do not meet these criteria are expensed when incurred.

**(j) Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis and includes all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

**(k) Impairment**

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

**(l) Provisions**

A provision is recognised in the balance sheet when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

**(m) Revenue recognition**

Revenue from sale 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 on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

**1. PRINCIPAL ACCOUNTING POLICIES (continued)****(n) Employee benefits**

Salaries, annual bonuses, annual leave entitlements and the cost to the Group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group.

Obligations for contributions to retirement plans, including contributions payable under the Hong Kong Occupational Retirement Schemes Ordinance and Mandatory Provident Fund Schemes Ordinance and the PRC central pension scheme, are recognised as an expense in the income statement as incurred.

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

**(o) Foreign currency translation**

Foreign currency transactions during the year are translated into Hong Kong dollars at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Hong Kong dollars at the market exchange rates ruling at the balance sheet date. Differences on foreign currency translation are dealt with in the income statement.

The consolidated financial statements are prepared by using the net investment method such that the balance sheet of the Company's PRC subsidiary is translated in Hong Kong dollars at the market exchange rate ruling at the balance sheet date while the income statement is translated at the average exchange rate for the year. Any exchange differences arising on such translation are dealt with in the exchange reserve.

**(p) Related parties**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

**(q) 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 income statement because it excludes items of income and expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable and deductible.

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.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

**1. PRINCIPAL ACCOUNTING POLICIES (continued)****(r) Cash equivalents**

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

**(s) Segment reporting**

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Inter-segment pricing is based on similar terms as those available to other external parties.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment.

Segment capital expenditure is the total cost incurred during the year to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items may comprise financial and corporate assets, interest-bearing loans, corporate and financing expenses.

**(t) Recently issued accounting standards**

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (“new HKFRSs”) which are effective for accounting periods beginning on or after 1st January, 2005.

The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31st December, 2004. The Group has already commenced an assessment of the impact of these HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of the operations and financial position.

**2. TURNOVER AND REVENUE**

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

	<b>2004</b>	<b>2003</b>
	<i>HK\$’000</i>	<i>HK\$’000</i>
Sales of packaged software products and related services	2,422	4,528
Provision of IT services	15,342	–
Provision of supply chain solutions	10,892	–
System integration	8,762	28,007
Others	5,822	2,864
	<hr/>	<hr/>
Turnover	43,240	35,399
Interest income	–	23
	<hr/>	<hr/>
Total revenue	<u>43,240</u>	<u>35,422</u>

## 3. LOSS BEFORE INCOME TAX

	2004 HK\$'000	2003 HK\$'000
Loss before income tax is arrived at after charging/(crediting):		
Amortisation of development costs	1,034	2,901
Minimum lease payments paid under operating leases	1,025	2,127
Auditors' remuneration	244	254
Depreciation	133	962
Less: Amounts capitalised as development costs	–	9
	133	953
Directors' remuneration – <i>Note 8(a)</i>	763	872
Less: Amounts capitalised as development costs	–	212
	763	660
Other staff salaries and benefits	5,910	6,116
Less: Amounts capitalised as development costs	–	484
	5,910	5,632
Retirement scheme contributions	150	144
Less: Amounts capitalised as development costs	–	6
	150	138
Bank overdraft and bills interest	–	169
Interest on bank and other loans wholly repayable within five years	10	56
Finance lease interest	–	2
Exchange (gain)/loss	(18)	427
Sales proceeds	–	(5)
Less: Net book value	–	990
Loss on disposal of fixed assets	–	985
	<u>          </u>	<u>          </u>

## 4. INCOME TAX EXPENSE

	2004 HK\$'000	2003 HK\$'000
Current tax		
Provision for Hong Kong profits tax at 17.5% on the estimated assessable profits for the year	221	1
	<u>          </u>	<u>          </u>

The Company's subsidiary operating in the PRC sustained a loss for tax purpose during the year.

## 4. INCOME TAX EXPENSE (continued)

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

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Loss before income tax	<u>(11,620)</u>	<u>(27,281)</u>
Tax effect at Hong Kong profits tax at 17.5% (2003: PRC statutory income tax rate of 33%)	(2,033)	(9,003)
PRC and Hong Kong tax rates differential	154	2,381
Tax effect of income that is not taxable	(305)	(430)
Tax effect of expenses that are not deductible	362	2,441
Tax effect of waiver of intra-group balance that is taxable in subsidiary level but eliminated and not taxable in group level	5,000	–
Tax effect of unrecognised decelerated depreciation allowances	125	(88)
Utilisation of tax loss not previously recognised	(3,082)	–
Effect of tax loss not recognised	<u>–</u>	<u>4,700</u>
Income tax expense	<u>221</u>	<u>1</u>

As the Group's principal place of operations during the year ended 31st December, 2004 was in Hong Kong, the applicable tax rate adopted for the above income tax reconciliation for the current year under review was the Hong Kong profits tax rate of 17.5%.

**4. INCOME TAX EXPENSE (continued)**

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

	<b>2004</b> <i>HK\$'000</i>	<b>2003</b> <i>HK\$'000</i>
Deductible temporary differences ( <i>Note 4(b)(i)</i> )		
Unutilised tax losses ( <i>Note 4(b)(ii)</i> )	36,472	54,083
Provision for bad debts	–	4,085
Decelerated depreciation allowances	1,121	409
	<u>37,593</u>	<u>58,577</u>
Taxable temporary difference ( <i>note 4(b)(iii)</i> )		
Revenue recognised for financial reporting purposes before being recognised for tax purposes	–	(6,573)
	<u>37,593</u>	<u>52,004</u>

- (i) Deductible temporary differences 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 deductible temporary differences.
- (ii) The unutilised tax losses accumulated in the PRC subsidiary amounted to approximately HK\$15,060,000 (2003: HK\$16,936,000) would expire in five years from the respective year of loss. The unutilised tax losses accumulated in the Hong Kong subsidiaries amounted to HK\$21,412,000 (2003: HK\$37,147,000) can be carried forward indefinitely.
- (iii) Taxable temporary difference has not been recognised owing to immateriality.

**5. LOSS FOR THE YEAR**

Loss for the year includes a loss of approximately HK\$12,121,000 (2003: HK\$29,588,000) which has been dealt with in the financial statements of the Company.

**6. LOSS PER SHARE**

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

	<b>2004</b> <i>HK\$'000</i>	<b>2003</b> <i>HK\$'000</i>
Loss		
Loss for the year used in the calculation of basic loss per share	<u>(11,841)</u>	<u>(27,282)</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>

**7. RETIREMENT BENEFIT COSTS**

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

The Company's subsidiary in PRC has participated in a central pension scheme, contributions are made by the subsidiary to the scheme based on 19% to 24% of the applicable payroll costs. The Group has no obligation other than above-mentioned contributions.

## 8. DIRECTORS' EMOLUMENTS AND EMPLOYEES' EMOLUMENTS

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

	Fees <i>HK\$'000</i>	Basic salaries, allowances and other benefits <i>HK\$'000</i>	Pension scheme contributions <i>HK\$'000</i>	Total <i>HK\$'000</i>
2003				
Executive directors:				
Fung Pak Chuen, Alphonso	–	–	–	–
Lo, Richard	–	–	–	–
Lee Man Lung, Vincent	–	254	13	267
Yip Tai Chee, Alick	–	181	9	190
Tang Chi Lap	–	167	8	175
	<u>–</u>	<u>602</u>	<u>30</u>	<u>632</u>
Non-executive directors:				
Taniguchi Hiroyuki	–	–	–	–
Sugii Toshio	–	–	–	–
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Independent non-executive directors:				
Tsang Link Carl, Brian	120	–	–	120
Lee Sai Yeung	120	–	–	120
	<u>240</u>	<u>–</u>	<u>–</u>	<u>240</u>
	<u>240</u>	<u>602</u>	<u>30</u>	<u>872</u>
2004				
Executive directors:				
Fung Pak Chuen, Alphonso	–	498	25	523
Lo, Richard	–	–	–	–
Lee Man Lung, Vincent	–	–	–	–
Yip Tai Chee, Alick	–	–	–	–
Tang Chi Lap	–	–	–	–
	<u>–</u>	<u>498</u>	<u>25</u>	<u>523</u>
Non-executive directors:				
Taniguchi Hiroyuki	–	–	–	–
Sugii Toshio	–	–	–	–
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Independent non-executive directors:				
Lee Sai Yeung	120	–	–	120
Chung Kong Fei, Stephen	15	–	–	15
Ng Chik Sum, Jackson	15	–	–	15
Tsang Link Carl, Brian	90	–	–	90
	<u>240</u>	<u>–</u>	<u>–</u>	<u>240</u>
	<u>240</u>	<u>498</u>	<u>25</u>	<u>763</u>

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.



**8. DIRECTORS' EMOLUMENTS AND EMPLOYEES' EMOLUMENTS (continued)**

## (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:

	<b>2004</b> <i>HK\$'000</i>	<b>2003</b> <i>HK\$'000</i>
Salaries and allowances	783	1,322
Retirement scheme contributions	24	66
	<u>807</u>	<u>1,388</u>

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

**9. FIXED ASSETS**

	<b>Computer equipment</b> <i>HK\$'000</i>	<b>Motor vehicles</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
Cost:			
At 1.1.2004	–	828	828
Additions	12	–	12
At 31.12.2004	<u>12</u>	<u>828</u>	<u>840</u>
Aggregate depreciation:			
At 1.1.2004	–	608	608
Charge for the year	1	132	133
At 31.12.2004	<u>1</u>	<u>740</u>	<u>741</u>
Net book value:			
At 31.12.2004	<u>11</u>	<u>88</u>	<u>99</u>
At 31.12.2003	<u>–</u>	<u>220</u>	<u>220</u>

## 10. INTERESTS IN SUBSIDIARIES

	2004 HK\$'000	2003 HK\$'000
Unlisted shares, at cost	100	100
Amounts due from subsidiaries – Note 10(b)	10,248	38,452
	10,348	38,552
Less: Provision for impairment loss and bad debts	10,334	28,570
	14	9,982

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

Name	Place of incorporation/ establishment	Particulars of issued share capital/ registered capital	Attributable equity interest held by the Group		Principal activities
			Directly	Indirectly	
Computech International Limited	The British Virgin Islands	1,000 shares of US\$1 each	100%	–	Investment holding
CL Computers (China) Limited	Hong Kong	10 ordinary shares of HK\$1 each 400,002 non-voting deferred shares of HK\$1 each*	–	100%	Investment holding
CL Computers System (Beijing) Co., Ltd.	PRC	US\$500,000	–	100%	Software application development and customer liaison
Computech Systems (Asia) Limited	Hong Kong	10 ordinary shares of HK\$1 each 12,690,000 non-voting deferred shares of HK\$1 each*	–	100%	Dormant
CL Solutions Services Limited (formerly known as Computech Systems Limited)	Hong Kong	100,000 shares of HK\$1 each	–	100%	Provision of hardware warranty services and investment holding
Computech Convergence Limited	The British Virgin Islands	10 shares of US\$1 each	–	100%	Dormant
CL Computers Services Limited	Hong Kong	200,000 shares of HK\$1 each	–	100%	Dormant
CL Solutions Limited	Hong Kong	300,000 shares of HK\$1 each	–	100%	Provision of IT solutions and related services
CL Services Limited	Hong Kong	300,000 shares of HK\$1 each	–	100%	Provision of IT support services
Guangzhou CL Solutions Limited	PRC	US\$200,000	–	100%	Dormant
Victor Group Limited	Hong Kong	1 share of HK\$1 each	–	100%	Dormant

\* The non-voting deferred shares, which are not held by the Group, practically carry no rights to dividend or to receive notice of or to attend or vote at any general meeting of the respective companies or to participate in any distribution in winding up.

(b) The amounts due to/from subsidiaries are interest-free, unsecured and have no fixed repayment term.

## 11. INVESTMENT SECURITIES

	<b>2004</b> <i>HK\$'000</i>	<b>2003</b> <i>HK\$'000</i>
Unlisted equity securities, at cost	2,342	2,342
Less: Provision for diminution in value	2,342	2,342
	<u>          </u>	<u>          </u>
	<u>          </u>	<u>          </u>
	-	-

The above represented the Group's share of contributions to a company, of which the Group has an approximately 4% equity interest therein. The investee company was dormant during the year.

## 12. DEVELOPMENT COSTS

	<i>HK\$'000</i>
Cost:	
At 1.1.2004 and 31.12.2004	13,334
Aggregate amortisation:	
At 1.1.2004	6,510
Charge for the year	1,034
	<u>          </u>
At 31.12.2004	7,544
Impairment loss:	
At 1.1.2004	4,928
Charge for the year	862
	<u>          </u>
At 31.12.2004	5,790
Net book value:	
At 31.12.2004	-
	<u>          </u>
At 31.12.2003	1,896
	<u>          </u>

## 13. INVENTORIES

	<b>2004</b> <i>HK\$'000</i>	<b>2003</b> <i>HK\$'000</i>
Equipment and accessories held for re-sale	578	308
Spare parts	2,276	-
	<u>          </u>	<u>          </u>
	<u>          </u>	<u>          </u>
	2,854	308
	<u>          </u>	<u>          </u>

## 14. DEBTORS, DEPOSITS AND PREPAYMENTS

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Debtors, deposits and prepayments comprise:		
Trade debtors	4,538	17,313
Less: Provision for bad debts	—	7,775
	<u>4,538</u>	<u>9,538</u>
Other debtors, deposits and prepayments	1,057	1,537
	<u>5,595</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 associate with trade debtors, credit evaluations of customers are performed periodically. The following is an aging analysis of trade debtors.

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
0 – 3 months	4,504	587
4 – 6 months	12	29
7 – 12 months	22	5,591
Over 1 year but within 2 years	—	6,661
Over 2 years	—	4,445
	<u>4,538</u>	<u>17,313</u>

## 15. BANKING FACILITIES

As at 31st December, 2004, the Group's available banking facilities to the extent of approximately HK\$91,000 (2003: HK\$206,000) are secured by a motor vehicle with net book value of approximately HK\$88,000 (2003: HK\$220,000).

## 16. CASH AND BANK BALANCES

At 31st December, 2004, the cash and bank balances of the Group denominated in Renminbi amounted to approximately HK\$340,000 (2003: HK\$8,051,000). Renminbi is not freely convertible into foreign currencies. Subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange Renminbi for foreign currencies through banks authorised to conduct foreign exchange business.

## 17. SECURED BANK LOAN

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Principal outstanding	91	206
Less: Amount repayable within one year (shown under current liabilities)	91	115
	<u>—</u>	<u>91</u>
Amount repayable after one year but within five years (shown under non-current liabilities)	—	—

**18. CREDITORS, ACCRUALS AND DEPOSITS**

	<b>2004</b> <i>HK\$'000</i>	<b>2003</b> <i>HK\$'000</i>
Creditors, accruals and deposits comprise:		
Trade creditors	7,196	13,055
Other creditors, accruals and deposits	8,597	5,605
	<u>15,793</u>	<u>18,660</u>

The following is an aging analysis of trade creditors:

	<b>2004</b> <i>HK\$'000</i>	<b>2003</b> <i>HK\$'000</i>
0 – 6 months	3,573	839
7 – 12 months	116	4,193
Over 12 months	3,507	8,023
	<u>7,196</u>	<u>13,055</u>

**19. AMOUNTS DUE TO RELATED COMPANIES**

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

**20. SHARE CAPITAL**

	<b>Group and Company</b>	
	<i>Number of shares</i>	<i>HK\$'000</i>
Authorised:		
At 1st January, 2004 and 31st December, 2004	<u>1,000,000,000</u>	<u>100,000</u>
Issued and fully paid:		
At 1st January, 2004 and 31st December, 2004	<u>240,000,000</u>	<u>24,000</u>

- (a) 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.

Upon acceptance of the option, the grantee shall duly sign the duplicate of the offer letter together with a remittance in favour of the Company of HK\$1 by way of consideration of the grant within 28 days from the date of the offer letter.

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.

All the shares options under the Scheme lapsed during the year 2003.

## 21. RESERVES

	Share premium <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
The Company			
At 1.1.2003	19,030	(3,933)	15,097
Loss for the year	—	(29,588)	(29,588)
At 31.12.2003 and 1.1.2004	19,030	(33,521)	(14,491)
Loss for the year	—	(12,121)	(12,121)
At 31.12.2004	<u>19,030</u>	<u>(45,642)</u>	<u>(26,612)</u>

- (a) 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 pay off its debts as they fall due in the ordinary course of business.
- (b) As at 31st December, 2004, in the opinion of the directors, there was no reserve of the Company available for distribution to the shareholders (2003: HK\$Nil).

## 22. LOANS FROM DIRECTORS

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

## 23. COMMITMENTS

- (a) Operating leases

As at 31st December, 2004, the Group and the Company had outstanding commitments under non-cancellable operating leases which fall due as follows:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
(i) The Group		
Within one year	1,538	1,123
In the second to fifth years inclusive	492	—
	<u>2,030</u>	<u>1,123</u>
(ii) The Company		
Within one year	—	403
In the second to fifth years inclusive	—	—
	<u>—</u>	<u>403</u>

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

- (b) Other than the above, the Group had no material capital and financial commitments.

## 24. CONNECTED AND RELATED PARTY TRANSACTIONS

On 28th July, 2004, the Company entered into an agreement with CL International Holdings Limited (“CLIH”), 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 certain existing customers of CLIH Group. CLIH is indirectly owned as to approximately 46.2% by the General Trust. Aplus Worldwide Limited, the controlling shareholder of the Company, is indirectly owned as to 84% by the General Trust. CLIH is therefore a connected person of the Company according to the GEM Listing Rules.

The executive directors, Mr. Fung Pak Chuen, Alphonso and Mr. Lo, Richard were interested in the above transactions by virtue of their spouses’ beneficial interest in the General Trust (notes 5 and 6 in the section headed “substantial shareholders” in the Directors’ Report).

During the year, the Group had the following transactions with CLIH Group:–

	<i>Note</i>	<b>2004</b> <i>HK\$’000</i>	<b>2003</b> <i>HK\$’000</i>
Consultancy fee income received from a subsidiary of CLIH	(i)	572	86
Service income from a subsidiary of Hitachi, Limited which is a substantial shareholder of the Company	(i)	–	158
Service fee paid to a subsidiary of CLIH	(ii)	567	966
Provision of IT services to a subsidiary of CLIH	(iii)	12,029	–
Purchases from subsidiaries of CLIH	(iii)	<u>14,592</u>	<u>–</u>

The above transactions were entered into on the following bases:

- (i) a fixed amount with reference to the cost of services rendered;
- (ii) a certain percentage of the Group’s billings on the relevant services; and
- (iii) amounts with reference to market price of goods sold or services rendered.

The transactions set out above also constituted connected transactions under the GEM Listing Rules. The directors have reviewed the connected transactions and are of the opinion that these transactions were effected on normal commercial terms and in the ordinary course of the business of the Group.

## 25. SEGMENT REPORTING

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

## (a) Business segments

The Group principally operates in three business segments, (i) sales of bank packaged software products, (ii) provision of IT services and (iii) supply chain solutions.

	IT services		Supply chain solutions		Bank packaged software products		Consolidated	
	2004	2003	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	15,342	986	10,892	-	17,006	34,413	43,240	35,399
<b>RESULTS</b>								
Segment results	813	9	448	-	(9,618)	(25,154)	(8,357)	(25,145)
Unallocated expenses							(3,253)	(1,051)
Interest income	-	-	-	-	-	23	-	23
Finance cost	-	-	-	-	(10)	(447)	(10)	(447)
Amortisation of goodwill	-	-	-	-	-	-	-	(661)
Income tax expense	(142)	(1)	(79)	-	-	-	(221)	(1)
Profit/(loss) attributable to shareholders	671	8	369	-	(9,628)	(25,578)	(11,841)	(27,282)
<b>SEGMENT ASSETS</b>								
Segment assets	5,997	233	6,116	-	1,433	21,532	13,546	21,765
Unallocated assets							339	228
Total assets							13,885	21,993
<b>SEGMENT LIABILITIES</b>								
Segment liabilities	(5,340)	(307)	(6,230)	-	(11,421)	(20,780)	(22,991)	(21,087)
Unallocated liabilities							(2,506)	(677)
Total liabilities							(25,497)	(21,764)
<b>OTHER INFORMATION</b>								
Depreciation and amortisation	-	-	-	-	1,167	3,863	1,167	3,863
Impairment loss on development cost	-	-	-	-	862	2,396	862	2,396
Bad debts	-	-	-	-	8,992	4,825	8,992	4,825
Capital expenditure incurred during the year	8	-	4	-	-	6	12	6

Unallocated expenses include administrative expenses incurred by the Company and certain non-operating subsidiaries.

Unallocated assets consist of deposits and prepayments and cash and bank balances of the Company and certain non-operating subsidiaries.

Unallocated liabilities represent accruals and loans from directors owed by the Company and certain non-operating subsidiaries.



## 25. SEGMENT REPORTING (continued)

## (b) Geographical segments

The Group's business can be subdivided into the Hong Kong and PRC markets.

The Group's geographical segments are classified according to the location of the customers as the reporting format because this is considered by management to be more relevant to the Group in making operating and financial decisions. No separate disclosure of the Group's geographical segments according to the location of assets has been made as there is no material difference between the Group's geographical segments classified by location of customers or by location of assets.

Management considers that all items in the consolidated income statement and assets included in the consolidated balance sheet can be reasonably allocated to each geographical segment.

The following table presents revenue, segment assets and capital expenditure incurred for the Group's geographical segments.

	Hong Kong		PRC		Consolidated	
	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	26,234	986	17,006	34,413	43,240	35,399
Segment assets	12,482	7,843	1,403	14,150	13,855	21,993
Capital expenditure incurred during the year	12	1	–	5	12	6

## 26. ULTIMATE HOLDING COMPANY

The directors consider the ultimate holding company to be Aplus Worldwide Limited, a company incorporated in the British Virgin Islands.

**27. SUBSEQUENT EVENTS**

Subsequent to the balance sheet date, the following events have occurred:

- (a) By the Order of the Grand Court of the Cayman Islands dated 14th January, 2005 and special resolution passed on 12th October, 2004, to reduce and diminish the authorised and issued share capital of the Company ("Capital Reduction") by the following ways:
- (i) to reduce the share capital of the Company by canceling issued and paid up capital to the extent of HK\$0.09 on each of shares in issue and by reducing the nominal value of all issued and unissued shares from HK\$0.10 each to HK\$0.01 each;
  - (ii) to cancel the share premium account;
  - (iii) to apply the credit arising from the capital reduction and cancellation of the share premium account to set off in full the accumulated losses of the Company, which amounted to approximately HK\$33,521,000 as shown in the audited financial statements of the Company for the year ended 31st December, 2003, and
  - (iv) to cancel 684,000,000 unissued shares of HK\$0.10 each in the share capital of the Company and each remaining unissued shares of HK\$0.10 each in the share capital of the Company be subdivided into 10 unissued new shares of HK\$0.01 each.

Upon the Capital Reduction becoming effective, the authorised share capital of the Company will become HK\$10,000,000 divided into 1,000,000,000 new shares of HK\$0.01 each, of which 240,000,000 new shares of HK\$0.01 each will be in issue.

- (b) The Company proposes to raise approximately HK\$4.8 million before expenses by way of a rights issue of 240,000,000 rights shares at a price of HK\$0.02 per rights share payable in full on acceptance on the basis of one rights share for every one existing share held on the expected Record Date on 6th April 2005. The Company will provisionally allot to the qualifying shareholders on rights share in nil-paid form for every one existing share held on the expected Record Date on 6th April 2005. The rights issue will not be available to the non-qualifying shareholders.

The estimated net proceeds of the rights issue will amount to approximately HK\$4.3 million. The Company intends to use the net proceeds from the rights issue for general working capital purposes.

## RESULTS

	Years ended 31st December,				
	2000 HK\$'000	2001 HK\$'000	2002 HK\$'000	2003 HK\$'000	2004 HK\$'000
Turnover	<u>37,565</u>	<u>120,990</u>	<u>68,635</u>	<u>35,399</u>	<u>43,240</u>
Profit/(loss) for the year	<u>356</u>	<u>4,552</u>	<u>(20,852)</u>	<u>(27,282)</u>	<u>(11,841)</u>

## Notes:

1. The results of the Group for the year ended 31st December, 2000 presented above include the results of the Company and its subsidiaries with effect from 1st January, 2000 or since their respective dates of incorporation/establishment, where this is a shorter period, on the basis that the current group structure had been in existence throughout the said year.
2. The results of the Group for each of the four years ended 31st December, 2004 are prepared under the basis as set out in note 1(c) on page 27.

## ASSETS AND LIABILITIES

	At 31st December,				
	2000 HK\$'000	2001 HK\$'000	2002 HK\$'000	2003 HK\$'000	2004 HK\$'000
Non-current assets	<u>11,877</u>	<u>14,694</u>	<u>9,022</u>	<u>2,116</u>	<u>99</u>
Current assets	21,597	59,131	47,416	19,877	13,786
Deduct:					
Current liabilities	<u>10,796</u>	<u>46,495</u>	<u>28,721</u>	<u>19,789</u>	<u>23,241</u>
Net current assets/ (liabilities)	<u>10,801</u>	<u>12,636</u>	<u>18,695</u>	<u>88</u>	<u>(9,455)</u>
Non-current liabilities	<u>(30)</u>	<u>(16)</u>	<u>(206)</u>	<u>(1,975)</u>	<u>(2,256)</u>
Net assets/(liabilities)	<u>22,648</u>	<u>27,314</u>	<u>27,511</u>	<u>229</u>	<u>(11,612)</u>

### 3. FINANCIAL AND TRADING PROSPECTS

For the financial year ended 31 December 2002, the Group recorded a turnover of approximately HK\$68.6 million. Turnover decreased substantially by approximately 48.4% to HK\$35.4 million in the financial year ended 31 December 2003. Following the significant decline in turnover, the Group recorded audited loss of approximately HK\$27.3 million in the financial year ended 31 December 2003.

The significant reduction in turnover in 2003 was largely due to severe competition in the IT industry. In addition, the banking industry in the People's Republic of China ("PRC"), which is the Group's main market, scaled back its IT expenditure. The delays in the implementation of structural reforms of the financial industry in the PRC also affected the Group's business.

In view of the severe competition in packaged software products catering to the financial industry, the Group has expanded its two other major lines of businesses, namely IT Services and Supply Chain Solutions, in late 2004, which contributed approximately HK\$15.3 million and HK\$10.9 million respectively to the Group's turnover. Total turnover of the Group for the year ended 31 December 2004 increased to approximately HK\$43.2 million, representing approximately 22.1% increase from last year and the gross profit margin for the year increased to approximately 23.8%. Despite the Group suffering another loss in 2004, the audited loss for the year ended 31 December 2004 decreased to approximately HK\$11.8 million, representing approximately 56.6% decrease compared with the loss in 2003.

The Directors envisage that the trend of outsourcing of IT Services among governmental and large commercial institutions will continue to grow and thus improvements in the Group's financial results are expected in the future. The Group will continue to work closely with its business partners to secure outsourcing jobs in the areas such as warranty and maintenance services, manpower secondment, technical hotline support and project roll-outs.

There are increasing number of organizations in China and Hong Kong which are in the process of streamlining and improving their operations. This resulted in the growth in demand for automated data collection hardware as well as distribution and logistics management software and offers good opportunities for the Group's Supply Chain Solutions business. The Group will continue to strengthen its sales and support teams in the PRC and Hong Kong in order to enhance its market share in the distribution, manufacturing and transportation industries.

In addition to the above, the Group, leveraging on its existing core competencies, constantly looks for viable new business opportunities. With the expansion of the Group's scope of business as described above, the Directors are cautiously optimistic that the financial performance of the Group will progressively improve.

**4. COMFORT LETTER ON PRO FORMA STATEMENT OF UNAUDITED ADJUSTED CONSOLIDATED NET TANGIBLE NEGATIVE ASSETS**

梁學濂會計師事務所

**PKF**

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

8 April 2005

The Directors  
Computech Holdings Limited  
10th Floor, Westlands Centre  
20 Westlands Road  
Quarry Bay  
Hong Kong

Dear Sirs,

We report on the pro forma statement of unaudited adjusted consolidated net tangible negative assets (“Proforma Adjusted NTNA”) of Computech Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on page 52 of the Prospectus dated 8 April 2005 (the “Prospectus”) issued by the Company in connection with the proposed rights issue of 240,000,000 rights shares at HK\$0.02 per rights share on the basis of one rights share for every one existing share (the “Rights Issue”). The Proforma Adjusted NTNA has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the Rights Issue might have affected the financial information of the Group.

**RESPONSIBILITIES**

It is the responsibility solely of the directors of the Company to prepare the Proforma Adjusted NTNA as set out on page 52 to the Prospectus in accordance with Rule 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”).

It is our responsibility to form an opinion, as required by the GEM Listing Rules, on the Proforma Adjusted NTNA and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Proforma Adjusted NTNA beyond that owed to those to whom those reports were addressed by us at the dates of their issues.

**BASIS OF OPINION**

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards and Bulletin 1998/8 “Reporting on pro forma financial information pursuant to the Listing Rules” issued by the Auditing Practice Board in the United Kingdom, where applicable. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the historical financial information with the source documents, considering the evidence supporting the adjustments and discussing the Proforma Adjusted NTNA with the directors of the Company.

Our work does not constitute an audit or a review in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants, and accordingly, we do not express any such assurance on the Proforma Adjusted NTNA.

The Proforma Adjusted NTNA has been compiled in accordance with the basis as if the Rights Issue had been completed on 31 December 2004 for illustrative purposes only and because of its nature, it may not give an indicative net tangible negative assets value of the Group as at 31 December 2004 or at any future date.

**OPINION**

In our opinion:

- a. the Proforma Adjusted NTNA has been properly compiled on the basis stated;
- b. such basis is consistent with the accounting policies of the Group; and
- c. the adjustments are appropriate for the purposes of the Proforma Adjusted NTNA as disclosed pursuant to Rule 7.31 of the GEM Listing Rules.

Yours faithfully,

**PKF**

*Certified Public Accountants*

Hong Kong

## 5. STATEMENT OF PRO FORMA UNAUDITED ADJUSTED CONSOLIDATED NET TANGIBLE NEGATIVE ASSETS OF THE GROUP

The following is an illustration and pro forma net tangible negative assets statement of the Group which has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the proposed Rights Issue, as if the Rights Issue had been completed on 31 December 2004. This statement has been prepared for illustrative purposes only and because of its nature, it may not give a true picture of the financial position of the Group on the completion of the Rights Issue.

	<b>At 31 December</b>		
	<b>2004</b>	<b>Adjustment</b>	<b>Pro forma</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(note 1)</i>	<i>(note 2)</i>	
Net tangible negative assets at 31 December 2004	<u>(11,612)</u>	<u>4,300</u>	<u>(7,312)</u>

*Notes:*

1. The net tangible negative assets of the Group as at 31 December 2004 have been extracted without adjustment from the published annual report of the Group as at 31 December 2004.
2. Following the completion of the proposed Rights Issue, the estimated net proceeds are approximately HK\$4,300,000 resulting in a decrease in net tangible negative assets of the Group of approximately HK\$4,300,000.

## 6. STATEMENT OF INDEBTEDNESS

### **Borrowings**

At the close of business of 31 January 2005, the Group had obtained loans from Directors, Mr. Fung Pak Chuen, Alphonso and Mr. Lo, Richard amounted to approximately HK\$2,256,000. The loans are interest-free, unsecured and not repayable until the Group is in a position to do so.

### **Contingent liabilities**

As at 31 January 2005, the Group did not have any contingent liabilities.

### **Securities**

As at 31 January 2005, the Group had available banking facilities to the extent of approximately HK\$81,000 which are secured by a motor vehicle with net book value of approximately HK\$77,000.

**Disclaimers**

Save as aforesaid, and apart from intra-Group liabilities, the Group did not have outstanding at the close of business on 31 January 2005, any mortgages, charges, debentures or other loan capital issued or outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, or hire purchase commitments or any guarantees or other contingent liabilities.

**7. WORKING CAPITAL**

The Directors are of the opinion that, following the Rights Issue, taking into account the present available banking facilities and financial resources of the Group and the estimated net proceeds of the Rights Issue, the Group has sufficient working capital for its present requirements.

**8. MATERIAL ADVERSE CHANGES**

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2004, the date to which the latest published audited financial statements of the Group were made up.



**1. RESPONSIBILITY STATEMENT**

This Prospectus, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:

- (a) the information contained in this Prospectus is accurate and complete in all material respects and not misleading;
- (b) there are no other matters the omission of which would make any statement in this Prospectus misleading; and
- (c) all opinions expressed in this Prospectus have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

**2. SHARE CAPITAL**

No new Shares have been issued by the Company since 31 December 2004, being the end of the last financial year of the Company, and up to the Latest Practicable Date. The authorised and issued share capital of the Company as at the Latest Practicable Date and immediately following the Rights Issue are as follows:

*HK\$*

**(i) As at the Latest Practicable Date and upon completion of the Rights Shares**

*Authorised:*

<u>1,000,000,000</u>	Shares of HK\$0.01 each	<u>10,000,000</u>
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**(ii) As at the Latest Practicable Date**

*Issued and fully paid:*

<u>240,000,000</u>	Shares of HK\$0.01 each	<u>2,400,000</u>
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**(iii) Upon Completion of the Rights Issue**

*Issued and fully paid:*

<u>480,000,000</u>	Shares of HK\$0.01 each	<u>4,800,000</u>
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All of the Rights Shares to be issued will rank pari passu in all respects with each other, including, in particular, as to dividends, voting rights and capital, and with all Shares in issue as at the date of allotment and issue of the Rights Shares. The Rights Shares to be issued will be listed on GEM.

No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than GEM and no application is being made or is currently proposed or sought for the Shares or Rights Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

As at the Latest Practicable Date, no other Shares or securities convertible into Shares or warrants or options to subscribe for or derivatives for or derivatives relating to Shares were in issue or outstanding.

### 3. DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND THEIR ASSOCIATED CORPORATIONS

As at the Latest Practicable Date, the interests and short positions of the Directors in the securities of the Company and their 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:

<b>Name of Director</b>	<b>Capacity in which such interests were held</b>	<b>Number of Shares</b>	<b>Percentage of nominal value of share capital</b>
Mr. Fung Pak Chuen, Alphonso ("Mr. Fung") ( <i>Note</i> )	Interest of spouse	131,688,000	54.87%
Mr. Lo, Richard ("Mr. Lo") ( <i>Note</i> )	Interest of spouse	131,688,000	54.87%

*Note:*

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.

Both Mr. Fung and Mr. Lo are directors of Aplus, Win Plus and Gumpton.

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. Mr. Fung is a director of AFS.

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

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. Mr. Lo is a director of Ardian.

Ardian is wholly-owned by General Trust. General Trust is the trustee of Ardian Trust, one of the beneficiaries is the spouse of Mr. Lo. Mr. Lo is taken to have an interest in the same 131,688,000 Shares by virtue of his spouse’s interest under the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor chief executive of the Company has any interests and short positions in the Shares, equity derivatives, underlying shares and debentures of the Company and their 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.

#### 4. SHAREHOLDERS’ INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY AND OTHER MEMBERS OF THE GROUP

As at the Latest Practicable Date, so far as was known to any Director or chief executive 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, and as recorded in the Register of Substantial Shareholders’ Interest required to be maintained by the Company pursuant to Section 336 of the SFO were as follows:

##### Long positions in Shares

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%
Aplus	Beneficial owner	131,688,000	54.87%
Win Plus (Note 1)	Interest of a controlled corporation	131,688,000	54.87%
Gumpton (Note 2)	Interest of a controlled corporation	131,688,000	54.87%
AFS (Note 3)	Interest of a controlled corporation	131,688,000	54.87%

<b>Name</b>	<b>Capacity in which such interests were held</b>	<b>Number of Shares</b>	<b>Percentage of nominal value of share capital</b>
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%

*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, being the spouse of Mr. Fung, 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, being the spouse of Mr. Lo, is one of the beneficiaries of Ardian Trust and therefore is 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 the Latest Practicable Date, so far as was known to any Director, no other persons had 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 and section 336 of the SFO or, who is expected, directly or indirectly, to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

## 5. SERVICE CONTRACTS

None of the Directors has entered into any service agreements with any member of the Group which is not determinable by the employers within one year without payment of compensation other than statutory compensation.

**6. LITIGATION**

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and there was no litigation, arbitration or claim of material importance known by the Directors to be pending or threatened against any member of the Group.

**7. COMPETING BUSINESS**

As at the Latest Practicable Date, none of the Directors or managements Shareholders (as defined in the GEM Listing Rules) or any of their respective associates had any business or interest that directly or indirectly competes or may compete with the business of the Group or had or might have any other conflict of interest.

**8. GENERAL**

- (i) The registered office of the Company is situated at Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681 GT, Grand Cayman, British West Indies.
- (ii) The principal place of business of the Company in Hong Kong is at 10th Floor, Westlands Centre, 20 Westlands Road, Quarry Bay, Hong Kong.
- (iii) The Hong Kong branch share registrar and transfer office of the Company is Hong Kong Registrars Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (iv) The company secretary and qualified accountant of the Company appointed under Rule 5.15 of the GEM Listing Rules is Mr. Yip Yuk Sing, Wallace. He is an associate member of both Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.
- (v) The compliance officer of the Company is Mr. Fung Pak Chuen, Alphonso.
- (vi) 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 has three members comprising Mr. Lee Sai Yeung and Mr. Chung Kong Fei, Stephen and Mr. Ng Chik Sum, Jackson.
- (vii) The legal adviser of the Company is Li, Wong & Lam at Unit 2602, 26th Floor, Tower One, Lippo Centre Centre, 89 Queensway, Hong Kong.
- (viii) The auditors of the Company are PKF, certified public accountants at 26th Floor, Citicorp Centre, 18 Whitfield Road, Causeway Bay, Hong Kong.
- (ix) The principal banker of the Company is UFJ Bank Limited at Fairmount House, 8 Cotton Tree Drive, Central, Hong Kong.
- (x) The authorised representatives of the Company are Mr. Fung Pak Chuen, Alphonso and Mr. Yip Yuk Sing, Wallace.

- (xi) The authorised share capital of the Company is HK\$10,000,000 divided into 1,000,000,000 Shares of HK\$0.01 each. As at the Latest Practicable Date, the issued share capital of the Company was HK\$2,400,000 divided into 240,000,000 Shares of HK\$0.01 each.
- (xii) None of the Directors nor expert referred to in paragraph 10 has, or has had, any direct or indirect interest in any assets which have been or proposed to be acquired, disposed of or leased to any member of the Group since 31 December 2004, the date to which the latest published audited financial statements of the Group were made up.
- (xiii) Save for the Underwriting Agreement and the agreement dated 28 July 2004 entered into between the Company and CL International Holdings Limited in respect of certain purchase transactions and provision of services as disclosed in the circulars of the Company dated 18 August 2004 and 16 September 2004, there is no contract or arrangement entered into by any member of the Group subsisting in which any of the Directors is materially interested in and which is significant in relation to the business of the Group as a whole.
- (xiv) As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been, since 31 December 2004 (the date to which the latest published audited accounts of the Company were made up), (i) acquired or disposed of by; (ii) leased to; or (iii) proposed to be acquired or disposed of by; or (iv) proposed to be leased to any member of the Group.

## 9. PARTICULARS OF DIRECTORS

<b>Name</b>	<b>Address</b>
Fung Pak Chuen, Alphonso	10th Floor, Westland Centre 20 Westlands Road, Quarry Bay Hong Kong
Lo, Richard	10th Floor, Westland Centre 20 Westlands Road, Quarry Bay Hong Kong
Toshio Sugii	Hitachi Omori 2nd Bldg. 27-18, Minami Oi 6-chome Shinagawa-ku Tokyo Japan
Lee Sai Yeung	Block 2, 24B Clovelly Court 12 May Road Hong Kong
Chung Kong Fei, Stephen	21/F, Flat C 177-179 Wanchai Road Hong Kong
Ng Chik Sum, Jackson	Berth One Kwai Chung Hong Kong

**Executive Directors**

**FUNG Pak Chuen, Alphonso**, aged 54, is the Chairman of the Company. He was appointed as non-executive Director of the Company in March 2000 and re-designated as Executive Director on 13th February, 2004. Mr. Fung is responsible for the overall strategic planning and development of the Group. He has substantial experience in business planning and development in information technology industry. Prior to his own business development in 1979, he worked at IBM in Hong Kong and International Computer Limited in the United Kingdom. Mr. Fung graduated from the University of London with a master degree in Computer Science.

**LO, Richard**, aged 53, is an Executive Director of the Company. He was appointed as non-executive Director of the Company in March 2000 and re-designated as Executive Director on 13th February, 2004. Mr. Lo is responsible for corporate strategy of the Group. Prior to his own business development in 1979, he worked in marketing department of IBM in Hong Kong. Mr. Lo holds a bachelor degree in Mathematics from Syracuse University, New York and a master degree in Business Administration from the University of California at Los Angeles.

**Non-executive Director**

**SUGII Toshio** aged 56, is a non-executive Director of the Company. Mr. Sugii has over 20 years' experience in computer business, is currently a senior Project Manager, Information and Telecommunication Systems of Hitachi, Limited.

**Independent non-executive Directors**

**LEE Sai Yeung**, aged 53, was the executive director of several companies listed on the Stock Exchange from 1996 to 1998. Mr. Lee obtained both his master and bachelor degrees in business administration (with honours) from the University of Texas at Austin. He has more than 16 years' experience in the securities business and extensive experience in corporate finance and investment banking. From 1981 to 1998, Mr. Lee had been registered as a dealing director, investment adviser and held position as senior executive in several major regional and European securities firms in Hong Kong. He was appointed as an independent non-executive Director in June 2000.

**CHUNG Kong Fei, Stephen**, aged 48, holds a bachelor of science degree from the Wharton School of Business, University of Pennsylvania, U.S.A.. 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 5 dental clinics in PRC, currently the clinic chain is the second largest of its kind in China. During 1997, Mr. Chung was 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 1980 to 1987, Mr. Chung was the Head of China Division for Manufacturers Hanover Trust Company. Mr. Chung is currently an independent non-executive director of Unity Investments Holdings Limited, whose shares are listed on the Stock Exchange of Hong Kong Limited.

**NG Chik Sum, Jackson**, aged 44, is a fellow member both of the Hong Kong Institute of Certified Public Accountants and Chartered Association of Certified Accountants with Master of Science degree in Finance and Master degree in Business Administration. 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, and Director of Tradelink Electronic Commerce Limited, the sole provider of e-trade declaration platform in Hong Kong. Mr. Ng has not held any directorship in other listed companies in the last three years.



**10. QUALIFICATION AND CONSENT OF EXPERT**

PKF has given and has not withdrawn its written consent to the issue of this Prospectus with the inclusion of its letter and reference to its name in the form and context in which they appear.

The qualification of the expert who has provided its advice as contained in this Prospectus is as follows:

<b>Name</b>	<b>Qualification</b>
PKF	Certified Public Accountants

PKF is not interested in any Shares or shares in any member of the Group nor does it have any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any Shares or shares in any member of the Group.

PKF did not have any direct interests in any assets which has been, since 31 December 2004 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or which are proposed to be disposed of by or leased to any member of the Group.

**11. MATERIAL CONTRACT**

- a. the Underwriting Agreement

Save as disclosed above, there are no contracts (other than contracts entered into in the ordinary course of business) that have been entered into by any member of the Group within the two years immediately preceding the date of this Prospectus which are or may be material.

**12. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection during normal business hours up to and including 26 April 2005 at the principal place of business of the Company at 10th Floor, Westlands Centre, 20 Westlands Road, Quarry Bay, Hong Kong:

- (a) the memorandum and articles of association of the Company;
- (b) the annual reports of the Company for each of the three financial years end 31 December 2004;
- (c) the comfort letter issued by PKF on pro forma statement of unaudited adjusted consolidated net tangible assets of the Group, the text of which is set out on page 50 to 51 in this Prospectus;
- (d) the written consent referred to in paragraph headed "Qualification and Consent of Expert" of this appendix;

- (e) Circulars of the Company dated 18 August 2004 and 16 September 2004 relating to ongoing transactions of the Group, being its purchases of inventories from CL International Holdings Limited and its subsidiaries (collectively “CLIH Group”) and its provision of technical services to certain existing customers of the CLIH Group, and the amendments to the articles and association of the Company; and
- (f) the material contract referred to in the paragraph headed “Material Contract” in this appendix.

**13. MISCELLANEOUS**

The English text of this Prospectus shall prevail over the Chinese text.