



COMPUTECH HOLDINGS LIMITED

駿科網絡訊息有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8081)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2011

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

GEM has been positioned as a market designed to accommodate companies to which a high investment risk may be attached than other companies listed on the Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This announcement, for which the directors of Computech Holdings Limited (the “Directors”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM (the “GEM Listing Rules”) for the purpose of giving information with regard to Computech Holdings Limited. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

* For identification purpose only

INTERIM RESULTS

The board (the “Board”) of directors of Computech Holdings Limited (the “Company”) announce the unaudited condensed consolidated interim financial statements (“Interim Results”) of the Company and its subsidiaries (together the “Group”) for the six months and three months ended 30 June 2011 together with the comparative unaudited consolidated figures for the corresponding period of 2010. The Interim Results have not been audited, but have been reviewed by the Company’s audit committee and external auditor, PKF, Certified Public Accountants, Hong Kong.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months and three months ended 30 June 2011

		For the six months ended 30 June		For the three months ended 30 June	
		2011	2010	2011	2010
	Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	2	12,582	13,255	6,547	6,365
Cost of sales		(9,910)	(11,463)	(4,959)	(5,498)
Gross profits		2,672	1,792	1,588	867
Other income		1	154	–	47
Selling and distribution expenses		(29)	–	(29)	–
Administrative expenses		(13,711)	(3,844)	(3,940)	(1,880)
Operating loss		(11,067)	(1,898)	(2,381)	(966)
Finance cost		(15)	–	(15)	–
Loss before income tax	3	(11,082)	(1,898)	(2,396)	(966)
Income tax expenses	4	–	–	–	–
Loss for the period		(11,082)	(1,898)	(2,396)	(966)
Other comprehensive loss		–	–	–	–
Total comprehensive loss for the period		<u>(11,082)</u>	<u>(1,898)</u>	<u>(2,396)</u>	<u>(966)</u>
Attributable to:					
Shareholders of the Company		<u>(11,082)</u>	<u>(1,898)</u>	<u>(2,396)</u>	<u>(966)</u>
Basic loss per share (HK cents)	5	<u>(1.21)</u>	<u>(0.24)</u>	<u>(0.26)</u>	<u>(0.12)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2011

		(Unaudited) At 30 June 2011 HK\$'000	(Audited) At 31 December 2010 HK\$'000
	Note		
NON-CURRENT ASSETS			
Plant and equipment		69	88
Interest in an associate		4	4
		<u>73</u>	<u>92</u>
CURRENT ASSETS			
Inventories		568	751
Debtors, deposits and prepayments	6	4,100	1,359
Amount due from related companies	7	3,341	3,196
Cash and bank balances		6,000	21,289
		<u>14,009</u>	<u>26,595</u>
DEDUCT:			
CURRENT LIABILITIES			
Creditors, accruals and deposits received	8	4,981	7,275
Income tax payable		3	3
Borrowings		600	—
		<u>5,584</u>	<u>7,278</u>
NET CURRENT ASSETS		<u>8,425</u>	<u>19,317</u>
NET ASSETS		<u><u>8,498</u></u>	<u><u>19,409</u></u>
REPRESENTING			
Share capital		9,193	9,193
Reserves		(695)	10,216
		<u><u>8,498</u></u>	<u><u>19,409</u></u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2011

	Attributable to shareholders of the Company					Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Share options reserve HK\$'000	Warrants reserve HK\$'000	Accumulated losses HK\$'000	
At 1/1/2010 (Audited)	7,891	8,380	28	1,025	(5,908)	11,416
Total comprehensive loss for the period	—	—	—	—	(1,898)	(1,898)
At 30/6/2010 (Unaudited)	<u>7,891</u>	<u>8,380</u>	<u>28</u>	<u>1,025</u>	<u>(7,806)</u>	<u>9,518</u>
At 1/1/2011 (Audited)	9,193	29,634	—	843	(20,261)	19,409
Share base payment	—	—	171	—	—	171
Total comprehensive loss for the period	—	—	—	—	(11,082)	(11,082)
At 30/6/2011 (Unaudited)	<u>9,193</u>	<u>29,634</u>	<u>171</u>	<u>843</u>	<u>(31,343)</u>	<u>8,498</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2011

	For the six months ended 30 June	
	2011 HK\$'000	2010 HK\$'000
Net Cash used in operating activities	(15,848)	(1,364)
Net Cash used in investing activities	(26)	(2,059)
Net cash inflow from financing activities	<u>585</u>	<u>—</u>
Net decrease in cash and cash equivalent	(15,289)	(3,423)
Cash and cash equivalents at beginning of the period	<u>21,289</u>	<u>8,362</u>
Cash and cash equivalents at end of the period	<u>6,000</u>	<u>4,939</u>
Analysis of cash and cash equivalents cash and bank balances	<u>6,000</u>	<u>4,939</u>

NOTES:

1. BASIS OF PREPARATION

The Interim Results are prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements of the GEM Listing Rules. They are prepared under the historical cost convention.

The accounting policies and basis of preparation used in the preparation of the Interim Results are consistent with those used in the Company’s annual financial statements for the year ended 31 December 2010, except for the adoption of certain new standards, amendments or interpretations issued by HKICPA which are effective for the Group’s financial year beginning on 1 January 2011. The adoption of these new standards, amendments or interpretations has no material effect on the Group’s financial position or results of operations.

The Group has not early adopted any new standards, amendments or interpretations that have been issued by HKICPA but are not yet effective for the Group’s financial year beginning on 1 January 2011. The directors of the Company is in the process of making an assessment of what the impact of these new standards, amendments or interpretations are expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group’s financial position or results of operations.

2. TURNOVER

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

	(Unaudited) For the six months ended 30 June	
	2011	2010
	HK\$'000	HK\$'000
Services income	11,766	13,113
Sales	816	142
	<u>12,582</u>	<u>13,255</u>

3. LOSS BEFORE INCOME TAX

Loss before income tax was arrived at after charging

	(Unaudited) For the six months ended 30 June	
	2011	2010
	HK\$'000	HK\$'000
Cost of inventories expensed	901	1,208
Depreciation	45	77
Directors’ remuneration	1,451	210
Other staff salaries and benefits	8,122	8,391
Retirement scheme contributions	366	377
Interest expenses	15	–
Minimum lease payments paid under operating leases	819	706
Impairment loss/(Written back of impairment loss) on trade debtors	29	(3)

4. INCOME TAX EXPENSES

No provision for Hong Kong profits tax has been made for the period ended 30 June 2011 as there was no estimated assessable profits for the period (2010: Nil).

5. LOSS PER SHARE

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

	(Unaudited)			
	For the six months ended 30 June		For the three months ended 30 June	
	2011	2010	2011	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss attributable to equity holders of the Company	<u>(11,082)</u>	<u>(1,898)</u>	<u>(2,381)</u>	<u>(966)</u>
	Number of share			
Weighted average number of share in issue	<u>919,296,469</u>	<u>789,146,990</u>	<u>919,296,469</u>	<u>789,146,990</u>

Diluted loss per share is not presented for the six months and three months ended 30 June 2011 as the outstanding potential ordinary shares of the Company in respect of outstanding warrants and share options are anti-dilutive (2010: Nil).

6. DEBTORS, DEPOSITS AND PREPAYMENTS

	(Unaudited)	(Audited)
	At	At
	30 June	31 December
	2011	2010
	HK\$'000	HK\$'000
Debtors, deposits and prepayments comprise:		
Trade debtors	735	893
Other debtors, deposits and prepayments	<u>3,365</u>	<u>466</u>
	<u>4,100</u>	<u>1,359</u>

The credit terms given to the customers vary and are generally based on the financial strengths of individual customers. In order to effectively manage the credit risks associated with trade debtors, credit evaluations of customers are performed periodically. The following is an aging analysis of trade debtors.

	(Unaudited)	(Audited)
	At	At
	30 June	31 December
	2011	2010
	HK\$'000	HK\$'000
Within 3 months	695	834
4 – 6 months	10	23
Over 6 months	<u>30</u>	<u>36</u>
	<u>735</u>	<u>893</u>

7. AMOUNTS DUE FROM RELATED COMPANIES

The amounts due from related companies are trade related which are arisen in ordinary and usual course of business of the Group and are on normal commercial terms and aged within one month. The directors consider the carrying amounts due from related companies approximates their fair values.

8. CREDITORS, ACCRUALS AND DEPOSITS

	(Unaudited) At 30 June 2011 HK\$'000	(Audited) At 31 December 2010 HK\$'000
Creditors, accruals and deposits comprise:		
Trade creditors	1,449	1,558
Other creditors and accruals	3,327	5,561
Deferred revenue	161	145
Deposits received	44	11
	<u>4,981</u>	<u>7,275</u>

The following is an aging analysis of trade creditors:

	(Unaudited) At 30 June 2011 HK\$'000	(Audited) At 31 December 2010 HK\$'000
Within 3 months	1,147	1,222
4 – 6 months	15	6
Over 6 months	287	330
	<u>1,449</u>	<u>1,558</u>

9. CONNECTED AND RELATED PARTY TRANSACTIONS

- (a) During the period, the Group had the following transactions with CL International Holdings Limited (“CLIH”) and its subsidiaries. CLIH is a connected associate of the Company according to the GEM Listing Rules.

	(Unaudited) For the six months ended 30 June	
	2011	2010
	HK\$'000	HK\$'000
Provision of IT services to subsidiaries of CLIH	9,842	10,549
Purchases from subsidiaries of CLIH	452	545
	<u> </u>	<u> </u>

The above transactions were entered into with reference to market price of goods purchased or services rendered.

- (b) **Key management compensation**

	(Unaudited) For the six months ended 30 June	
	2011	2010
	HK\$'000	HK\$'000
Fees for key management personnel	251	210
Salaries, allowances and other benefits in kind	2,142	927
Retirement scheme contributions	45	45
	<u> </u>	<u> </u>
	<u>2,438</u>	<u>1,182</u>

10. SEGMENT AND ENTITY-WIDE INFORMATION

The Group is solely engaged in the provision of IT services, including consultancy, technical support, systems integration, development and sales of relevant hardware and software products in Hong Kong, they are considered as a single reportable segment under HKFRS 8.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2011(2010 Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

The turnover of the Group for the period under review decreased approximately HK\$673,000 from the same period of last year. The fall of the Group's turnover was due to keen competition of warranty and maintenance service of I.T. business. But there were increases in hardware sales and recruitment service of IT business, they have made a positive contribution to sales revenue and service income for the six months ended 30 June 2011 compared with last year. Both businesses have represented approximately 12% of the group turnover with higher profit margin. As a result, the gross profits of the Group had an increase in approximate of HK\$880,000 for the period ended of 30 June 2011 from the corresponding period of 2010.

Financial review

The Group recorded an unaudited consolidated turnover of approximately HK\$12,582,000 (for the six months ended 30 June 2010: HK\$13,255,000) for the six months ended 30 June 2011, representing a decrease of approximately 5% compared with the corresponding period last year. The administrative expenses of the Group for the period under review were approximately HK\$13,711,000 (for the six months ended 30 June 2010: HK\$3,844,000). The increase of administrative expenses of the Group was mainly due to acquisition related expenses for the period. The unaudited net loss attributable to shareholders amounted to approximately HK\$11,082,000 (for the six months ended 30 June 2010: net loss of approximately HK\$1,898,000). The loss per share for the six months ended 30 June 2011 was approximately HK1.21 cents (for the six months ended 30 June 2010: HK0.24 cents).

Financial resources and liquidity

As at 30 June 2011, the total assets of the Group were approximately HK\$14,082,000 (at 31 December 2010: HK\$26,687,000) including cash and bank deposits of approximately HK\$6,000,000 (at 31 December 2010: HK\$21,289,000) and debtors, deposits and prepayments of approximately HK\$4,100,000 (at 31 December 2010: HK\$1,359,000).

The Group's current assets were approximately 2.5 times (at 31 December 2010: 3.7 times) over its current liabilities whereas the gearing ratio, representing total borrowings over total assets, was 4% (at 31 December 2010: Nil). The Group's has drawn an unsecured borrowing of approximately HK\$600,000 from a finance company. The outstanding borrowing of the Group was HK\$600,000 as at 30 June 2011 (at 31 December 2010: Nil).

On 14 April 2011, the Company entered into a subscription agreement in respect of the issue of the convertible bonds of the Company in the principal amount of HK\$22,750,000. The subscription is expected to be completed in the next quarter and a net proceed of HK\$22,450,000 will be raised.

Capital structure

There was no change in the capital structure of the Group for the period ended 30 June 2011.

Foreign exchange

The Group's foreign exchange risk is primarily attributable to its creditors. The Group's purchase principally denominated in Hong Kong Dollars and Renminbi, with majority of which denominated in Hong Kong Dollars. The foreign exchange risk was insignificant to the Group, the Group has not applied any financial instrument for foreign currency hedging purpose during the period.

Significant investments and acquisitions

The acquisition agreement, in relation to a proposed acquisition of 86% of the issued share capital in, and the shareholder's loan due from, Wiseking Mining Investment Limited, dated of 2 June 2010 was lapsed. The detail of the lapse of the proposed acquisition can be referred to the announcement of Company dated 4 July 2011.

Save as disclosed, there was no material acquisition and disposal of subsidiaries and affiliated companies of the Group for the period ended 30 June 2011 (at 31 December 2010: Nil).

Charge on the Group's assets

There was no charge on the Group's assets as at 30 June 2011 (at 31 December 2010: Nil).

Capital commitments

Save the lapse of the proposed acquisition mentioned above, the Group did not have any future plans for material investment as at 30 June 2011 (at 31 December 2010: Nil).

Contingent liabilities

As at 30 June 2011, the Group did not have any material contingent liabilities (at 31 December 2010: Nil).

Employees and remuneration policies

As at 30 June 2011, the Group had 85 employees (at 31 December 2010: 88). 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 our employees.

Prospects

The outlook of global economics is still uncertain especially in United States and European financial market. The Hong Kong economy stayed robust but at high inflation rate in the first half year 2011. The Group will continue its I.T. business development and the management will keep on introducing a strict cost control measures.

Competition in I.T. business for warranty and maintenance service is expected to remain keen in the second half of the year, the Group will continue to explore business relating to I.T. business. Moreover, the Group will also look for other business opportunities that will provide potential growth and enhance shareholders' value.

During the period under review, the Group has started to apply a money-lender license and new financing business is expected to commence in the second half year of 2011.

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

There were no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities during the period ended 30 June 2011.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the period ended 30 June 2011, the Company had adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings as set out in rules 5.48 to 5.67 of the GEM Listing Rules. The Company had also made specific enquiry of all directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding directors' securities transactions.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions set out in Appendix 15 of the GEM Listing Rules (the "Code") throughout the period ended 30 June 2011, except for the following deviations:

The Code A.2.1 stipulates that the role of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company does not have any offices with title of "chief executive officer" or "chairman". The general manager of each business unit of the Company undertakes the day-to-day management of the Company's business, whereas the executive Director is responsible for 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 non-executive directors.

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

The Company does not establish a remuneration committee as required by this Code. The Board is in the opinion that establishment of a remuneration committee does not really benefit to the Group after due consideration of the size of the Group and the associated costs involved. According to the current practice of the Company, remuneration of directors are reviewed and approved at regular Board meetings which have the presence of the independent non-executive directors. In addition, the director will abstain from voting on the relevant board resolution in which he has interest.

AUDIT COMMITTEE

Pursuant to the GEM Listing Rules, the Company has established an audit committee (the “Audit Committee”) with written terms of reference for the purpose of reviewing and providing supervision over the financial reporting process and internal control procedures of the Group.

The Group’s unaudited consolidated results for the six months and three months ended 30 June 2011 have been reviewed by the Audit Committee and the Company’s external auditor, PKF, which were of the opinion that the preparation of such results complied with the applicable accounting standards.

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

Hong Kong, 9 August 2011

As at the date of this announcement, the executive Director is Mak Kwong Yiu. The independent non-executive Directors are Dr. Ip Wai Hung, Mr. Chan Wai Man and Mr. Wong Chung Wai.

This announcement will remain on the GEM website on the “Latest Company Announcements” page for 7 days from the date of its posting. This announcement will also be available on the Company’s website at www.computech.com.hk.