

The logo for Computech, featuring the word "Computech" in a bold, blue, sans-serif font. A stylized blue sphere with a white highlight is positioned to the left of the letter 'C'. The background of the entire page is a blue gradient with abstract digital patterns, including a large, glowing orange and yellow circular graphic that resembles a stylized 'C' or a data path, and various faint binary and technical symbols.

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

(incorporated in the Cayman Islands with limited liability)

**Stock Code : 8081**

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R E P O R T  
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\* For identification purpose only

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

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

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

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**Executive Directors**

Fung Pak Chuen, Alphonso (*Chairman*)  
Lo, Richard

**Independent non-executive Directors**

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

**Compliance officer**

Fung Pak Chuen, Alphonso

**Authorised representatives**

Fung Pak Chuen, Alphonso  
Yip Yuk Sing, Wallace

**Company secretary**

Yip Yuk Sing, Wallace *CPA, ACCA*

**Qualified accountant**

Yip Yuk Sing, Wallace *CPA, ACCA*

**Audit Committee**

Ng Chik Sum, Jackson (*Committee Chairman*)  
Lee Sai Yeung  
Chung Kong Fei, Stephen

**Auditors**

PKF  
*Certified Public Accountants*

**Stock code**

8081

**Registered office**

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

**Head office and principal place of business**

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

**Principal share registrar and transfer office**

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

**Hong Kong branch share registrar  
and transfer office**

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

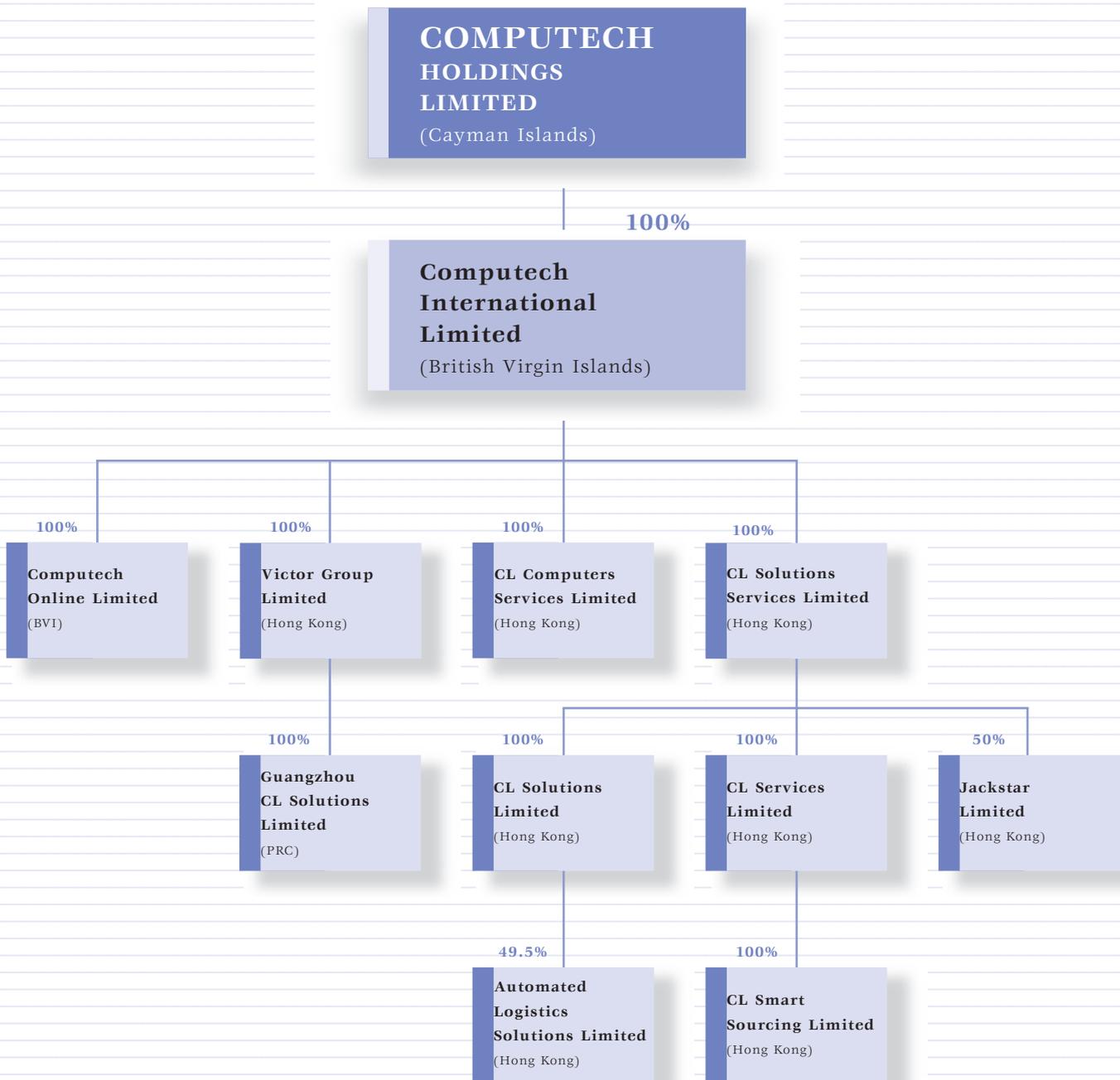
**Principal bankers**

Bank of Tokyo-Mitsubishi UFJ, Limited  
Bank of America (Asia) Limited

**Website address**

[www.computech.com.hk](http://www.computech.com.hk)

As at 31st December, 2005



I am pleased to present the results of Computech Holdings Limited (the "Company") and its subsidiaries (together the "Group") for the year 2005.

This year, we see our two new business units, IT services and supply chain solutions, which were established in the fourth quarter of 2004, achieving good results. As a result, the Group has recorded significant improvement in both revenue and profit compared with the previous year. During the year, the Group gradually phased out its business in the provision of bank packaged software products and services to the financial sector in the People's Republic of China ("PRC") in response to drastically decreased profit margins in both hardware and software.

### Operating Results

During the year under review, the Group's turnover for the year ended 31st December, 2005 was approximately HK\$82,690,000 (2004: HK\$43,240,000), representing approximately a 91% increase from last year and the gross profit margin for the year increased to 26.9% (2004: 23.8%). The audited profit attributable to shareholders for the year ended 31st December, 2005 was approximately HK\$12,035,000 (earnings per share of HK2.86 cents), representing a significant improvement as compared with the loss approximately HK\$11,841,000 (loss per share of HK4.06 cents) in 2004. The improvement in financial performance of the Group was mainly due to the business growth in IT services and supply chain solutions. During the year under review, the aggregate contribution of these two business segments in terms of turnover and operating profit amounted to approximately HK\$81,818,000 and HK\$2,632,000 respectively, representing an increase of approximately 212% and 109% respectively.

Selling, distribution and administrative expenses in the year 2005 was approximately HK\$20,352,000, representing an increase of 65.8% as compared with 2004. The increase was mainly attributable to the operations of the two business units, IT services and supply chain solutions, which recorded substantial growth during the year under review.

### Market overview

We expect that IT services and supply chain solutions, the two areas in which the Group now focuses its resources on, to continue to give good prospects for future growth. Both the commercial and government sectors in Hong Kong are increasing their reliance on outside partners to handle their non-core business operations, with IT being one of the key functions being outsourced. Furthermore, in recent years, international organizations have been actively shifting parts of their IT and call center operations from the US and Europe to Asia. We expect this trend to continue in the years ahead.

The demand for supply chain solutions in the PRC and Hong Kong remains robust in 2005. Our major supplier of automated data collection systems, Intermec of the US, has stepped up its activities in the PRC. The Group is working closely with Intermec to become their partner of choice in the southern part of the PRC. We are expecting high demand for our products and services in the Pearl River Delta area.

### Operating overview

The Group has aligned its resources to provide qualified technical personnel and superior project management support to end-users who demand a high quality of service. It is the Group's strategy to establish long-term business relationships with well-known corporations such as IBM, Hewlett Packard, PCCW, etc., to ensure steady inflow of projects. Furthermore, these corporations are at the forefront of the outsourcing of IT functions and present excellent references to the Group for future business expansion.

A joint-venture company, Automated Logistics Solutions Limited, was established in 2005 with the Titron Group in Hong Kong to promote and support the warehousing and logistics management software package for 3M of the US. The joint-venture company will not only promote and provide software and implementation services to end-users, but will also offer system customization services to 3M via its software development center in Guangzhou, PRC. This signifies the Group's first step towards international IT outsourcing.

Meanwhile, Hitachi Limited, the strategic shareholder of the Company, disposed of its investment in the Company in February 2006. The disposal is the investment decision of Hitachi Limited and does not have any impact on the management and operation of the Group whatsoever. In view of the long-term business relationships with Hitachi Limited, we will continue to look for other business collaboration with Hitachi Limited in the future.

### Prospects and appreciation

In the year ahead, we anticipate the businesses of IT services and supply chain solutions to grow steadily. The Group achieved a turnaround and became profitable in 2005. However, we will continue to exercise strict control in operating expenses and capital expenditure in 2006. At the same time, we will continue to explore new businesses and collaboration opportunities relating to our core competencies, especially in the PRC.

Mr. Toshio Sugii, a former non-executive director of the Company and a representative of Hitachi Limited, resigned in June 2005, upon his retirement from Hitachi Limited. Mr. Yukitaka Kaneda, the successor to Mr. Toshio Sugii, also resigned as the non-executive director of the Company in February 2006 after Hitachi's divestment in the Company. On behalf of the Board, I would like to express my gratitude to their substantial contribution to the Group.

Finally, I would like to thank our shareholders, board members, employees, customers and business partners for their dedicated support and contribution.

**Fung Pak Chuen, Alphonso**  
*Chairman*

Hong Kong, 27th March, 2006

### Business Review

After implementation of a series of business reengineering process during the year under review, the Group recorded significant improvement both in terms of financial results and financial position.

In January 2005, the Group undertook a capital reorganization exercise which involved reducing the nominal value of all issued and unissued shares of the Company from HK\$0.10 each to HK\$0.01 each and 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. Although the capital reorganization has no effect on the underlying assets or financial position of the Company, it will provide greater flexibility to the Company in pricing the securities of the Company in future capital raising exercises. Moreover, it will also facilitate the declaration of dividends by the Company if the Company records distributable profits in the future.

The Company completed a rights issue exercise on the basis of one rights share for every one ordinary share held at an issue price of HK\$0.02 per rights share in May 2005. The net proceeds of the rights issue amounted to approximately HK\$4.3 million are being used for general working capital purpose. The rights issue did not only enhance the financial position of the Group, but also allowed the existing shareholders to maintain their respective pro rata shareholdings in the Company.

The Company disposed of two subsidiaries which were engaged in the provision of bank packaged software products and services in the PRC during the year under review. The severe competition in the packaged software products catering to the financial industry in the PRC resulted in significant losses in the subsidiaries being disposed in the past few years. We did not foresee any positive change in business environment for the packaged software in the financial industry in the PRC and decided to phase out its operation in this area so that the Group can focus its resources on business lines in IT services and supply chain solutions. The disposal is part of the Group's business reengineering process with a view to enhance its competitiveness and financial performance.

In August 2005, the Company established a joint-venture company, namely Automated Logistics Solutions Limited, with the Titron Group in Hong Kong to promote and support the warehousing and logistics management software package for 3M of the US. The joint-venture company will not only promote and provide software and implementation services to end-users, but will also offer system customization services to 3M via its software development center in Guangzhou, the PRC. This signifies the Group's first step towards international IT outsourcing.

In December 2005, the Company renewed the Purchase and Service Agreement in relation to the ongoing connected transactions with CL International Holdings Limited for another three years commencing from 1st January, 2006. Outsourcing of information technology services has been adopted by many commercial enterprises and government institutions over the years. We believe that such trend will continue as it allows these organisations to focus on their core competencies while relying on partners who have the scale and capabilities to handle such non-core areas, often in a more economical and efficient manner. In view of the growing trend of outsourcing of information technology services among large commercial institutions and the economic growth in Hong Kong and the PRC, the provision of IT services will continue to contribute positively to the Group.

### Financial review

For the year under review, the Group recorded a turnover of approximately HK\$82,690,000, representing an increase of approximately 91% compared with last year. The audited net profit attributable to shareholders amounted to approximately HK\$12,035,000, representing a significant improvement compared with the net loss of approximately HK\$11,841,000 last year. The earnings per share for the year ended 31st December 2005 was HK2.86 cents.

The improvement in the financial performance of the Group was mainly due to the business growth in IT services and supply chain solutions. During the year under review, the aggregate contribution of these two business segments in terms of turnover and operating profit amounted to approximately HK\$81,818,000 and HK\$2,632,000 respectively, representing an increase of 212% and 109% respectively. The improvement was also contributed by the gain on disposal of two subsidiaries approximately HK\$9,767,000 as well as share of the profits less losses of associates amounted to approximately HK\$561,000.

Distribution and selling expenses increased to approximately HK\$1,515,000 for the year ended 31st December, 2005 as compared with the amount of HK\$498,000 last year. The increase was mainly attributable to the increase in sales commission which was associated with the increase in sales volume of supply chain solutions products in the year under review. Administrative expenses increased to approximately HK\$18,837,000 for the year ended 31st December, 2005 as compared with the amount of approximately HK\$11,774,000 last year. The increase was mainly attributable to the operations of the two business segments, IT services and supply chain solutions, which were commenced businesses from the fourth quarter of 2004.

Associated with the increase in turnover, the trade debtors of the Group was increased to approximately HK\$8,302,000 as at 31st December, 2005, of which over 96% of the trade debtors are falling due within three months. In view of the creditability of these customers and in accordance with the accounting policy of the Group, no provision of doubtful debts is required for the year under review. The Group's inventories were approximately HK\$2,825,000 as at 31st December, 2005, which is similar to the inventory level last year. It is the policy of Group to maintain minimum inventory level so as to reduce the risk of impairment.

### Financial resources and liquidity

With regard to the financial position of the Group, the Group's net assets were approximately HK\$4,607,000 as at 31st December, 2005, which was significantly improved as compared with the net liabilities of HK\$11,612,000 last year.

As at 31st December, 2005, the total assets of the Group were approximately HK\$20,937,000 (2004: HK\$13,885,000), including cash and bank deposits of approximately HK\$6,620,000 (2004: HK\$5,337,000) and debtors, deposits and prepayments of approximately HK\$9,324,000 (2004: HK\$5,595,000).

The Group's current assets were approximately 1.34 time (2004: 0.59 time) over its current liabilities whereas the gearing ratio, representing bank borrowing and non-current liabilities over total assets, was 0.11 (2004: 0.17). The Group's non-current loans from directors were approximately HK\$2,256,000 (2004: HK\$2,256,000). The loans are interest-free, unsecured and not repayable until the Group is in a position to do so. Saved as disclosed herein, the Group did not have any other long-term borrowings during the year under review.

### Capital structure

The Group undertook a capital reorganisation exercise in January 2005 which involved:

- (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\$45,642,000 as shown in the audited financial statements of the Company for the year ended 31st December, 2004; and
- (iv) to cancel 684,000,000 unissued share 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.

Immediate after the capital reduction became effective, the authorised share capital of the Company became 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 were in issue.

### Foreign exchange

The Group's foreign exchange risk is primarily attributable to its trade debtors. The foreign exchange risk is minimal as most of the trade debtors are denominated in Hong Kong dollars ("HK\$") or United States dollars ("US"). The foreign exchange risk in the translation of US\$ to HK\$ is limited as HK\$ are being linked to US\$.

### Significant investments, acquisitions and disposal of subsidiaries

For the year ended 31st December, 2005, the Company disposed of two subsidiaries which were engaged in the provision of bank packaged software products and services in the PRC. The disposal resulted in a gain of approximately HK\$9,767,000.

Save as the disclosed above, there was no material acquisitions and disposals of subsidiaries and affiliated companies of the Group during the year ended 31st December 2005.

### Charge on the Group's assets

As at 31st December, 2005, there was no charge on the Group's assets (at 31st December, 2004, the banking facilities to the extent of approximately HK\$91,000 were secured by a motor vehicle with net book value of approximately HK\$88,000).

### Capital commitments

As at 31st December, 2005 and 31st December, 2004, the Group did not have any future plans for material investment.

### Contingent liabilities

As at 31st December, 2005 and 31st December, 2004, the Group did not have any material contingent liabilities.

### Employees and remuneration policies

As at 31st December, 2005, the Group had 159 employees (2004: 217). Remuneration is determined by reference to market terms and the performance, qualification and experience of individual employee. Year-end bonus based on individual performance will be paid to employees as recognition of and reward for their contributions. Other benefits include contributions to statutory mandatory provident fund scheme and medical scheme to its employees in Hong Kong and the statutory central pension schemes to its employees in the PRC.

## Directors

### Executive Directors

**FUNG Pak Chuen, Alphonso**, aged 55, is the Chairman of the Company. He was appointed as Non-Executive Director of the Company in March 2000 and re-designated as Executive Director on 13th February, 2004. Mr. Fung is responsible for the overall strategic planning and development of the Group. He has substantial experience in business planning and development in information technology industry. Prior to co-founding the CL Group, a group of IT companies operating in the PRC, Hong Kong and South-East Asia, in 1979, he worked at IBM in Hong Kong and International Computer Limited in the United Kingdom. Mr. Fung graduated from the University of London with a Master degree in Computer Science.

**LO, Richard**, aged 54, 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 co-founding the CL Group, a group of IT companies operating in the PRC, Hong Kong and South-East Asia, 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.

### Independent non-executive Directors

**LEE Sai Yeung**, aged 54, was appointed as an independent non-executive Director of the Company in June 2000. He was the executive director of several companies listed on the Stock Exchange of Hong Kong Limited from 1996 to 1998. 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. Mr. Lee obtained both a Master and a bachelor degree in Business Administration (with honours) from the University of Texas at Austin.

**CHUNG Kong Fei, Stephen**, aged 49, was appointed as an independent non-executive Director of the Company in September 2004. Mr. Chung has over 20 years of experience in investment and business management. He is one of the founders and executive directors of SDM Dental Inc., an investment holding company which operates 6 dental clinics in the PRC, currently the clinic chain is one of the largest of its kind in the PRC. 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 1983 to 1987, Mr. Chung was the Head of China Division for Manufacturers Hanover Trust Company. Mr. Chung is currently an independent non-executive director of Unity Investments Holdings Limited, whose shares are listed on the Stock Exchange of Hong Kong Limited. Mr. Chung holds a Bachelor of Science degree from the Wharton School of Business, University of Pennsylvania, U.S.A.

**NG Chik Sum, Jackson**, aged 45, was appointed as an independent non-executive Director of the Company in September 2004. Mr. Ng has extensive experience in accounting and financial management. He is currently the Chief Financial Officer of Modern Terminals Limited and a non-executive director of Tradelink Electronic Commerce Limited, a listed company in Hong Kong. Mr. Ng previously worked with Coopers and Lybrand and he also served as Group Financial Controller with Lam Soon Group, Finance Director of East Asia of Allergan Inc., a U.S. pharmaceutical company. Mr. Ng is a fellow member of both the Chartered Association of Certified Accountants and the Hong Kong Institute of Certified Public Accountants. He holds a Master of Science degree in Finance and a Master Degree in Business Administration.

### Senior management

**TAN Kong Chi, Joseph**, aged 43, is the general manager of CL Services Limited and CL Solutions Limited, the wholly owned subsidiaries of the Company. He joined the Group in October 2004. Mr. Tan is responsible for the overall management of the Group's IT services and supply chain solutions business unit. He has more than 14 years of experience in IT services management. Prior to joining the Group, Mr. Tan served as the General Manager of CL Technical Services Limited, Customer Service Engineering Department Manager of Asian Electronics Limited and Customer Service Manager of Philips Communication & Processing Limited. He holds a bachelor degree in Business Studies from City University of Hong Kong and a Master degree in Business Administration from the University of Southern Queensland, Australia.

**YIP Yuk Sing, Wallace**, aged 40, is the financial controller, company secretary and qualified accountant of the Group. He joined the Group in February 2004. Mr. Yip is responsible for financial management, accounting and company secretarial affairs of the Group. Mr. Yip has extensive experience in accounting and financial management. He holds a bachelor degree in Accounting from the Napier University, United Kingdom and a Master degree in Corporate Finance from the Hong Kong Polytechnic University. He is a member of both the Chartered Association of Certified Accountants and the Hong Kong Institute of Certified Public Accountants.

The Directors have pleasure in presenting their annual report together with the audited financial statements for the year ended 31st December, 2005.

### **Principal activities**

The Group is principally engaged in research, development and sale of packaged software products, provision of IT services and supply chain solutions in the People's Republic of China and Hong Kong.

### **Results and dividend**

The results of the Group for the year ended 31st December, 2005 are set out in the consolidated income statement on page 25.

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

### **Financial summary**

The summary of the consolidated results of the Group for each of the five years ended 31st December, 2005 and the assets and liabilities of the Group as at 31st December, 2001, 2002, 2003, 2004 and 2005 are set out on pages 63.

### **Fixed assets**

Details of movements in fixed assets during the year are set out in note 10 to the financial statements.

### **Share capital**

Details of movements in share capital during the year and the reasons thereof are set out in note 20 to the financial statements.

### **Share options**

Details of the Company's share option scheme are set out in note 20(a) to the financial statements.

### **Reserves**

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

**Directors and directors' service contracts**

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

**Executive Directors:**

Mr. Fung Pak Chuen, Alphonso (Chairman)  
Mr. Lo, Richard

**Non-executive Directors:**

Mr. Sugii Toshio (resigned on 1st June, 2005)  
Mr. Yukitaka Kaneda (appointed on 1st June, 2005 and resigned on 24th February, 2006)

**Independent non-executive Directors:**

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

The Directors' biographical information is set out on pages 10 to 11 under the heading "Directors and Senior Management Profiles".

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

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

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

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

### Directors' interests in contracts

Apart from the transactions as disclosed in note 24 to the financial statements, no other contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest subsisted at the end of the year or at any time during the year.

### Connected transactions

The details of connected transactions during the year under the GEM Listing Rules are set out in note 24 to the financial statements.

### Directors' interests in securities

As at 31st December, 2005, the interests and short positions of the Directors in the securities of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, including interests and short positions which they are deemed or taken to have under such provisions of the SFO, or which are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which are required, pursuant to rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors to be notified to the Company and the Stock Exchange were as follows:

#### Long positions in shares of the Company

Name of director	Capacity in which such interests were held	Number of shares	Percentage of nominal value of share capital
Mr. Fung Pak Chuen, Alphonso ("Mr. Fung") (Note 1)	Interests of spouse	320,124,011	66.69%
Mr. Lo, Richard ("Mr. Lo") (Note 2)	Interests of spouse	320,124,011	66.69%

Notes:

- Win Plus Group Limited ("Win Plus") holds 84% interest in the issued share capital of Aplus Worldwide Limited ("Aplus") and is accordingly taken to have an interest in the 77,724,011 shares in which Aplus is interested under the SFO. Win Plus also holds approximately 46.2% indirectly in the issued share capital of CL International Holdings Limited ("CLIH") and is accordingly taken to have an interest in the 242,400,000 shares in which CLIH is interested under the SFO. Win Plus is accordingly taken to have an interest in the 320,124,011 shares in total 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 320,124,011 shares in which Win Plus is interested under the SFO.

Both Mr. Fung and Mr. Lo are directors of Aplus, CLIH, 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 320,124,011 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, in which one of the beneficiaries is the spouse of Mr. Fung. Mr. Fung is taken to have an interest in the same 320,124,011 shares by virtue of his spouse's interest under the SFO.

2. Ardian Holdings Limited ("Ardian") has a 50% interest in the issued share capital of Gumpton and is accordingly taken to have an interest in the 320,124,011 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, in which one of the beneficiaries is the spouse of Mr. Lo. Mr. Lo is taken to have an interest in the same 320,124,011 shares by virtue of his spouse's interest under the SFO.

Save as disclosed above, as at 31st December, 2005, none of the directors of the Company has any interests and short positions in the shares, equity derivatives, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, including interests and short positions which they are deemed or taken to have under such provisions of the SFO, or which are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which are required, pursuant to rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors to be notified to the Company and the Stock Exchange.

### **Directors' rights to acquire shares or debentures**

Under the terms of a share option scheme (the "Scheme") adopted by the Company on 2nd June, 2000, the board of directors is authorised, at its absolute discretion, to grant options to executive directors and full time employees of the Company or its subsidiaries, to subscribe for shares in the Company. Further details of the Scheme are set out in note 20(a) to the financial statements. All the share options granted under the Scheme lapsed during the year of 2003. No options had been granted to any directors under the Scheme up to the balance sheet date.

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

### Substantial shareholders

As at 31st December, 2005, so far as was known to any director of the Company, persons who have an interest or a short position in the shares, equity derivatives, underlying shares or debentures of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or be interested in, directly or indirectly, 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of the Company pursuant to section 336 of the SFO were as follows:

#### Long positions in shares of the Company

Name of shareholder	Capacity in which such interests were held	Number of shares	Percentage of nominal value of share capital
Hitachi Ltd.	Beneficial owner	60,000,000	12.50%
Aplus	Beneficial owner	77,724,011	16.19%
CLIH	Beneficial owner	242,400,000	50.50%
Adwin Investments Limited (Note 1)	Interest of a controlled corporation	242,400,000	50.50%
Win Plus (Note 2)	Interest of a controlled corporation	320,124,011	66.69%
Gumpton (Note 3)	Interest of a controlled corporation	320,124,011	66.69%
AFS (Note 4)	Interest of a controlled corporation	320,124,011	66.69%
Ardian (Note 4)	Interest of a controlled corporation	320,124,011	66.69%
General Trust (Note 5)	Interest of a controlled corporation	320,124,011	66.69%
Mrs. Fung, Pui Lan, Angela (Note 6)	Beneficiary of trust	320,124,011	66.69%
Mrs. Lo, Lilian (Note 7)	Beneficiary of trust	320,124,011	66.69%

## Notes:

1. Adwin Investments Limited ("Adwin") holds approximately 62.6% interest in the issued share capital of CLIH and is accordingly taken to have an interest in the 242,400,000 shares in which CLIH is interested under the SFO.
2. Win Plus holds 84% interest in the issued share capital of Aplus as well as approximately 73.8% interest in the issued share capital of Adwin and is accordingly taken to have an interest in the 320,124,011 shares in total under the SFO.
3. Gumpton, which holds 100% of the issued share capital of Win Plus, is taken to have an interest in the 320,124,011 shares in which Win Plus is interested under the SFO.
4. 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 320,124,011 shares in which Gumpton is interested under the SFO.
5. AFS and Ardian are in turn wholly-owned by General Trust. Therefore, General Trust is taken to have an interest in the 320,124,011 shares in which AFS and Ardian are interested under the SFO.
6. General Trust is the trustee of AFS Trust. Mrs. Fung, Pui Lan, Angela, being the spouse of Mr. Fung, is one of the beneficiaries of AFS Trust and therefore is taken to have an interest in the 320,124,011 shares in which General Trust is interested under the SFO.
7. 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 320,124,011 shares in which General Trust is interested under the SFO.

Save as disclosed above, as at 31st December, 2005 so far as was known to any director of the Company, no other persons had an interest or a short position in the shares, equity derivatives, underlying shares or debenture of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and section 336 of the SFO or, who were interested in, directly or indirectly, 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of the Company.

### Major customers and suppliers

Sales to the Group's five largest customers accounted for 61% of the total sales for the year and sales to the largest customer included therein amounted to 48%. Purchases from the Group's five largest suppliers accounted for 51% of the total purchases for the year and purchases from the largest supplier included therein amounted to 27%.

Save for one of the largest customers and two of the largest suppliers, being the subsidiaries of CLIH, as more fully disclosed in note 24 to the financial statements, in which the executive directors, Mr. Fung Pak Chuen, Alphonso and Mr. Lo, Richard had deemed beneficial interests therein under the SFO, neither the directors, their associates, nor any shareholders who owned more than 5% of the Company's issued share capital, had any beneficial interest in any of the Group's five largest customers or suppliers during the year.

**Purchase, sale or redemption of the Company's listed securities**

As at 31st December, 2005, there were no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities.

**Competing interests**

As at 31st December, 2005, the Directors are not aware of any business or interest of the directors, the initial management shareholders of the Company and their respective associates, that competes or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

**Pre-emptive rights**

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

**Auditors**

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

On behalf of the Board

**Fung Pak Chuen, Alphonso**  
*Chairman*

Hong Kong, 27th March, 2006

### Corporate governance practice

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

The Stock Exchange amended the GEM Listing Rules relating to the Code on Corporate Governance Practices (the “Code”) and Rules on the Corporate Governance Report (“CGR”) in December 2004. The Code sets out the Stock Exchange’s views on the principles of good corporate governance and two levels of recommendations, namely Code Provisions and Recommended Best Practices. Issuers are expected to comply with, but may choose to deviate from, the Code Provisions. Issuers are encouraged to comply with the Recommended Best Practices which are provided for guidance only. The Code and CGR rules became effective for accounting periods beginning on or after 1st January, 2005.

The Company has considered the Code and has taken steps to comply with it where appropriate. In the opinion of the Directors, the Company had complied with the Code Provisions throughout the year ended 31st December, 2005, except that the Code Provision A.4.1, A.4.2 and B.1 .1 as set out in Appendix 15 of the GEM Listing Rules. Details of the deviation are set out in the relevant sections below.

### Directors’ securities transactions

During the year ended 31st December, 2005, the Company had adopted a code of conduct regarding directors’ securities transactions on terms no less exacting than the required standard of dealings as set out in rules 5.48 to 5.67 of the GEM Listing Rules. The Company had also made specific enquiry of all Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding directors’ securities transactions.

### Board of directors

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

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

Code Provision A.4.2 stipulates that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment, and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

Pursuant to the Articles of Association of the Company, directors who are appointed to fill a casual vacancy only required to be re-elected at the next annual general meeting. Moreover, save as the Chairman is not subject to rotation or taken into account in determining the number of directors to retire in each year, one-third of the directors of the Company are required to retire from office by rotation and being eligible for re-election at each annual general meeting.

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

The Board meets regularly and held four full Board meetings in 2005 at approximately quarterly intervals. The Directors attended meetings in persons or through other means of electronic communication in accordance with the Company's Articles of Association. The following was an attendance record of the Board meetings held by the board during the year:

<b>Name of Directors</b>	<b>Attendance for meetings held for the year ended 31st December, 2005</b>
Mr. Fung Pak Chuen, Alphonso	4/4
Mr. Lo, Richard	4/4
Mr. Sugii Toshio*	1/2
Mr. Yukitaka Kaneda"	2/2
Mr. Lee Sai Yeung	3/4
Mr. Chung Kong Fei, Stephen	4/4
Mr. Ng Chik Sum, Jackson	4/4

\* Resigned on 1st June, 2005

" Appointed on 1st June, 2005

#### **Chairman and chief executive officer**

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

### **Non-executive directors**

Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election.

The non-executive and independent non-executive directors of the Company are not appointed for a specific term but they are subject to retirement by rotation and reelection at the annual general meeting of the Company in accordance with the Articles of Association of the Company.

### **Remuneration of directors**

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

The Company does not establish a remuneration committee as required by this Code Provision. The Board is in the opinion that establishment of a remuneration committee does not really benefit to the Group after due consideration of the size of the Group and the associated costs involved. According to the current practice of the Company, remuneration of directors are reviewed and approved at Board meetings which have the presence of the independent non-executive directors.

### **Nomination of directors**

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

### **Auditors' remuneration**

For the year ended 31st December, 2005, the auditors' remuneration was approximately HK\$249,000 which was for statutory audit services. There was no significant non-audit service assignment provided by the auditors during the year.

### Audit Committee

The Company has established an Audit Committee with written terms of reference for the purpose of reviewing and providing supervision over the financial reporting process and internal control procedures of the Group. The Audit Committee comprises three independent non-executive Directors, namely Mr. Ng Chik Sum, Jackson, Mr. Lee Sai Yeung and Mr. Chung Kong Fei, Stephen.

The Audit Committee has held four meetings in 2005 and has reviewed the Company's annual, interim and quarterly financial reports, which was of the opinion that such reports were prepared in accordance with the applicable accounting standards and requirements. The Audit Committee also met with the external auditors to discuss auditing, internal control, statutory compliance and financial reporting matters before recommending the annual financial reports to the Board for approval. The following was an attendance record of the Audit Committee meetings held in 2005:

<b>Name of Audit Committee member</b>	<b>Attendance for meetings held for the year ended 31st December, 2005</b>
Mr. Ng Chik Sum, Jackson ( <i>Chairman</i> )	4/4
Mr. Lee Sai Yeung	3/4
Mr. Chung Kong Fei, Stephen	4/4

**梁學濂會計師事務所****PKF**26th Floor, Citicorp Centre,  
18 Whitfield Road,  
Causeway Bay,  
Hong Kong

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

We have audited the financial statements on pages 25 to 62 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.

**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, 2005 and of the Group's profit 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, 27th March, 2006

For the year ended 31st December, 2005

	Note	2005 HK\$'000	2004 HK\$'000
Turnover	3	82,690	43,240
Cost of sales		(60,456)	(32,959)
Gross profit		22,234	10,281
Other income		160	235
Impairment loss of development costs		-	(862)
Bad debts		-	(8,992)
Selling and distribution expenses		(1,515)	(498)
Administrative expenses		(18,837)	(11,774)
Operating profit/(loss)		2,042	(11,610)
Finance costs		(3)	(10)
Gain on disposal of subsidiaries	22	9,767	-
Share of profits less losses of associates		680	-
Profit/(loss) before income tax	4	12,486	(11,620)
Income tax expense	5	(451)	(221)
Profit/(loss) for the year	6	12,035	(11,841)
Profit/(loss) for the year attributable to			
- Continuing operations		2,211	(2,213)
- Discontinued operations	26(a)	9,824	(9,628)
		12,035	(11,841)
Earnings/(loss) per share - Basic (HK cents)	7	2.86	(4.06)

## 26 Consolidated Balance Sheet ▶

At 31st December, 2005

	Note	2005 HK\$'000	2004 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Fixed assets	10	853	99
Interests in associates	12	1,249	-
		<b>2,102</b>	99
<b>CURRENT ASSETS</b>			
Inventories	13	2,825	2,854
Debtors, deposits and prepayments	14	9,324	5,595
Amount due from the ultimate holding company	19	12	-
Amounts due from related companies	19	27	-
Amounts due from fellow subsidiaries	19	27	-
Cash and bank balances	15	6,620	5,337
		<b>18,835</b>	13,786
<b>DEDUCT:</b>			
<b>CURRENT LIABILITIES</b>			
Secured bank loan		-	91
Creditors, accruals and deposits	16	6,851	15,793
Value-added tax payable		-	799
Income tax payable		146	219
Amounts due to related companies		-	6,339
Amounts due to fellow subsidiaries	17	7,077	-
		<b>14,074</b>	23,241
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		<b>4,761</b>	(9,455)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>6,863</b>	(9,356)
<b>NON-CURRENT LIABILITY</b>			
Loans from directors	18	(2,256)	(2,256)
<b>NET ASSETS/(LIABILITIES)</b>		<b>4,607</b>	(11,612)

At 31st December, 2005

	Note	2005 HK\$'000	2004 HK\$'000
REPRESENTING:			
SHARE CAPITAL	20	4,800	24,000
RESERVES		(193)	(35,612)
SHAREHOLDERS' FUNDS/(CAPITAL DEFICIENCY)		4,607	(11,612)

Approved and authorised for issue by the Board of Directors on 27th March, 2006

**Fung Pak Chuen, Alphonso**  
*Director*

**Lo, Richard**  
*Director*

## 28 Balance Sheet ▶

At 31st December, 2005

	Note	2005 HK\$'000	2004 HK\$'000
<b>NON-CURRENT ASSET</b>			
Interests in subsidiaries	11	<u>3,802</u>	<u>14</u>
<b>CURRENT ASSETS</b>			
Amount due from the ultimate holding company	19	12	-
Deposits and prepayments		315	320
Cash at bank		<u>75</u>	<u>13</u>
		<u>402</u>	<u>333</u>
<b>DEDUCT:</b>			
<b>CURRENT LIABILITIES</b>			
Accruals		434	290
Amounts due to subsidiaries	11(b)	493	413
Income tax payable		<u>4</u>	<u>-</u>
		<u>931</u>	<u>703</u>
<b>NET CURRENT LIABILITIES</b>		<u>(529)</u>	<u>(370)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>3,273</b>	<b>(356)</b>
<b>NON-CURRENT LIABILITY</b>			
Loans from directors	18	<u>(2,256)</u>	<u>(2,256)</u>
<b>NET ASSETS/(LIABILITIES)</b>		<u><b>1,017</b></u>	<u><b>(2,612)</b></u>
<b>REPRESENTING:</b>			
<b>SHARE CAPITAL</b>	20	<b>4,800</b>	24,000
<b>RESERVES</b>	21	<u><b>(3,783)</b></u>	<u>(26,612)</u>
<b>SHAREHOLDERS' FUNDS/ (CAPITAL DEFICIENCY)</b>		<u><b>1,017</b></u>	<u><b>(2,612)</b></u>

Approved and authorised for issue by the Board of Directors on 27th March, 2006

**Fung Pak Chuen, Alphonso**  
Director

**Lo, Richard**  
Director

# Consolidated Statement of Changes in Equity

For the year ended 31st December, 2005

	Share capital HK\$'000	Share premium HK\$'000	Exchange reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1.1.2004	24,000	19,030	100	(42,901)	229
Loss for the year	-	-	-	(11,841)	(11,841)
At 31.12.2004 and 1.1.2005	24,000	19,030	100	(54,742)	(11,612)
Capital reduction (Note 20(b))	(21,600)	(19,030)	-	40,630	-
Rights issue of shares (Note 20(c))	2,400	2,400	-	-	4,800
Share issuing expenses	-	(520)	-	-	(520)
Elimination of exchange reserve upon disposal of a PRC subsidiary	-	-	(100)	-	(100)
Exchange reserve arising on establishment of a PRC subsidiary	-	-	4	-	4
Profit for the year	-	-	-	12,035	12,035
<b>At 31.12.2005</b>	<b>4,800</b>	<b>1,880</b>	<b>4</b>	<b>(2,077)</b>	<b>4,607</b>

## 30 Consolidated Cash Flow Statement ▶

For the year ended 31st December, 2005

Note	2005 HK\$'000	2004 HK\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit/(loss) before income tax	<b>12,486</b>	(11,620)
Adjustments for:		
Interest income	<b>(12)</b>	-
Interest expenses	<b>3</b>	10
Impairment loss of development costs	<b>-</b>	862
Depreciation and amortisation	<b>259</b>	1,167
Gain on disposal of subsidiaries	<b>(9,767)</b>	-
Share of profits less losses of associates	<b>(680)</b>	-
Operating profit/(loss) before working capital changes	<b>2,289</b>	(9,581)
Decrease/(increase) in inventories	<b>29</b>	(2,546)
(Increase)/decrease in debtors, deposits and prepayments	<b>(4,704)</b>	5,480
Increase/(decrease) in creditors, accruals and deposits	<b>1,034</b>	(2,867)
(Decrease)/increase in value-added tax payable	<b>(540)</b>	621
(Decrease)/increase in amounts due to related companies	<b>(5,865)</b>	5,878
Increase in amounts due to fellow subsidiaries	<b>7,077</b>	-
Cash used in operations	<b>(680)</b>	(3,015)
Interest received	<b>12</b>	-
Interest paid	<b>(3)</b>	(10)
Income tax paid	<b>(405)</b>	(3)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(1,076)</b>	(3,028)

# Consolidated Cash Flow Statement **31**

For the year ended 31st December, 2005

	Note	2005 HK\$'000	2004 HK\$'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payment to acquire fixed assets		(1,035)	(12)
Net cash outflow in respect of the disposal of subsidiaries	22	(76)	-
Increase in interests in associates		(688)	-
Increase in amount due from the ultimate holding company		(12)	-
Increase in amounts due from related companies		(27)	-
Increase in amounts due from fellow subsidiaries		(27)	-
		<u>(1,865)</u>	<u>(12)</u>
<b>NET CASH USED IN INVESTING ACTIVITIES</b>			
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Decrease in bank loan		(60)	(115)
Decrease in amounts due to directors		-	(332)
Increase in loans from directors		-	372
Issue of rights shares for cash		4,800	-
Share issuing expenses		(520)	-
		<u>4,220</u>	<u>(75)</u>
<b>NET CASH FROM/(USED IN) FINANCING ACTIVITIES</b>			
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
		<u>1,279</u>	<u>(3,115)</u>
<b>EXCHANGE ADJUSTMENT OF CASH AND CASH EQUIVALENTS IN RESPECT OF ESTABLISHMENT OF A PRC SUBSIDIARY</b>			
		4	-
<b>CASH AND CASH EQUIVALENTS AT 1ST JANUARY</b>			
		<u>5,337</u>	<u>8,452</u>
<b>CASH AND CASH EQUIVALENTS AT 31ST DECEMBER</b>			
		<u>6,620</u>	<u>5,337</u>
<b>ANALYSIS OF CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances		<u>6,620</u>	<u>5,337</u>

**32** Notes to the Financial Statements ▶

For the year ended 31st December, 2005

**1. GENERAL INFORMATION**

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. The principal place of its business is 10/F, Westlands Centre, 20 Westlands Road, Quarry Bay, Hong Kong. The Group is principally engaged in research, development and sale of packaged software products, provision of IT services and supply chain solutions in the People's Republic of China (the "PRC") and Hong Kong.

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

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

**2. PRINCIPAL ACCOUNTING POLICIES**

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

**(a) Basis of preparation**

These financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which also includes Hong Kong Accounting Standards ("HKAS") and Interpretations approved by the HKICPA, and are prepared under the historical cost convention.

The preparation of financial statements in conformity with HKFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

### (a) Basis of preparation (Continued)

In the current year, the Group adopted the new HKFRS below, which are relevant to its operations.

HKFRS 3	Business Combinations
HKFRS 5	Non-current Assets Held for Sale and Discontinued Operations
HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 32	Financial Instruments: Disclosures and Presentation
HKAS 33	Earnings Per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 39	Financial Instruments: Recognition and Measurement

The adoption of the above new HKFRS has the following impact on the Group's accounting policies:

- (i) HKFRS 3 does not have any impact as the new standard does not affect the Group.
- (ii) HKFRS 5 and HKAS 1, 24, 32 and 39 affect certain presentation and disclosure of the financial statements.
- (iii) HKAS 2, 7, 8, 10, 12, 14, 16, 17, 18, 19, 21, 23, 27, 28, 33, 36 and 37 do not have any impact as the Group's accounting policies already comply with those standards.

For the year ended 31st December, 2005

## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

### (b) 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.

### (c) Goodwill and negative goodwill

Goodwill or negative goodwill arising on consolidation, representing the excess or 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.

Following the adoption of HKFRS 3, the positive goodwill is stated in the consolidated balance sheet at cost less any impairment losses. No amortisation will be provided after 1st January, 2005 since there is no foreseeable limit to the periods over which the investments in subsidiaries is expected to generate net cash inflows to the Group and their useful lives is considered to be indefinite accordingly. Any negative goodwill is recognised immediately in the income statement.

### (d) Fixed assets and depreciation

Fixed assets are stated at cost less aggregate depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. 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.

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

Computer equipment	– 3 years
Furniture and fixtures	– 4 years
Motor vehicles	– 3 years
Leasehold improvements	– 5 years

## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

### (e) 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.

### (f) Associates

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

Interests in associates are stated in the consolidated balance sheet at the Group's share of net assets other than goodwill as recorded in the financial statements of associates. The results of associates are taken into the consolidated income statement to the extent of post-acquisition profits less losses attributable to the Group.

### (g) 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.

### (h) Impairment

The carrying amounts of the Group's non-current 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.

#### (i) Calculation of recoverable amount

The recoverable amount of the Group's receivables with a short duration is not discounted.

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

For the year ended 31st December, 2005

## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

### (h) Impairment (Continued)

#### (ii) *Reversals of impairment*

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

### (i) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

### (j) Financial instruments

#### *Trade and other debtors*

Trade and other debtors of short term maturity are stated at cost less provision for impairment. A provision for impairment is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and its recoverable amount. The amount of the provision is recognised in the income statement.

#### *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.

#### *Equity instruments*

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

### (k) 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.

### (l) 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.

### (m) Employee benefits

#### (i) *Employee leave entitlements*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

#### (ii) *Pension obligations*

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.

#### (iii) *Termination benefits*

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.

For the year ended 31st December, 2005

## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

### (n) Foreign currency translation

#### (i) *Functional and presentation currency*

Items included in the financial statements of the Group are measured using the currency of the primary economic environment in which the Group operates (the "functional currency"). The financial statements are presented in HK dollar, which is the Group's functional and presentation currency.

#### (ii) *Transactions and balances*

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.

#### (iii) *PRC subsidiary*

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.

### (o) Borrowing costs

Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds and are expensed as incurred.

### (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. Related parties also include key management personnel of the company and their close family members.

### (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.

## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

### (q) Income tax (Continued)

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.

### (r) 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.

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For the year ended 31st December, 2005

**3. TURNOVER AND REVENUE**

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

	2005 HK\$'000	2004 HK\$'000
Provision of IT services	50,217	15,342
Provision of supply chain solutions	31,601	10,892
Sales of packaged software products and related services	872	2,422
System integration	-	8,762
Others	-	5,822
Turnover	<b>82,690</b>	43,240
Interest income	12	-
Total revenue	<b>82,702</b>	43,240

**4. PROFIT/(LOSS) BEFORE INCOME TAX**

	2005 HK\$'000	2004 HK\$'000
Profit/(loss) before income tax is arrived at after charging/(crediting):		
Cost of inventories expensed	26,545	20,211
Amortisation of development costs	-	1,034
Minimum lease payments paid under operating leases	1,857	1,025
Auditors' remuneration	249	244
Depreciation	259	133
Directors' remuneration - Note 9(a)	2,504	763
Other staff salaries and benefits	30,797	5,910
Retirement scheme contributions	546	150
Interest on bank and other loans wholly repayable within five years	3	10
Exchange loss/(gain)	38	(18)

For the year ended 31st December, 2005

**5. INCOME TAX EXPENSE**

	<b>2005</b>	2004
	<b>HK\$'000</b>	HK\$'000
Current tax		
The Company and subsidiaries	<b>332</b>	221
Share of income tax expense of associates	<b>119</b>	–
	<b>451</b>	221

Provision for Hong Kong profits tax at 17.5% on the estimated assessable profits for the year. Overseas tax is calculated at the relevant tax rate.

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

	<b>2005</b>	2004
	<b>HK\$'000</b>	HK\$'000
Profit/(loss) before income tax	<b>12,486</b>	(11,620)
Tax effect at Hong Kong profits tax rate at 17.5%	<b>2,185</b>	(2,033)
PRC and Hong Kong tax rates differential	<b>54</b>	154
Tax effect of income that is not taxable	<b>(1,837)</b>	(305)
Tax effect of expenses that are not deductible	<b>167</b>	362
Tax effect of waiver of intra-group balance that is taxable in subsidiary level but eliminated and not taxable in group level	<b>–</b>	5,000
Tax effect of unrecognised (accelerated)/decelerated depreciation allowances	<b>(115)</b>	125
Utilisation of tax loss not previously recognised	<b>(4)</b>	(3,082)
Tax effect of tax loss not recognised	<b>1</b>	–
Income tax expense	<b>451</b>	221

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For the year ended 31st December, 2005

**5. INCOME TAX EXPENSE (Continued)**

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

	<b>2005</b>	2004
	<b>HK\$'000</b>	HK\$'000
Deductible/(taxable) temporary differences (Note 5(b)(i))		
Unutilised tax losses (Note 5(b)(ii))	<b>2</b>	36,472
(Accelerated)/decelerated depreciation allowances	<b>(667)</b>	1,121
Net deductible/(taxable) temporary differences	<b>(665)</b>	37,593

- (i) Net taxable temporary difference has not been recognised owing to immateriality.

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\$Nil (2004: HK\$15,060,000) would expire in five years from the respective year of loss. The unutilised tax losses accumulated in the Hong Kong subsidiaries amounted to HK\$2,000 (2004: HK\$21,412,000) can be carried forward indefinitely.

**6. PROFIT/(LOSS) FOR THE YEAR**

Profit/(loss) for the year includes a loss of approximately HK\$651,000 (2004: HK\$12,121,000) which has been dealt with in the financial statements of the Company.

For the year ended 31st December, 2005

**7. EARNINGS/(LOSS) PER SHARE**

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

	<b>2005</b>	2004
	<b>HK\$'000</b>	HK\$'000
Earnings/(loss)		
Profit/(loss) for the year used in the calculation of basic earnings/(loss) per share	<b>12,035</b>	(11,841)
Shares		(Restated)
Weighted average number of shares in issue for the purpose of calculation of basic earnings/(loss) per share	<b>421,208,703</b>	291,764,706

The Company completed a rights issue exercise in May 2005 on the basis of one rights share for every one ordinary share held at an issue price of HK\$0.02 per rights share. Accordingly, the comparative figures was re-calculated based on the adjusted weighted average number of 291,764,706 shares to reflect the effect of the rights issue to the loss per share for the year ended 31st December, 2004.

**8. 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 20% to 28% of the applicable payroll costs. The Group has no obligation other than above-mentioned contributions.

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For the year ended 31st December, 2005

**9. DIRECTORS' EMOLUMENTS AND EMPLOYEES' EMOLUMENTS**

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

	Fees HK\$'000	Basic salaries, allowances and other benefits HK\$'000	Retirement scheme contributions HK\$'000	Total HK\$'000
<b>2004</b>				
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
Tsang Link Carl, Brian	90	-	-	90
Chung Kong Fei, Stephen	15	-	-	15
Ng Chik Sum, Jackson	15	-	-	15
	<u>240</u>	<u>-</u>	<u>-</u>	<u>240</u>
	<u>240</u>	<u>498</u>	<u>25</u>	<u>763</u>

For the year ended 31st December, 2005

**9. DIRECTORS' EMOLUMENTS AND EMPLOYEES' EMOLUMENTS (Continued)**

(a) (Continued)

	Fees HK\$'000	Basic salaries, allowances and other benefits HK\$'000	Retirement scheme contributions HK\$'000	Total HK\$'000
<b>2005</b>				
Executive directors:				
Fung Pak Chuen, Alphonso	-	2,255	69	2,324
Lo, Richard	-	-	-	-
	<u>-</u>	<u>2,255</u>	<u>69</u>	<u>2,324</u>
	-	2,255	69	2,324
Non-executive directors:				
Sugii Toshio	-	-	-	-
Yukitaka Kaneda	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	-	-	-	-
Independent non-executive directors:				
Lee Sai Yeung	60	-	-	60
Chung Kong Fei, Stephen	60	-	-	60
Ng Chik Sum, Jackson	60	-	-	60
	<u>180</u>	<u>-</u>	<u>-</u>	<u>180</u>
	180	-	-	180
	<u>180</u>	<u>2,255</u>	<u>69</u>	<u>2,504</u>

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

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

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For the year ended 31st December, 2005

**9. 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>2005</b>	2004
	<b>HK\$'000</b>	HK\$'000
Salaries and allowances	<b>2,331</b>	783
Retirement scheme contributions	<b>74</b>	24
	<b>2,405</b>	807

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

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

For the year ended 31st December, 2005

**10. FIXED ASSETS**

	Computer equipment HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Leasehold improvements HK\$'000	Total HK\$'000
Cost:					
At 1.1.2004	-	-	828	-	828
Additions	12	-	-	-	12
At 31.12.2004	12	-	828	-	840
Aggregate depreciation:					
At 1.1.2004	-	-	608	-	608
Charge for the year	1	-	132	-	133
At 31.12.2004	1	-	740	-	741
Net book value:					
At 31.12.2004	11	-	88	-	99
Cost:					
At 1.1.2005	12	-	828	-	840
Additions	889	22	-	124	1,035
Disposals	(1)	-	-	-	(1)
Disposal of subsidiaries (Note 22)	-	-	(828)	-	(828)
<b>At 31.12.2005</b>	<b>900</b>	<b>22</b>	<b>-</b>	<b>124</b>	<b>1,046</b>
Aggregate depreciation:					
At 1.1.2005	1	-	740	-	741
Charge for the year	170	4	66	19	259
Written back on disposals	(1)	-	-	-	(1)
Written back on disposal of subsidiaries (Note 22)	-	-	(806)	-	(806)
<b>At 31.12.2005</b>	<b>170</b>	<b>4</b>	<b>-</b>	<b>19</b>	<b>193</b>
Net book value:					
<b>At 31.12.2005</b>	<b>730</b>	<b>18</b>	<b>-</b>	<b>105</b>	<b>853</b>

## 48 Notes to the Financial Statements ▶

For the year ended 31st December, 2005

## II. INTERESTS IN SUBSIDIARIES

	2005 HK\$'000	2004 HK\$'000
Unlisted shares, at cost	100	100
Amounts due from subsidiaries – Note 11(b)	3,802	10,248
	<b>3,902</b>	10,348
Less: Provision for impairment loss and bad debts	100	10,334
	<b>3,802</b>	14

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

Name	Place of incorporation/ establishment	Particular 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 Solutions Services Limited	Hong Kong	100,000 shares of HK\$1 each	-	100%	Provision of hardware warranty services and investment holding
CL Smart Sourcing Limited	Hong Kong	1 share of HK\$1 each	-	100%	Provision of IT staff outsourcing and recruitment services
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 supply chain solutions and related services
CL Services Limited	Hong Kong	300,000 shares of HK\$1 each	-	100%	Provision of IT support services

For the year ended 31st December, 2005

**11. INTERESTS IN SUBSIDIARIES (Continued)**

(a) (Continued)

Name	Place of incorporation/ establishment	Particular of issued share capital/ registered capital	Attributable equity interest held by the Group		Principal activities
			Directly	Indirectly	
Guangzhou CL Solutions Limited	PRC	US\$200,000	-	100%	Provision of supply chain solutions and related services
Victor Group Limited	Hong Kong	1 share of HK\$1 each	-	100%	Investment holding
Computech Online Limited	The British Virgin Islands	1 share of US\$1 each	-	100%	Dormant

(b) The amounts due from/to subsidiaries are interest-free, unsecured and have no fixed repayment term. The directors consider the carrying amounts of amounts due from/to subsidiaries approximate their fair values.

**12. INTERESTS IN ASSOCIATES**

	2005 HK\$'000	2004 HK\$'000
Share of net assets other than goodwill of associates	566	-
Amounts due from associates - Note 12(b)	683	-
	<b>1,249</b>	-

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For the year ended 31st December, 2005

**12. INTERESTS IN ASSOCIATES (Continued)**

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

Name	Place of incorporation	Particulars of issued shares held				Profit/(loss) HK\$'000	% Interest held
			Assets HK\$'000	Liabilities HK\$'000	Revenues HK\$'000		
Automated Logistics Solutions Limited	Hong Kong	200 ordinary shares of HK\$1 each 2A shares of HK\$1 each*	3,288	2,153	4,291	1,135	49.5
Jackstar Limited	Hong Kong	10,000 ordinary shares of HK\$1 each	10	12	-	(12)	50

\* The A shares have no right to dividends and distribution upon liquidation of the associate. In all other respects, the A shares shall rank pari passu with the ordinary shares of the associate.

(b) The amounts are interest-free, unsecured and have no fixed repayment term. The directors consider the carrying amounts of amounts due from associates approximate their fair values.

**13. INVENTORIES**

	2005 HK\$'000	2004 HK\$'000
Equipment and accessories held for re-sale	317	578
Spare parts	2,508	2,276
	<b>2,825</b>	2,854

For the year ended 31st December, 2005

**14. DEBTORS, DEPOSITS AND PREPAYMENTS**

	<b>2005</b>	2004
	<b>HK\$'000</b>	HK\$'000
Debtors, deposits and prepayments comprise:		
Trade debtors	<b>8,302</b>	4,538
Other debtors, deposits and prepayments	<b>1,022</b>	1,057
	<b>9,324</b>	5,595

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.

	<b>2005</b>	2004
	<b>HK\$'000</b>	HK\$'000
0 – 3 months	<b>7,970</b>	4,504
4 – 6 months	<b>269</b>	12
7 – 12 months	<b>63</b>	22
	<b>8,302</b>	4,538

**15. CASH AND BANK BALANCES**

At 31st December, 2005, the cash and bank balances of the Group denominated in Renminbi amounted to approximately HK\$569,000 (2004: HK\$340,000). 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.

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For the year ended 31st December, 2005

**16. CREDITORS, ACCRUALS AND DEPOSITS**

	<b>2005</b>	2004
	<b>HK\$'000</b>	HK\$'000
Creditors, accruals and deposits comprise:		
Trade creditors	<b>1,414</b>	7,196
Other creditors, accruals and deposits	<b>3,459</b>	6,757
Deferred revenue	<b>1,978</b>	1,840
	<b>6,851</b>	15,793

The following is an aging analysis of trade creditors:

	<b>2005</b>	2004
	<b>HK\$'000</b>	HK\$'000
0 - 6 months	<b>1,414</b>	3,573
7 - 12 months	-	116
Over 12 months	-	3,507
	<b>1,414</b>	7,196

**17. AMOUNTS DUE TO FELLOW SUBSIDIARIES**

The amounts are interest-free, unsecured and repayable on demand. The directors consider the carrying amounts of amounts due to fellow subsidiaries approximate their fair values.

**18. LOANS FROM DIRECTORS**

The loans are interest-free, unsecured and not repayable until the Group is in a position to do so. The directors consider the carrying amounts of loans from directors approximate their fair values.

**19. AMOUNT DUE FROM THE ULTIMATE HOLDING COMPANY, RELATED COMPANIES AND FELLOW SUBSIDIARIES**

The amounts are interest-free, unsecured and repayable on demand. The directors consider the carrying amounts of amounts due from the ultimate holding company, related companies and fellow subsidiaries approximate their fair values.

For the year ended 31st December, 2005

**20. SHARE CAPITAL**

	Number of shares	HK\$'000
Authorised:		
Ordinary shares of HK\$0.1 each at 1.1.2005	1,000,000,000	100,000
Capital Reduction		
– Note 20(b)(i)	–	(21,600)
– Note 20(b)(iv)	(684,000,000)	(68,400)
Subdivision of shares – Note 20(b)(iv)	684,000,000	–
	<u>1,000,000,000</u>	<u>10,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.1 each at 1.1.2005	240,000,000	24,000
Capital Reduction – Note 20(b)(i)	–	(21,600)
Rights issue – Note 20(c)	240,000,000	2,400
	<u>480,000,000</u>	<u>4,800</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.

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

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

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

For the year ended 31st December, 2005

## 20. SHARE CAPITAL (Continued)

(a) (Continued)

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 granted under the Scheme lapsed during the year 2003.

(b) 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\$45,642,000 as shown in the audited financial statements of the Company for the year ended 31st December, 2004; 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.

(c) The Company raised 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 3rd May, 2005. All rights shares issued rank pari passu with the then existing shares in all respects.

The Company used the net proceeds amounted to approximately HK\$4.3 million from the rights issue for its general working capital purposes.

For the year ended 31st December, 2005

**21. RESERVES**

	<b>Share premium</b>	<b>Accumulated losses</b>	<b>Total</b>
	HK\$'000	HK\$'000	HK\$'000
The Company			
At 1.1.2004	19,030	(33,521)	(14,491)
Loss for the year	<u>–</u>	<u>(12,121)</u>	<u>(12,121)</u>
At 31.12.2004 and 1.1.2005	19,030	(45,642)	(26,612)
Capital Reduction (Note 20(b))	(19,030)	40,630	21,600
Rights issue of shares (Note 20(c))	2,400	–	2,400
Share issuing expenses	(520)	–	(520)
Loss for the year	<u>–</u>	<u>(651)</u>	<u>(651)</u>
<b>At 31.12.2005</b>	<b><u>1,880</u></b>	<b><u>(5,663)</u></b>	<b><u>(3,783)</u></b>

- (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, 2005, in the opinion of the directors, there was no reserve of the Company available for distribution to the shareholders (2004: HK\$Nil).

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For the year ended 31st December, 2005

**22. DISPOSAL OF SUBSIDIARIES**

	<b>2005</b>
	HK\$'000
Net liabilities disposal of:	
Fixed assets	22
Debtors, deposits and prepayments	975
Cash and bank balances	126
Secured bank loan	(31)
Creditors, accruals and deposits received	(9,976)
Amount due to a related company	(474)
Value added tax payable	(259)
Exchange reserve	(100)
	<u>(9,717)</u>
Consideration	(50)
	<u>(9,767)</u>
Satisfied by:	
Cash received	50
	<u>50</u>

- (a) Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries amounted to approximately HK\$76,000.
- (b) The net cash used in operating activities and financing activities and net cash from investing activities in respect of the subsidiaries disposed of during the year amounted to HK\$488,000, HK\$91,000 and HK\$166,000 respectively.
- (c) The disposal of subsidiaries was related to the business segment – sales of bank packaged software products (note 26(a)). Accordingly, it is regarded as a discontinued operation.

For the year ended 31st December, 2005

**23. COMMITMENTS**

## (a) Operating leases

As at 31st December, 2005, the Group had outstanding commitments under non-cancellable operating leases which fall due as follows:

	<b>2005</b> <b>HK\$'000</b>	2004 HK\$'000
Within one year	<b>848</b>	1,538
In the second to fifth years inclusive	-	492
	<b>848</b>	2,030

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

(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 the controlling shareholder of the Company and 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 6 and 7 in the section headed "substantial shareholders" in the Directors' Report).

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

	Note	<b>2005</b> <b>HK\$'000</b>	2004 HK\$'000
Consultancy fee income received from a subsidiary of CLIH	(i)	-	572
Service fee paid to a subsidiary of CLIH	(ii)	-	567
Provision of IT services to a subsidiary of CLIH	(iii)	<b>40,587</b>	12,029
Purchases from subsidiaries of CLIH	(iii)	<b>24,173</b>	14,592
Sales of fixed assets to an associate	(iv)	<b>117</b>	-
Acquisition of fixed assets from a subsidiary of CLIH	(iv)	<b>243</b>	-

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For the year ended 31st December, 2005

**24. CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)**

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

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.

<b>Key management compensation</b>	<b>2005</b>	2004
	<b>HK\$'000</b>	HK\$'000
Fees for key management personnel	<b>180</b>	240
Salaries, allowances and other benefits in kind	<b>3,676</b>	1,210
Retirement scheme contributions	<b>132</b>	58
	<b>3,988</b>	1,508

**25. FINANCIAL INSTRUMENTS****Foreign exchange risk**

The Group's foreign exchange risk is primarily attributable to its trade debtors. The foreign exchange risk is minimal as most of the trade debtors are denominated in Hong Kong dollars ("HK\$") or United States dollars ("US\$"). The foreign exchange risk in the translation of US\$ to HK\$ is limited as HK\$ are being pegged to US\$.

**Interest rate risk**

As the Group had no bank borrowings or other interest bearing loans, it does not expose to the interest rate risk.

## 25. FINANCIAL INSTRUMENTS (Continued)

### **Credit risk**

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

### **Liquidity risk**

The Group maintains sufficient liquid funds and therefore the liquidity risk is not significant.

### **Fair value**

The fair values of the Group's financial instruments, debtors, deposits and prepayments, cash and cash equivalents, creditors, accruals and deposits received approximate their fair values due to the short-term maturity of these instruments.

## 26. 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.

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For the year ended 31 st December, 2005

**26. SEGMENT REPORTING (Continued)****(a) Business segments**

The Group principally operates in three business segments, (i) provision of IT services, (ii) supply chain solutions and (iii) sales of bank packaged software products (Note 26(a)(i)).

	IT services		Supply chain solutions		Bank packaged software products		Unallocated items		Consolidated	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Revenue from external customers	50,217	15,342	31,601	10,892	872	17,006	-	-	82,690	43,240
<b>RESULTS</b>										
Segment results	1,463	813	1,165	448	60	(9,618)	(658)	(3,253)	2,030	(11,610)
Interest income	1	-	3	-	-	-	8	-	12	-
Finance costs	-	-	-	-	(3)	(10)	-	-	(3)	(10)
Gain on disposal of subsidiaries	-	-	-	-	9,767	-	-	-	9,767	-
Share of profits less losses of associates	-	-	686	-	-	-	(6)	-	680	-
Profit/(loss) before income tax	1,464	813	1,854	448	9,824	(9,628)	(656)	(3,253)	12,486	(11,620)
Income tax expense	(131)	(142)	(316)	(79)	-	-	(4)	-	(451)	(221)
Profit/(loss) attributable to shareholders	1,333	671	1,538	369	9,824	(9,628)	(660)	(3,253)	12,035	(11,841)
<b>SEGMENT ASSETS</b>										
Segment assets	4,320	5,997	8,788	6,116	-	1,433	7,829	339	20,937	13,885
<b>SEGMENT LIABILITIES</b>										
Segment liabilities	(1,876)	(5,340)	(9,012)	(6,230)	-	(11,421)	(5,442)	(2,506)	(16,330)	(25,497)
<b>OTHER INFORMATION</b>										
Depreciation and amortisation	179	-	15	-	65	1,167	-	-	259	1,167
Impairment loss on development costs	-	-	-	-	-	862	-	-	-	862
Bad debts	-	-	-	-	-	8,992	-	-	-	8,992
Capital expenditure incurred during the year	924	8	111	4	-	-	-	-	1,035	12

## 26. SEGMENT REPORTING (Continued)

### (a) Business segments (Continued)

- (i) The business segment – sales of bank packaged software products has been disposed of in July 2005 (note 22 (c)) and is regarded as discontinued operations.
- (ii) Unallocated results include other income and 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.

### (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.

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For the year ended 31st December, 2005

**26. SEGMENT REPORTING (Continued)****(b) Geographical segments (Continued)**

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

	Hong Kong		PRC		Consolidated	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Revenue from external customers	<b>79,786</b>	26,234	<b>2,904</b>	17,006	<b>82,690</b>	43,240
Segment assets	<b>19,466</b>	12,482	<b>1,471</b>	1,403	<b>20,937</b>	13,885
Capital expenditure incurred during the year	<b>883</b>	12	<b>152</b>	–	<b>1,035</b>	12

**27. ULTIMATE HOLDING COMPANY**

The directors consider the ultimate holding company to be CL International Holdings Company Limited, a company incorporated in the British Virgin Islands.

**28. COMPARATIVE FIGURES**

Certain comparative figures have been restated and additional disclosure of comparative figures have been made as a result of the adoption of new HKFRS as mentioned in note 2(a) above.

**RESULTS**

	Years ended 31st December,				2005
	2001	2002	2003	2004	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	<u>120,990</u>	<u>68,635</u>	<u>35,399</u>	<u>43,240</u>	<b>82,690</b>
Profit/(loss) for the year	<u>4,552</u>	<u>(20,852)</u>	<u>(27,282)</u>	<u>(11,841)</u>	<b>12,035</b>

**ASSETS AND LIABILITIES**

	Years ended 31st December,				2005
	2001	2002	2003	2004	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current assets	<u>14,694</u>	<u>9,022</u>	<u>2,116</u>	<u>99</u>	<b>2,102</b>
Current assets	59,131	47,416	19,877	13,786	<b>18,835</b>
Deduct:					
Current liabilities	<u>46,495</u>	<u>28,721</u>	<u>19,789</u>	<u>23,241</u>	<b>14,074</b>
Net current assets/(liabilities)	<u>12,636</u>	<u>18,695</u>	<u>88</u>	<u>(9,455)</u>	<b>4,761</b>
Total assets less current liabilities	27,330	27,717	2,204	(9,356)	<b>6,863</b>
Non-current liabilities	<u>(16)</u>	<u>(206)</u>	<u>(1,975)</u>	<u>(2,256)</u>	<b>(2,256)</b>
Net assets/(liabilities)	<u>27,314</u>	<u>27,511</u>	<u>229</u>	<u>(11,612)</u>	<b>4,607</b>

**NOTICE IS HEREBY GIVEN** that an annual general meeting (the “Meeting”) of the shareholders of Computech Holdings Limited (the “Company”) will be held at 10/F., Westlands Centre, 20 Westlands Road, Quarry Bay, Hong Kong at 10:00 a.m. on 25th April, 2006 for the following purposes:

1. To receive and consider the audited financial statements and the reports of the directors and the auditors for the year ended 31st December, 2005;
2. To re-elect the retiring director and to authorize the board of directors (the “Board”) to fix his remuneration;
3. To re-appoint auditors and authorize the Board to fix their remuneration;
4. To consider as special business and, if thought fit, pass with or without amendments, the following resolutions as an ordinary resolution:

**“That**

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

- (2) (if the directors of the Company are so authorized by a separate ordinary resolution of the shareholders of the Company) the nominal amount of any share capital of the Company repurchased by the Company subsequent to the passing of this resolution (up to a maximum equivalent to 10% of the aggregate nominal amount of the share capital of the Company in issue on the date of the passing of this resolution), and the authority pursuant to paragraph (a) of this Resolution shall be limited accordingly; and
- (d) for the purpose of this resolution:

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

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

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

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

**“That**

- (a) subject to paragraph (b) of this resolution, the exercise by the Directors during the Relevant Period (as defined below) of all powers of the Company to repurchase its shares on the Stock Exchange or any other stock exchange on which the shares of the Company may be listed and recognized by the Securities and Futures Commission (the “SFC”) and the Stock Exchange for such purpose, and otherwise in accordance with the rules and regulations of the SFC, the GEM Listing Rules, the Memorandum and Articles of Association of the Company and all other applicable laws in this regard, be and the same is hereby generally and unconditionally approved;
  - (b) the aggregate nominal amount of shares of the Company which may be purchased by the Company pursuant to the approval in paragraph (a) of this resolution during the Relevant Period shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of the passing of this resolution and the authority pursuant to paragraph (a) of this resolution shall be limited accordingly; and
  - (c) for the purpose of this Resolution, “Relevant Period” means the period from the date of the passing of this resolution until whichever is earliest of:
    - (i) the conclusion of the next annual general meeting of the Company;
    - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association of the Company or any other applicable law of the Cayman Islands to be held; and
    - (iii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the directors of the Company by this Resolution.”
6. To consider as special business and, if thought fit, pass with or without amendments, the following resolutions as an ordinary resolution:

**“That**

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

7. To consider as special business and, if thought fit, pass with or without amendments, the following resolution as a special resolution:

**“That**

Article 86(5) of the articles of association of the Company be deleted and replaced with the following words:

“Subject to any provision to the contrary in these Articles and where not otherwise provided by any of the Statutes, the Members may, at any general meeting convened and held in accordance with these Articles, by ordinary resolution remove a Director (including a managing or other executive Director) at any time before the expiration of his period of office notwithstanding anything in these Articles or in any agreement between the Company and such Director (but without prejudice to any claim for damages under any such agreement).”

By order of the Board  
**Computech Holdings Limited**  
**Yip Yuk Sing, Wallace**  
*Company Secretary*

29th March, 2006

*Registered office:*

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

*Head office and principal place of business:*

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

## Notes:

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