


ANNUAL REPORT
2006



Computech

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

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

*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.

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

The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of this report. This report, for which the directors (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*)
Chung Kong Fei, Stephen
Lee Sai Yeung

Auditor

PKF
Certified Public Accountants

Registered office

Cricket Square,
Hutchins Drive, P.O. Box 2681,
Grand Cayman KY1-1111,
Cayman Islands

Head office and principal place of business

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

Principal share registrar and transfer office

Butterfield Fund Services (Cayman) Limited
Butterfield House, 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
China Construction Bank (Asia) Corporation Limited

Stock code

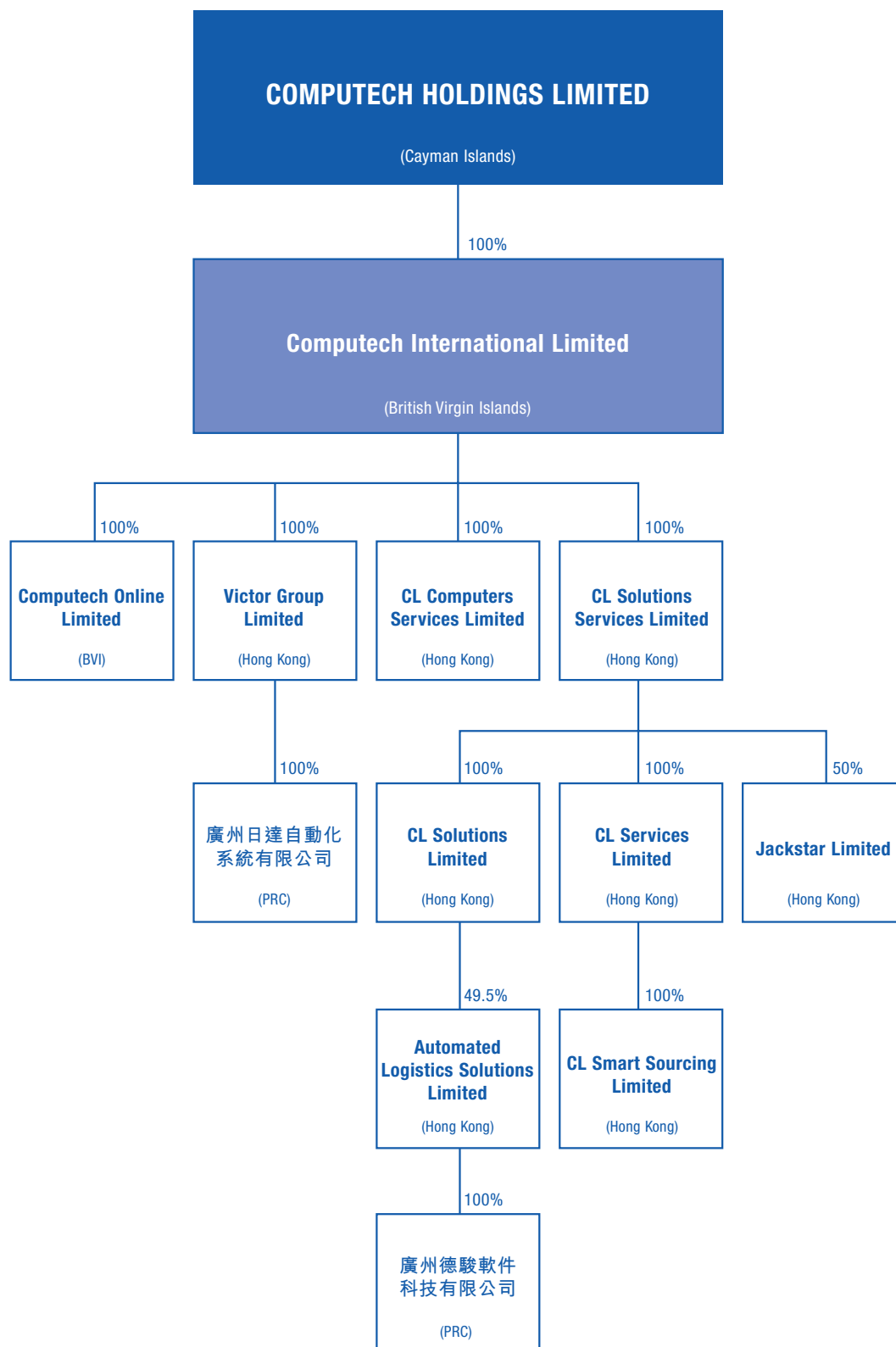
8081

Website address

www.computech.com.hk

Structure of the Group

as at 31st December 2006



I am pleased to present the results of Computech Holdings Limited (the "Company") and its subsidiaries (together the "Group") for the year 2006.

The Group experienced a decrease in revenue in both its main lines of business, IT services and supply chain solutions during the year.

For IT services, management has taken actions to reduce our reliance on business processes that require high levels of spare parts, so as to reduce our exposure to the volatility of spare parts costs. As a result, revenue from the warranty service outsource business has decreased significantly. On the other hand, our efforts in expanding the contact center services and human resources recruitment services have produced encouraging results towards the end of the year. A major systems roll-out project undertaken in the fourth quarter of the year also helped to lessen the decrease in overall revenue.

The increase in profit in the supply chain solutions business unit was overshadowed by a significant loss in an associate, Automated Logistic Solutions Limited. The loss in the associate was mainly caused by a delay in the conclusion of the distributorship agreement with its principal, 3M USA. Business should begin to pick up and the financial performance will improve once the terms and conditions of the agreement are finalized.

Through the exercise of strict cost control, operating expenses have decreased significantly. The Group has managed to report an operating profit for the year despite a reduction in revenue and the narrowing of gross profit margins.

OPERATING RESULTS

For the year under review, the Group recorded a turnover of approximately HK\$66.9 million, representing a decrease of approximately 19.1% compared with last year. The audited net profit attributable to shareholders amounted to approximately HK\$438,000, representing a decrease of 96.4% compared with last year. The earnings per share for the year ended 31st December, 2006 was HK0.43 cents.

The decrease in turnover was mainly due to expiry of certain warranty service outsource contracts under IT services business. The dramatic decrease in net profit was mainly due to the substantial gain on disposal of subsidiaries last year. It was also attributable to the decrease in revenue as well as share of the loss of an associate.

Administrative, selling and distribution expenses amounted to approximately HK\$16.6 million for the year ended 31st December, 2006, representing a 18.6% decrease compared with last year.

MARKET OVERVIEW

Although there was a slow down in the overall business of the Group during the year, which was due primarily to a shift in our focus from warranty service outsource services to contact center and recruitment services, as well as to the delay in the conclusion of the distributorship agreement with 3M, we believe that the demand for IT services and supply chain solutions will continue to grow in the region that we operate in. With an abundance of talented personnel and relatively low operating costs, the People's Republic of China ("PRC") remains the preferred location for Western and Japanese companies to outsource their IT related tasks, especially in software development and the provision of ongoing support and services.

Demand for supply chain solutions in the PRC and the rest of the world continues to grow at a fast pace. Our industry and technical expertise in this area put us in an advantageous position to actively engage ourselves in providing products and services to the regional market, and to seek new outsourcing opportunities from customers and business partners inside and outside the region. This trend is likely to continue in the years to come.

Chairman's Statement

OPERATING OVERVIEW

In November 2006, the Group launched its web-chat, e-mail and fax support services to end-users of anti-virus and other software products of Symantec Inc. in Japan and the Greater China region. Building on this experience, we will promote this service to other Japanese companies wishing to outsource their software support services to the PRC to reduce their operating costs.

In the second half of 2006, the Group supported our business partner, IBM, in their successful hardware and software roll-out of the AMS/3 Trading System to over 300 stock-brokers in Hong Kong.

Other projects undertaken by the Group during the year include, to name a few, the supply of bar-code PDA type hand-held devices to CLP Power Hong Kong Limited, the installation of bar-code printers at Terminal Two of the Hong Kong International Airport and the design and implementation of vehicle mounted portable hand-held computers at Wal-Mart's Distribution Center in the PRC.

NEW SHARES PLACEMENT

The Company raised approximately HK\$2.0 millions for the year by way of top-up placing and subscription of new shares. The net proceeds from the subscription will be used for general working capital of the Group and/or for any future possible acquisition which has yet to be identified.

PROSPECTS AND APPRECIATION

The Group's current business activities are mainly conducted in Hong Kong and the Guangdong province. The PRC's economy is expected to continue to grow at a rapid pace. We are currently studying the feasibility of expanding our business activities to other provinces in the PRC which also have high demand for our products and services, either on our own, or in collaboration with local business partners. We believe there is good prospect for growth for our businesses in the year 2007.

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

Fung Pak Chuen, Alphonso

Chairman

Hong Kong, 19th March, 2007

BUSINESS REVIEW

The Group continues to focus on the business of IT Services and Supply Chain Solutions for the year under review.

IT Services

Turnover in IT Services business decreased by 11.1% to approximately HK\$44.6 million (2005: HK\$50.2 million) for the year 2006, which was resulted from considerably heightened competition in the markets where customers demand ever greater value from services. To strive for better margin of our services, the Group did not renew some of the non-profitable warranty service outsource projects after their expiry so that we can focus our resources on those projects which offer better profit margin.

The Group, as a subcontractor of IBM, successfully performed the project roll-out of AMS/3 Trading System for the Hong Kong Stock Exchange during the year, of which we provided hardware and software rollout services to over 300 stock brokers in Hong Kong. The duration of the project was four months and during which over 1,300 units of servers and 1,600 units of workstations were installed.

Supply Chain Solutions

Turnover in the Supply Chain Solutions business fell by 13.3% to approximately HK\$27.4 million (2005: HK\$31.6 million), as a result of lower volumes in repeat orders for the year. On the other hand, we have completed some major orders which made significant contribution to the Group for the year.

During the year, we implemented the bar-code PDA type hand-held devices to the CLP Power Hong Kong Limited for their use on the tracking of power meter and other maintenance issues. The contract amounted to approximately HK\$3.6 million with the majority of 110 units of bar-code PDA and other hardware and software rollout.

In addition, we have installed over 100 units of bar-code printers in Terminal Two of the Hong Kong International Airport for the year. Moreover, we also participated in design and implementation of the Wal-Mart Distribution Center in China, in which we have installed over 50 units of vehicle mounted portable hand-held computers.

FINANCIAL REVIEW

For the year under review, the Group recorded a turnover of approximately HK\$66.9 million, representing a decrease of approximately 19.1% compared with last year. The audited net profit attributable to shareholders amounted to approximately HK\$438,000, representing a decrease of 96.4% compared with last year. The earnings per share for the year ended 31st December, 2006 was HK0.43 cents.

The decrease in turnover was mainly due to expiry of certain warranty service outsource contracts under IT services business. The dramatic decrease in net profit was mainly due to the substantial gain on disposal of subsidiaries last year. It was also attributable to the decrease in revenue as well as share of the loss of an associate.

Administrative, selling and distribution expenses amounted to approximately HK\$16.6 million for the year ended 31st December, 2006, representing a 18.6% decrease compared with last year, which was resulted from stringent cost control of the Group.

Management Discussion and Analysis

Associated with the decrease in turnover, the trade debtors of the Group was decreased to approximately HK\$4.9 million as at 31st December, 2006, of which appropriately 92% of the trade debtors are falling due within 3 months. Except for a specific bad debt provision of approximately HK\$197,000 for a customer which is under lawsuit, no provision of doubtful debts is required for the period under review in accordance with the accounting policy of the Group. The Group's inventories were approximately HK\$3.3 million as at 31st December, 2006, representing an increase of approximately 16% compare with last year. The increase was mainly in bar code equipment and related consumable accessories under the supply chain solutions business. The management will keep on reviewing the inventory level periodically and to maintain the inventory of the Group at a minimum level so as to reduce the risk of impairment.

FINANCIAL RESOURCES AND LIQUIDITY

As at 31st December, 2006, the total assets of the Group were approximately HK\$15,374,000 (2005: HK\$20,937,000), including cash and bank deposits of approximately HK\$2,087,000 (2005: HK\$6,620,000) and debtors, deposits and prepayments of approximately HK\$5,809,000 (2005: HK\$9,324,000).

The Group's current assets are approximately 2.3 time (2005: 1.34 time) over its current liabilities whereas the gearing ratio, representing non-current liabilities over total assets, was 0.15 (2005: 0.11). The Group's non-current liabilities, being non-current loans from directors, were approximately HK\$2,256,000 (2005: HK\$2,256,000). The loans are interest-free, unsecured and not repayable until the Group is in a position to do so. Save as disclosed herein, the Group did not have any other long-term borrowings during the year under review.

CAPITAL STRUCTURE

The Group undertook a shares consolidation exercise in June 2006 whereby every five shares of par value HK\$0.01 each be consolidated into one consolidated share of par value HK\$0.05 each. Immediate after the shares consolidation became effect, the authorised share capital of the Company became HK\$10,000,000 comprising 200,000,000 consolidated shares, of which 104,802,000 consolidated shares are in issue.

Save as disclosed herein, there was no other change on the Group's capital structure for the year ended 31st December, 2006.

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 dollar ("HK\$") or United States dollar ("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

There was no material acquisitions and disposals of subsidiaries and affiliated companies of the Group during the year ended 31st December, 2006.

CHARGE ON THE GROUP'S ASSETS

As at 31st December, 2006, there was no charge on the Group's assets (2005: Nil).

CAPITAL COMMITMENTS

As at 31st December, 2006, the Group did not have any future plans for material investment (2005: Nil).

CONTINGENT LIABILITIES

As at 31st December, 2006, the Group did not have any material contingent liabilities (2005: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 31st December, 2006, the Group had 132 employees (2005: 159). Remuneration is determined by reference to market terms and the performance, qualification and experience of individual employee. Year-end bonus based on individual performance will be paid to employees as recognition of and reward for their contributions. Other benefits include contributions to statutory mandatory provident fund scheme and medical scheme to its employees in Hong Kong and the statutory central pension schemes to its employees in the PRC.

Directors and Senior Management Profile

DIRECTORS

Executive Directors

FUNG Pak Chuen, Alphonso, aged 56, 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 55, 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 55, 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 50, 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 46, 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 44, 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 41, 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.

Directors' Report

The Directors have pleasure in presenting their annual report together with the audited consolidated financial statements for the year ended 31st December, 2006.

PRINCIPAL ACTIVITIES

The Group is principally engaged in provision of IT services and supply chain solutions, including consultancy, technical support, systems integration, development and sales of relevant hardware and software products, in the People's Republic of China and Hong Kong.

RESULTS AND DIVIDEND

The results of the Group for the year ended 31st December, 2006 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, 2006 and the assets and liabilities of the Group as at 31st December, 2002, 2003, 2004, 2005 and 2006 are set out on pages 58.

PLANT AND EQUIPMENT

Details of movements in plant and equipment during the year are set out in note 11 to the consolidated 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 consolidated financial statements.

SHARE OPTIONS

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

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 28 and note 21 to the consolidated 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 director:

Mr. Yukitaka Kaneda (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. Fung Pak Chuen Alphonso and Mr. Ng Chik Sum Jackson shall retire and, being eligible, offer themselves 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 at least once every three years 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 connected transactions as disclosed in the Directors' Report, 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.

Directors' Report

CONNECTED TRANSACTIONS

The Group entered into the following significant connected transactions during the year ended 31st December, 2006:

On 15th November, 2005, the Company renewed the agreement with CL International Holdings Limited ("CLIH") for a term of three years commencing from 1st January, 2006, pursuant to which the Group would purchase computer parts and components, peripherals and equipment from CLIH and its subsidiaries (together "CLIH Group") and provide IT related services to CLIH Group ("Agreement"). CLIH is 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 Mr. Fung's interest in AFS Holdings Limited (note 1 in the section headed "Directors' interests in securities" in the Directors' Report) and Mrs. Lo Lilian's (being the spouse of Mr. Lo) beneficial interest in the General Trust (note 7 in the section headed "substantial shareholders" in the Directors' Report).

The Directors have reviewed the continuing connected transactions and are of the opinion that these transactions were (i) effected on normal commercial terms; (ii) in the ordinary course of the business of the Group; and (iii) in accordance with the Agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the listed issuer as a whole.

The auditor of the Group confirmed that the continuing connected transactions (a) have received the approval of the Board; (b) were in accordance with the pricing policies of the Company; (c) have been entered into in accordance with the Agreement governing the transactions; and (d) have not exceeded the cap disclosed in the circular of the Company dated 5th December, 2005.

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

DIRECTORS' INTERESTS IN SECURITIES

As at 31st December, 2006, 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 a controlled corporation | 70,024,802 | 66.82% |
| Mr. Lo, Richard ("Mr. Lo") (Note 2) | Interests of spouse | 70,024,802 | 66.82% |

Notes:

1. Win Plus Group Limited ("Win Plus") holds 84% interest in the issued share capital of Aplus Worldwide Limited ("Aplus") and is accordingly taken to have an interest in the 32,337,600 shares of the Company in which Aplus is interested under the SFO. Win Plus also holds approximately 46.2% indirectly in the issued share capital of CLIH and is accordingly taken to have an interest in the 37,687,202 shares of the Company in which CLIH is interested under the SFO. Win Plus is accordingly taken to have an interest in the 70,024,802 shares of the Company 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 70,024,802 shares of the Company 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 70,024,802 shares of the Company in which Gumpton is interested under the SFO. AFS is wholly-owned by Mr. Fung.

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 70,024,802 shares of the Company in which Gumpton is interested under the SFO. Mr. Lo is a director of Ardian.

Ardian is wholly-owned by General Trust Co. Ltd. ("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 70,024,802 shares of the Company by virtue of his spouse's interest under the SFO.

Save as disclosed above, as at 31st December, 2006, 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 consolidated 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.

Directors' Report

SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2006, 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 |
|-------------------------------------|--|------------------|--|
| Aplus | Beneficial owner | 32,337,600 | 30.86% |
| CLIH | Beneficial owner | 37,687,202 | 35.96% |
| Adwin Investments Limited (Note 1) | Interest of a controlled corporation | 37,687,202 | 35.96% |
| Win Plus (Note 2) | Interest of a controlled corporation | 70,024,802 | 66.82% |
| Gumpton (Note 3) | Interest of a controlled corporation | 70,024,802 | 66.82% |
| AFS (Note 4) | Interest of a controlled corporation | 70,024,802 | 66.82% |
| Ardian (Note 4) | Interest of a controlled corporation | 70,024,802 | 66.82% |
| General Trust (Note 5) | Interest of a controlled corporation | 70,024,802 | 66.82% |
| Mrs. Fung, Pui Lan, Angela (Note 6) | Interest of spouse | 70,024,802 | 66.82% |
| Mrs. Lo, Lilian (Note 7) | Beneficiary of trust | 70,024,802 | 66.82% |

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 37,687,202 shares of the Company 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 70,024,802 shares of the Company 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 70,024,802 shares of the Company 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 70,024,802 shares of the Company in which Gumpton is interested under the SFO.
5. Ardian is in turn wholly-owned by General Trust. Therefore, General Trust is taken to have an interest in the 70,024,802 shares of the Company in which AFS and Ardian are interested under the SFO.
6. AFS is wholly-owned by Mr. Fung. Mrs. Fung, Pui Lan, Angela, being the spouse of Mr. Fung, is therefore taken to have an interest in the 70,024,802 shares of the Company under the SFO.
7. General Trust is 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 70,024,802 shares of the Company in which General Trust is interested under the SFO.

Save as disclosed above, as at 31st December, 2006, 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 64% of the total sales for the year and sales to the largest customer included therein amounted to 49%. Purchases from the Group's five largest suppliers accounted for 52% of the total purchases for the year and purchases from the largest supplier included therein amounted to 30%.

Save for one of the largest customers and two of the largest suppliers, being the subsidiaries of CLIH, as more fully disclosed in note 24 to the consolidated 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

There were no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities for the year ended 31st December, 2006.

COMPETING INTERESTS

As at 31st December, 2006, 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.

AUDITOR

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

On behalf of the Board

Fung Pak Chuen, Alphonso

Chairman

Hong Kong, 19th March, 2007

CORPORATE GOVERNANCE PRACTICE

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

The Company has considered the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 15 (**the “Code”**) of the GEM Listing Rules and has taken steps to comply with it where appropriate. In the opinion of the Directors, the Company had complied with the Code throughout the year ended 31st December, 2006, except that the Code A.4.2 and B.1. 1. Details of the deviation are set out in the relevant sections below.

DIRECTORS' SECURITIES TRANSACTIONS

During the year ended 31st December, 2006, 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. Details of the Chairman and the other Directors are set out in the Directors' Report.

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

The Code 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.

Prior to the amendments to the Articles of Association (the “Articles”) of the Company on 1st June, 2006, 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 re-election at the annual general meeting 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.

On 1st June, 2006, the Company passed a special resolution at the general meeting to amend certain articles of its Articles (“Amended Articles”) so as to bring the Articles in line with the Code A.4.2. Pursuant to the Amended Articles, any director so appointed by the Board shall hold office only until the next following general meeting of the Company and shall be eligible for re-election. In addition, every Director, including those appointed for a specific term or holding office as chairman of the Board, shall be subject to retirement by rotation at least once every three years.

Corporate Governance Report

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 in accordance with the guidelines set out in rule 5.09 of the GEM Listing Rules.

The Board meets regularly and held four full Board meetings in 2006 at approximately quarterly intervals. At least 14 days notice of the regular Board meetings were given to all Directors, who were all given an opportunity to include matters in the agenda for discussion. The Directors attended the meetings in persons or through other means of electronic communication in accordance with the Company's Articles of Association. During regular Board meetings, the Directors discussed and formulated the overall strategies of the Group, reviewed and approved the annual, interim and quarterly results, as well as discussed and decided on other significant matters of the Group. The following was an attendance record of the regular Board meetings for the year ended 31st December, 2006:

| Name of Directors | Number of meetings Attended/Total |
|---|--|
| Executive Directors | |
| Mr. Fung Pak Chuen, Alphonso | 4/4 |
| Mr. Lo, Richard | 4/4 |
| Non-Executive Director | |
| Mr. Yukitaka Kaneda (resigned on 24th February, 2006) | 0/4 |
| Independent Non-Executive Directors | |
| Mr. Lee Sai Yeung | 4/4 |
| Mr. Chung Kong Fei, Stephen | 3/4 |
| Mr. Ng Chik Sum, Jackson | 2/4 |

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Code 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.

REMUNERATION OF DIRECTORS

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

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

NOMINATION OF DIRECTORS

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

AUDITOR'S REMUNERATION

For the year ended 31st December, 2006, the Auditor's remuneration was approximately HK\$260,000 which was for statutory audit services. There was no significant non-audit service assignment provided by the auditor 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 held four meetings for the year ended 31st December, 2006 and has reviewed the Company's annual, interim and quarterly financial reports, which was of the opinion that such reports were prepared in accordance with the applicable accounting standards and requirements. The Audit Committee also met with the external auditors to discuss auditing, internal control, statutory compliance and financial reporting matters before recommending the annual financial reports to the Board for approval. The following was an attendance record of the Audit Committee meetings held for the year ended 31st December, 2006:

| Name of Audit Committee member | Number of meetings Attended/Total |
|--|--|
| Mr. Ng Chik Sum, Jackson (<i>Chairman</i>) | 3/4 |
| Mr. Lee Sai Yeung | 4/4 |
| Mr. Chung Kong Fei, Stephen | 3/4 |

INTERNAL CONTROL

The Board is responsible for establishing and maintaining the Group's system of internal control and for reviewing the effectiveness of these controls. Internal control systems are designed to meet the particular needs of the Group and the risks to which it is exposed. By their nature however, such internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss.

Corporate Governance Report

As might be expected in a Group of this size, a key control procedure is the day-to-day supervision of the business by the Executive Directors, supported by managers responsible for operations and the key central and divisional support functions of finance, information systems and human resources. Key elements of the internal control system are described below. These have all been in place throughout the year under review and up to the date of this report and are reviewed regularly by the Board:

- clearly defined management structure, lines of responsibility and delegation of authority;
- high recruitment standards and formal career development and training to ensure the integrity and competence of staff;
- regular and comprehensive information provided to management, covering financial performance and non-financial measures;
- procedures for the approval of capital expenditure, investments and acquisitions;
- detailed budgeting process where the top management are involved in the budget setting process, constantly monitoring key statistics and reviewing management accounts on a monthly basis, noting and investigating major variances;
- consideration of progress made against significant business risks at monthly management review meetings, with quarterly briefings to the Board.

The Board has considered the need for an internal audit function, and concluded that, given the size of the Group and the systems and controls in place, it is not appropriate at present. The Board will review this on a regular basis.

梁學濂會計師事務所

PKF

Accountants &
business advisers

26/F, Citicorp Centre
18 Whitfield Road
Causeway Bay
Hong Kong

To the shareholders of

Computech Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Computech Holdings Limited (the "Company") set out on pages 25 to 58, which comprise the consolidated and Company balance sheets as at 31st December, 2006, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

It is our responsibility to form an independent opinion, based on our audit, on these financial 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.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

Independent Auditor's Report

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31st December, 2006 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PKF

Certified Public Accountants

Hong Kong, 19th March, 2007

Consolidated Income Statement

For the year ended 31st December, 2006

| | NOTES | 2006 HK\$'000 | 2005 HK\$'000 |
|---|-------|------------------|------------------|
| Turnover | 4 | 66,872 | 82,690 |
| Cost of sales | | (49,100) | (60,456) |
| Gross profit | | 17,772 | 22,234 |
| Other income | | 109 | 160 |
| Selling and distribution expenses | | (1,645) | (1,515) |
| Administrative expenses | | (14,922) | (18,837) |
| Operating profit | | 1,314 | 2,042 |
| Finance costs | | – | (3) |
| Gain on disposal of subsidiaries | 22 | – | 9,767 |
| Share of net (losses)/profits of associates | | (617) | 680 |
| Profit before income tax | 5 | 697 | 12,486 |
| Income tax expense | 6 | (259) | (451) |
| Profit for the year | 7 | 438 | 12,035 |
| Profit for the year attributable to | | | |
| – Continuing operations | | 438 | 2,211 |
| – Discontinued operations | 26(a) | – | 9,824 |
| | | 438 | 12,035 |
| Earnings per share – Basic (HK cents) | 8 | 0.43 | 14.29 |

Restated

Consolidated Balance Sheet

At 31st December, 2006

| | NOTES | 2006 HK\$'000 | 2005 HK\$'000 |
|--|-------|------------------|------------------|
| NON-CURRENT ASSETS | | | |
| Plant and equipment | 11 | 1,104 | 853 |
| Interests in associates | 13 | 305 | 1,249 |
| | | 1,409 | 2,102 |
| CURRENT ASSETS | | | |
| Inventories | 14 | 3,277 | 2,825 |
| Debtors, deposits and prepayments | 15 | 5,809 | 9,324 |
| Amount due from a shareholder | 17(a) | 12 | – |
| Amount due from the ultimate holding company | | – | 12 |
| Amounts due from related companies | 17(b) | 2,652 | 27 |
| Amounts due from fellow subsidiaries | | – | 27 |
| Income tax recoverable | | 128 | – |
| Cash and bank balances | 16 | 2,087 | 6,620 |
| | | 13,965 | 18,835 |
| DEDUCT: | | | |
| CURRENT LIABILITIES | | | |
| Creditors, accruals and deposits | 18 | 5,914 | 6,851 |
| Income tax payable | | 58 | 146 |
| Amounts due to fellow subsidiaries | | – | 7,077 |
| | | 5,972 | 14,074 |
| NET CURRENT ASSETS | | 7,993 | 4,761 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 9,402 | 6,863 |
| NON-CURRENT LIABILITY | | | |
| Loans from directors | 19 | (2,256) | (2,256) |
| NET ASSETS | | 7,146 | 4,607 |
| REPRESENTING: | | | |
| SHARE CAPITAL | 20 | 5,240 | 4,800 |
| RESERVES | | 1,906 | (193) |
| SHAREHOLDERS' FUNDS | | 7,146 | 4,607 |

Approved and authorised for issue by the Board of Directors on 19th March, 2007

Fung Pak Chuen, Alphonso
Director

Lo, Richard
Director

Balance Sheet

At 31st December, 2006

| | NOTES | 2006 HK\$'000 | 2005 HK\$'000 |
|--|-------|------------------|------------------|
| NON-CURRENT ASSET | | | |
| Interests in subsidiaries | 12 | 5,732 | 3,802 |
| CURRENT ASSETS | | | |
| Amount due from a shareholder | 17(a) | 12 | – |
| Amount due from the ultimate holding company | | – | 12 |
| Deposits and prepayments | | 240 | 315 |
| Cash at bank | | 53 | 75 |
| | | <u>305</u> | <u>402</u> |
| DEDUCT: | | | |
| CURRENT LIABILITIES | | | |
| Accruals | | 395 | 434 |
| Amounts due to subsidiaries | 12(b) | 233 | 493 |
| Income tax payable | | 15 | 4 |
| | | <u>643</u> | <u>931</u> |
| NET CURRENT LIABILITIES | | (338) | (529) |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 5,394 | 3,273 |
| NON-CURRENT LIABILITY | | | |
| Loans from directors | 19 | (2,256) | (2,256) |
| NET ASSETS | | 3,138 | 1,017 |
| REPRESENTING: | | | |
| SHARE CAPITAL | 20 | 5,240 | 4,800 |
| RESERVES | 21 | (2,102) | (3,783) |
| SHAREHOLDERS' FUNDS | | 3,138 | 1,017 |

Approved and authorised for issue by the Board of Directors on 19th March, 2007

Fung Pak Chuen, Alphonso
Director

Lo, Richard
Director

Consolidated Statement of Changes in Equity

For the year ended 31st December, 2006

| | Share capital HK\$'000 | Share premium HK\$'000 | Exchange reserve HK\$'000 | Accumulated losses HK\$'000 | Total HK\$'000 |
|--|------------------------------|------------------------------|---------------------------------|-----------------------------------|-------------------|
| At 1.1.2005 | 24,000 | 19,030 | 100 | (54,742) | (11,612) |
| Capital reduction (<i>Note 20(b)</i>) | (21,600) | (19,030) | – | 40,630 | – |
| Rights issue of shares (<i>Note 20(c)</i>) | 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 |
| At 31.12.2005 and 1.1.2006 | 4,800 | 1,880 | 4 | (2,077) | 4,607 |
| Issue of shares (<i>Note 20(d)</i>) | 440 | 1,761 | – | – | 2,201 |
| Share issuing expenses | – | (176) | – | – | (176) |
| Exchange reserve arising on translation of financial statements of a PRC subsidiary and an associate | – | – | 76 | – | 76 |
| Profit for the year | – | – | – | 438 | 438 |
| At 31.12.2006 | 5,240 | 3,465 | 80 | (1,639) | 7,146 |

Consolidated Cash Flow Statement

For the year ended 31st December, 2006

| | NOTES | 2006 HK\$'000 | 2005 HK\$'000 |
|---|-------|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit before income tax | | 697 | 12,486 |
| Adjustments for:– | | | |
| Interest income | | (40) | (12) |
| Interest expenses | | – | 3 |
| Depreciation and amortisation | | 526 | 259 |
| Loss on disposal of plant and equipment | | 43 | – |
| Bad debts | | 197 | – |
| Gain on disposal of subsidiaries | | – | (9,767) |
| Share of net losses/(profits) of associates | | 617 | (680) |
| | | <hr/> | <hr/> |
| Operating profit before working capital changes | | 2,040 | 2,289 |
| (Increase)/decrease in inventories | | (452) | 29 |
| Decrease/(increase) in debtors, deposits and prepayments | | 3,318 | (4,704) |
| Increase in amounts due from related companies | | (2,625) | – |
| (Decrease)/increase in creditors, accruals and deposits | | (937) | 1,034 |
| Decrease in value-added tax payable | | – | (540) |
| Decrease in amounts due to related companies | | – | (5,865) |
| (Decrease)/increase in amounts due to fellow subsidiaries | | (7,077) | 7,077 |
| | | <hr/> | <hr/> |
| Cash used in operations | | (5,733) | (680) |
| Interest received | | 40 | 12 |
| Interest paid | | – | (3) |
| Income tax paid | | (478) | (405) |
| | | <hr/> | <hr/> |
| NET CASH USED IN OPERATING ACTIVITIES | | (6,171) | (1,076) |
| | | <hr style="border-top: 1px dashed black;"/> | <hr style="border-top: 1px dashed black;"/> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Payment to acquire plant and equipment | | (848) | (1,035) |
| Sales proceeds of plant and equipment | | 33 | – |
| Net cash outflow in respect of the disposal of subsidiaries | 22 | – | (76) |
| Decrease/(increase) in interests in associates | | 351 | (688) |
| Increase in amount due from the ultimate holding company | | – | (12) |
| Increase in amounts due from related companies | | – | (27) |
| Decrease/(increase) in amounts due from fellow subsidiaries | | 27 | (27) |
| | | <hr/> | <hr/> |
| NET CASH USED IN INVESTING ACTIVITIES | | (437) | (1,865) |
| | | <hr style="border-top: 1px dashed black;"/> | <hr style="border-top: 1px dashed black;"/> |

Consolidated Cash Flow Statement

For the year ended 31st December, 2006

| | NOTES | 2006 HK\$'000 | 2005 HK\$'000 |
|--|-------|---------------------|---------------------|
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Issue of shares for cash | | 2,201 | 4,800 |
| Share issuing expenses | | (176) | (520) |
| Repayment of bank loan | | – | (60) |
| | | <u>2,025</u> | <u>4,220</u> |
| NET CASH FROM FINANCING ACTIVITIES | | | |
| | | <u>2,025</u> | <u>4,220</u> |
| NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS | | | |
| | | (4,583) | 1,279 |
| EXCHANGE ADJUSTMENT OF CASH AND CASH EQUIVALENTS | | | |
| | | 50 | 4 |
| CASH AND CASH EQUIVALENTS AT 1ST JANUARY | | | |
| | | <u>6,620</u> | <u>5,337</u> |
| CASH AND CASH EQUIVALENTS AT 31ST DECEMBER | | | |
| | | <u><u>2,087</u></u> | <u><u>6,620</u></u> |
| ANALYSIS OF CASH AND CASH EQUIVALENTS | | | |
| Cash and bank balances | | <u><u>2,087</u></u> | <u><u>6,620</u></u> |

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

1. GENERAL INFORMATION

Computech Holdings Limited (the “Company”) is a limited liability company incorporated in Cayman Island. The principal place of business of the Company is 10/F., Westland Centre, 20 Westlands Road, Quarry Bay, Hong Kong.

The Company and its subsidiaries (collectively the “Group”) are principally engaged in provision of IT services and supply chain solutions, including consultancy, technical support, systems integration, development and sales of relevant hardware and software products, in the People’s Republic of China (the “PRC”) and Hong Kong.

The Company is listed on the Growth Enterprise Market (“GEM”) of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

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

2. BASIS OF PREPARATION

(a) Compliance with Hong Kong Financial Reporting Standards

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

(b) Initial application of Hong Kong Financial Reporting Standards

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

| | |
|------------------------------|---|
| HKAS 19 (Amendment) | Actuarial Gains and Losses, Group Plans and Disclosures |
| HKAS 21 (Amendment) | Net Investment in a Foreign Operation |
| HKAS 39 (Amendment) | Cash Flow Hedge Accounting of Forecast Intragroup Transactions |
| HKAS 39 (Amendment) | The Fair Value Option |
| HKAS 39 & HKAS 4 (Amendment) | Financial Guarantee Contracts |
| HKFRS 6 | Exploration for and Evaluation of Mineral Resources |
| HKFRS-Int 4 | Determining whether an Arrangement Contains a Lease |
| HKFRS-Int 5 | Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds |

The initial application of these Hong Kong Financial Reporting Standards does not necessitate material changes in the Group’s accounting policies or retrospective adjustments of the comparatives presented.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

2. BASIS OF PREPARATION *(Continued)*

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

The following Hong Kong Financial Reporting Standards in issue at 31st December, 2006 have not been applied in the preparation of the Group's consolidated financial statements for the year ended 31st December, 2006 since they were not yet effective for the annual period beginning on 1st January, 2006:

| | |
|--------------------|---|
| HKAS 1 (Amendment) | Capital Disclosures |
| HKFRS 7 | Financial Instruments: Disclosures |
| HK(IFRIC)-Int 7 | Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies |
| HK(IFRIC)-Int 8 | Scope of HKFRS 2 |
| HK(IFRIC)-Int 9 | Reassessment of Embedded Derivatives |
| HK(IFRIC)-Int 10 | Interim Financial Reporting and Impairment |

The Group is required to initially apply these standards in its annual financial statements beginning on 1st January, 2007.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Measurement basis

The consolidated financial statements are prepared under the historical cost basis.

(b) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31st December, 2006. The results of subsidiaries acquired or disposed of during the year are dealt with in the consolidated income statement from the dates of acquisition or to the dates of disposal respectively. All significant intra-group transactions and balances have been eliminated on consolidation.

(c) Revenue recognition

Revenue from the sales of goods is recognised when the significant risks and rewards of ownership of goods have been transferred to the buyer.

Income from rendering of computer related services is recognised at the time when the services are provided.

Interest income is recognised as it accrued using the effective interest method.

(d) Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and impairment losses.

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use.

Repair and maintenance costs are charged to the income statement in the period in which it is incurred.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Plant and equipment *(Continued)*

Depreciation is calculated to write off the costs of plant and equipment to their estimated residual values over their estimated useful lives on a straight line basis as set out below:–

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

The gain or loss arising from the disposal of an asset is determined as the difference between the net disposal proceeds and the carrying value of the asset and is recognised in the income statement.

(e) Investments in subsidiaries

A subsidiary is an entity that is controlled by the Company.

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) Investments in associates

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

The results and assets and liabilities of an associate are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, the consolidated income statement includes the Group's share of the post-acquisition results of the associates and the consolidated balance sheet includes the Group's share of the net assets of the associate, as reduced by any identified impairment losses.

(g) Financial assets

A financial asset is recognised when the Group becomes a party to the contractual provisions of the instrument. Purchases and sales of financial assets are recognised using trade date accounting.

Financial assets held for trading are financial assets acquired principally for the purpose of selling in the short term. Derivatives are classified as financial assets held for trading unless they are designated as hedges. Financial assets held for trading are carried at fair value. Gains and losses arising from changes in the fair value of financial assets held for trading are included in the income statement in the period in which they arise.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) **Financial assets** *(Continued)*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are carried at amortised cost using the effective interest method, less any identified impairment losses. Loans and receivables include trade receivables.

Financial assets are classified as non-current unless they are held for trading or expected to be realised within twelve months after the balance sheet date.

If there is objective evidence that a financial asset is impaired, impairment loss is recognised in the income statement.

The amount of impairment loss for loans and receivables is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate of the financial asset computed at initial recognition. Impairment losses are reversed in subsequent periods when the decrease of impairment loss can be related objectively to an event occurring after the impairment was recognised.

(h) **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis.

(i) **Provisions and contingent liabilities**

Provisions are recognised for liabilities of uncertain timing or amount when the Group 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) **Borrowings and payables**

Borrowings and payables are stated at amortised cost using the effective interest method.

(k) **Employee benefits**

Salaries, annual bonuses and annual leave entitlements are accrued in the year in which the associated services are rendered by employees of the Group.

Obligations for contributions to defined contribution retirement plans are recognised as an expense in the consolidated income statement as incurred.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Impairment of assets

At each balance sheet date, the Group determines whether there is any indication of impairment of assets. If there is any indication of impairment, the recoverable amount of the relevant asset or group of assets is estimated and compared with the carrying amount.

If the recoverable amount of an asset or a group of assets is less than its carrying amount, the carrying amount of the asset or group of assets is reduced to the recoverable amount. Impairment losses are recognised as an expense in the income statement.

(m) Borrowing costs

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

(n) Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income and expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable and deductible.

Deferred tax is the tax expected to be payable or recoverable when the Group recovers or settles the carrying amounts of assets or liabilities recognised in the financial statements.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or asset is realised.

Deferred tax is charged or credited to 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.

(o) Cash equivalents

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

(p) Leases

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

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Related parties

An individual is related to the Group if the individual (i) has, directly or indirectly, control or joint control or significant influence over the Group, or (ii) is member of the key management personnel of the Group, or (iii) if the individual is a close member of the family of the individuals in (i) or (ii).

An entity is related to the Group if the entity (i) has, directly or indirectly, control or joint control or significant influence over the Group, or (ii) is controlled by or under common control with the Group, or (iii) is an associate or jointly controlled entity of the Group, or (iv) is controlled, jointly-controlled or significantly influenced by an individual related to the Group.

(r) Foreign currency translation

The consolidated financial statements are presented in Hong Kong dollar, which is also the Group's functional currency. The functional currency of the Group is the currency of the primary economic environment in which the Group operates.

Foreign currency transactions of the Group are initially recorded in the functional currency using the exchange rates prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing at the balance sheet date and the exchange differences arising are recognised in the income statement. Non-monetary items carried at fair value denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined and the exchange differences arising are recognised in the income statement, except for the exchange component of a gain or loss that is recognised directly in equity.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising are recognised as a separate component of equity. Such translation differences are recognised in the consolidated income statement for the year in which the foreign operation is disposed of.

(s) Significant judgement

In the process of applying the Group's accounting policies, judgements that can significantly affect the amounts recognised in the financial statements are made in determining:

- (i) whether there is an indication of impairment of assets; and
- (ii) the expected manner of recovery of the carrying amount of assets.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

4. TURNOVER AND REVENUE

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

| | 2006 HK\$'000 | 2005 HK\$'000 |
|--|------------------|------------------|
| Provision of IT services | 42,090 | 50,217 |
| Provision of supply chain solutions | 24,782 | 31,601 |
| Sales of packaged software products and related services | – | 872 |
| Turnover | 66,872 | 82,690 |
| Interest income | 40 | 12 |
| Total revenue | <u>66,912</u> | <u>82,702</u> |

5. PROFIT BEFORE INCOME TAX

| | 2006 HK\$'000 | 2005 HK\$'000 |
|---|------------------|------------------|
| Profit before income tax is arrived at after charging:– | | |
| Cost of inventories expensed | 19,640 | 26,545 |
| Minimum lease payments paid under operating leases | 2,517 | 1,857 |
| Auditor's remuneration | 264 | 249 |
| Bad debts | 197 | – |
| Depreciation | 526 | 259 |
| Directors' remuneration – Note 10(a) | 1,780 | 2,504 |
| Other staff salaries and benefits | 21,779 | 30,797 |
| Retirement scheme contributions | 442 | 546 |
| Exchange loss | 15 | 38 |
| Interest on bank and other loans wholly repayable within five years | <u>–</u> | <u>3</u> |

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

6. INCOME TAX EXPENSE

| | 2006 HK\$'000 | 2005 HK\$'000 |
|--|------------------|------------------|
| Current tax | | |
| The Company and subsidiaries | 262 | 332 |
| Share of income tax (credit)/expense of associates | (3) | 119 |
| | <u>259</u> | <u>451</u> |

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:–

| | 2006 HK\$'000 | 2005 HK\$'000 |
|--|------------------|------------------|
| Profit before income tax | <u>697</u> | <u>12,486</u> |
| Tax effect at Hong Kong profits tax rate at 17.5% | 121 | 2,185 |
| PRC and Hong Kong tax rates differential | 81 | 54 |
| Tax effect of income that is not taxable | (88) | (1,837) |
| Tax effect of expenses that are not deductible | 121 | 167 |
| Tax effect of unrecognised accelerated depreciation allowances | (30) | (115) |
| Tax effect of tax loss not recognised | 54 | 1 |
| Utilisation of tax loss not previously recognised | – | (4) |
| Income tax expense | <u>259</u> | <u>451</u> |

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

6. INCOME TAX EXPENSE (Continued)

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

| | 2006 HK\$'000 | 2005 HK\$'000 |
|---|------------------|------------------|
| Deductible/(taxable) temporary differences | | |
| Unutilised tax losses (Note 6(b)(i)) | 309 | 2 |
| Accelerated depreciation allowances (Note 6(b)(ii)) | (839) | (667) |
| Net taxable temporary difference | <u>(530)</u> | <u>(665)</u> |

(i) Deductible temporary difference in respect of unutilised tax losses has 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 difference. The unutilised tax losses accumulated in the Hong Kong subsidiaries amounted to HK\$309,000 (2005: HK\$2,000) can be carried forward indefinitely.

(ii) Taxable temporary difference in respect of accelerated depreciation allowances has not been recognised owing to immateriality.

7. PROFIT FOR THE YEAR

Profit for the year includes a profit of approximately HK\$96,000 (2005: HK\$651,000) which has been dealt with in the financial statements of the Company.

8. EARNINGS PER SHARE

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

| | 2006 HK\$'000 | 2005 HK\$'000 |
|---|--------------------|-------------------|
| Earnings | | |
| Profit for the year used in the calculation of basic earnings per share | <u>438</u> | <u>12,035</u> |
| Shares | | Restated |
| Weighted average number of shares in issue for the purpose of calculation of basic earnings per share | <u>102,076,997</u> | <u>82,241,471</u> |

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

9. 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.

10. 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 |
|--------------------------------------|------------------|---|---|-------------------|
| 2005 | | | | |
| Executive directors: | | | | |
| Fung Pak Chuen, Alphonso | – | 2,255 | 69 | 2,324 |
| Lo, Richard | – | – | – | – |
| | – | 2,255 | 69 | 2,324 |
| Non-executive directors: | | | | |
| Sugii Toshio | – | – | – | – |
| Yukitaka Kaneda | – | – | – | – |
| | – | – | – | – |
| Independent non-executive directors: | | | | |
| Lee Sai Yeung | 60 | – | – | 60 |
| Chung Kong Fei, Stephen | 60 | – | – | 60 |
| Ng Chik Sum, Jackson | 60 | – | – | 60 |
| | 180 | – | – | 180 |
| | 180 | 2,255 | 69 | 2,504 |

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

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

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

| | Fees HK\$'000 | Basic salaries, allowances and other benefits HK\$'000 | Retirement scheme contributions HK\$'000 | Total HK\$'000 |
|--------------------------------------|------------------|---|---|-------------------|
| 2006 | | | | |
| Executive directors: | | | | |
| Fung Pak Chuen, Alphonso | — | 1,531 | 69 | 1,600 |
| Lo, Richard | — | — | — | — |
| | — | 1,531 | 69 | 1,600 |
| Non-executive director: | | | | |
| Yukitaka Kaneda | — | — | — | — |
| | — | — | — | — |
| Independent non-executive directors: | | | | |
| Lee Sai Yeung | 60 | — | — | 60 |
| Chung Kong Fei, Stephen | 60 | — | — | 60 |
| Ng Chik Sum, Jackson | 60 | — | — | 60 |
| | 180 | — | — | 180 |
| | 180 | 1,531 | 69 | 1,780 |

(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.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

10. 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:—

| | 2006 HK\$'000 | 2005 HK\$'000 |
|---------------------------------|------------------|------------------|
| Salaries and allowances | 1,708 | 2,331 |
| Retirement scheme contributions | 80 | 74 |
| | <u>1,788</u> | <u>2,405</u> |

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

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

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

11. PLANT AND EQUIPMENT

| | Computer equipment HK\$'000 | Furniture and fixtures HK\$'000 | Motor vehicles HK\$'000 | Leasehold improvements HK\$'000 | Total HK\$'000 |
|--|-----------------------------------|--|-------------------------------|---------------------------------------|---------------------|
| Cost:– | | | | | |
| At 1.1.2005 | 12 | – | 828 | – | 840 |
| Additions | 889 | 22 | – | 124 | 1,035 |
| Disposals | (1) | – | – | – | (1) |
| Disposal of subsidiaries (<i>Note 22</i>) | – | – | (828) | – | (828) |
| At 31.12.2005 | <u>900</u> | <u>22</u> | <u>–</u> | <u>124</u> | <u>1,046</u> |
| Accumulated 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 (<i>Note 22</i>) | – | – | (806) | – | (806) |
| At 31.12.2005 | <u>170</u> | <u>4</u> | <u>–</u> | <u>19</u> | <u>193</u> |
| Net book value:– | | | | | |
| At 31.12.2005 | <u>730</u> | <u>18</u> | <u>–</u> | <u>105</u> | <u>853</u> |
| Cost:– | | | | | |
| At 1.1.2006 | 900 | 22 | – | 124 | 1,046 |
| Exchange adjustment | 3 | – | – | 3 | 6 |
| Additions | 671 | 12 | – | 165 | 848 |
| Disposals | (46) | – | – | (65) | (111) |
| At 31.12.2006 | <u>1,528</u> | <u>34</u> | <u>–</u> | <u>227</u> | <u>1,789</u> |
| Accumulated depreciation:– | | | | | |
| At 1.1.2006 | 170 | 4 | – | 19 | 193 |
| Exchange adjustment | 1 | – | – | – | 1 |
| Charge for the year | 455 | 8 | – | 63 | 526 |
| Written back on disposals | (13) | – | – | (22) | (35) |
| At 31.12.2006 | <u>613</u> | <u>12</u> | <u>–</u> | <u>60</u> | <u>685</u> |
| Net book value:– | | | | | |
| At 31.12.2006 | <u>915</u> | <u>22</u> | <u>–</u> | <u>167</u> | <u>1,104</u> |

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

12. INTERESTS IN SUBSIDIARIES

| | 2006 HK\$'000 | 2005 HK\$'000 |
|---|------------------|------------------|
| Unlisted shares, at cost | 100 | 100 |
| Amounts due from subsidiaries – <i>Note 12(b)</i> | 5,732 | 3,802 |
| | 5,832 | 3,902 |
| Less: Provision for impairment loss and bad debts | 100 | 100 |
| | <u>5,732</u> | <u>3,802</u> |

(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 | 20,000 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 |

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

12. INTERESTS IN SUBSIDIARIES *(Continued)*

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

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

13. INTERESTS IN ASSOCIATES

| | 2006 HK\$'000 | 2005 HK\$'000 |
|---|------------------|------------------|
| Share of net (liabilities)/assets other than goodwill of associates | (27) | 566 |
| Amounts due from associates – <i>Note 13(b)</i> | 332 | 683 |
| | <u>305</u> | <u>1,249</u> |

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

| Name | Place of incorporation | Particulars of issued shares/registered capital held | Assets | Liabilities | Revenues | Profit/(loss) | % Interest held |
|---------------------------------------|------------------------|--|----------|-------------|----------|---------------|-----------------|
| | | | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | |
| Automated Logistics Solutions Limited | Hong Kong | 200 ordinary shares of HK\$1 each 2 A shares of HK\$1 each* | 3,398 | 2,303 | 7,638 | (39) | 49.5 |
| 廣州德駿軟件科技有限公司 | PRC | HK\$500,000 | 565 | 1,352 | 153 | (1,185) | 49.5 |
| Jackstar Limited | Hong Kong | 10,000 ordinary shares of HK\$1 each | <u>1</u> | <u>5</u> | <u>1</u> | <u>(5)</u> | <u>50</u> |

* 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.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

14. INVENTORIES

| | 2006 HK\$'000 | 2005 HK\$'000 |
|--|------------------|------------------|
| Equipment and accessories held for re-sale | 1,459 | 317 |
| Spare parts | 1,818 | 2,508 |
| | 3,277 | 2,825 |

15. DEBTORS, DEPOSITS AND PREPAYMENTS

| | 2006 HK\$'000 | 2005 HK\$'000 |
|---|------------------|------------------|
| Debtors, deposits and prepayments comprise: | | |
| Trade debtors | 4,946 | 8,302 |
| Other debtors, deposits and prepayments | 863 | 1,022 |
| | 5,809 | 9,324 |

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.

| | 2006 HK\$'000 | 2005 HK\$'000 |
|---------------|------------------|------------------|
| 0 – 3 months | 4,535 | 7,970 |
| 4 – 6 months | 282 | 269 |
| 7 – 12 months | 129 | 63 |
| | 4,946 | 8,302 |

16. CASH AND BANK BALANCES

At 31st December, 2006, the cash and bank balances of the Group denominated in Renminbi amounted to approximately HK\$324,000 (2005: HK\$569,000). 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.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

17. AMOUNTS DUE FROM A SHAREHOLDER AND RELATED COMPANIES

- (a) The amount due from a shareholder is interest-free, unsecured and repayable on demand. The directors consider the carrying amount of amount due from a shareholder approximates its fair values.
- (b) The amounts due from related companies are trade related which are arose in ordinary and usual course of business of the Group and are on normal commercial terms. The directors consider the carrying amounts of amounts due from related companies approximate their fair values.

18. CREDITORS, ACCRUALS AND DEPOSITS

| | 2006 HK\$'000 | 2005 HK\$'000 |
|--|------------------|------------------|
| Creditors, accruals and deposits comprise: | | |
| Trade creditors | 1,395 | 1,414 |
| Other creditors, accruals and deposits | 3,280 | 3,459 |
| Deferred revenue | 1,239 | 1,978 |
| | 5,914 | 6,851 |

The following is an aging analysis of trade creditors:

| | 2006 HK\$'000 | 2005 HK\$'000 |
|--------------|------------------|------------------|
| 0 – 6 months | 1,395 | 1,414 |

19. 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.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

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 – <i>Note 20(b)(i)</i> | – | (90,000) |
| Cancellation – <i>Note 20(b)(iv)</i> | (684,000,000) | – |
| Subdivision of shares – <i>Note 20(b)(iv)</i> | 684,000,000 | – |
| Ordinary shares of HK\$0.01 each at 1.1.2006 | 1,000,000,000 | 10,000 |
| Share consolidation – <i>Note 20(e)</i> | (800,000,000) | – |
| Ordinary shares of HK\$0.05 each at 31.12.2006 | 200,000,000 | 10,000 |
| Issued and fully paid:– | | |
| Ordinary shares of HK\$0.1 each at 1.1.2005 | 240,000,000 | 24,000 |
| Capital Reduction – <i>Note 20(b)(i)</i> | – | (21,600) |
| Rights issue – <i>Note 20(c)</i> | 240,000,000 | 2,400 |
| Ordinary shares of HK\$0.01 each at 31.12.2005 | 480,000,000 | 4,800 |
| Issue of shares – <i>Note 20(d)</i> | 44,010,000 | 440 |
| Share consolidation – <i>Note 20(e)</i> | (419,208,000) | – |
| Ordinary shares of HK\$0.05 each at 31.12.2006 | 104,802,000 | 5,240 |

- (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.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

20. SHARE CAPITAL *(Continued)*

(a) *(Continued)*

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

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

An option may be exercised in accordance with the terms of the Scheme at any time during a period to be notified by the board of directors to each grantee. Such period being not less than 3 years after the date of grant of the option and not more than 10 years after the date of grant of option but such period is subject to the provisions for early termination contained in the terms of the Scheme.

All the shares options 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.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

20. SHARE CAPITAL *(Continued)*

- (d) The Company raised HK\$2.2 millions before expenses by way of subscription and top-up placing for an aggregate of 44,010,000 ordinary shares at HK\$0.05 per share. The Company intends to use the net proceeds of the issue of shares amounted to approximately HK\$2.0 million for general working capital purposes.
- (e) With the special resolution passed on 1st June, 2006, every five ordinary shares of par value HK\$0.01 each has been consolidated into one ordinary share of par value HK\$0.05 each in the share capital of the Company.

21. RESERVES

| | Share premium | Accumulated losses | Total |
|--|--------------------------|-------------------------------|-----------------------|
| | HK\$'000 | HK\$'000 | HK\$'000 |
| The Company | | | |
| At 1.1.2005 | 19,030 | (45,642) | (26,612) |
| Capital Reduction <i>(Note 20(b))</i> | (19,030) | 40,630 | 21,600 |
| Rights issue of shares <i>(Note 20(c))</i> | 2,400 | – | 2,400 |
| Share issuing expenses | (520) | – | (520) |
| Loss for the year | – | (651) | (651) |
| | <hr/> | <hr/> | <hr/> |
| At 31.12.2005 and 1.1.2006 | 1,880 | (5,663) | (3,783) |
| Issue of shares <i>(Note 20(d))</i> | 1,761 | – | 1,761 |
| Share issuing expenses | (176) | – | (176) |
| Profit for the year | – | 96 | 96 |
| | <hr/> | <hr/> | <hr/> |
| At 31.12.2006 | <u>3,465</u> | <u>(5,567)</u> | <u>(2,102)</u> |

- (a) Under the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, the share premium is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.
- (b) As at 31st December, 2006, in the opinion of the directors, there was no reserve of the Company available for distribution to the shareholders (2005: HK\$Nil).

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

22. DISPOSAL OF SUBSIDIARIES

| | 2005 HK\$000 |
|---|-----------------|
| Net liabilities disposal of: | |
| Plant and equipment | 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) |
| | <hr/> |
| | (9,717) |
| Consideration | (50) |
| | <hr/> |
| Gain on disposal of subsidiaries | (9,767) |
| | <hr/> <hr/> |
| Satisfied by: | |
| Cash received | 50 |
| | <hr/> <hr/> |

- (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.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

23. COMMITMENTS

(a) Operating leases

As at 31st December, 2006, the Group had outstanding commitments under non-cancellable operating leases which fall due as follows:–

| | 2006 HK\$'000 | 2005 HK\$'000 |
|--|------------------|------------------|
| Within one year | 2,304 | 848 |
| In the second to fifth years inclusive | 2,712 | – |
| | 5,016 | 848 |

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

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

| | Note | 2006 HK\$'000 | 2005 HK\$'000 |
|--|------|------------------|------------------|
| Provision of IT services to CLIH Group | (i) | 34,358 | 40,587 |
| Purchases from CLIH Group | (i) | 19,103 | 24,173 |
| Sales of fixed assets to an associate | (ii) | – | 117 |
| Acquisition of plant and equipment from CLIH Group | (ii) | 240 | 243 |

The above transactions were entered into on the following bases:

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

The transactions set out above also constituted connected transactions under the GEM Listing Rules.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

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

(b) Key management compensation

| | 2006 HK\$'000 | 2005 HK\$'000 |
|---|------------------|------------------|
| Fees for key management personnel | 180 | 180 |
| Salaries, allowances and other benefits in kind | 2,374 | 3,676 |
| Retirement scheme contributions | 110 | 132 |
| | <u>2,664</u> | <u>3,988</u> |

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 linked to US\$.

Cash flow and fair value interest rate risks

The Group has no significant interest-bearing financial assets and liabilities. The Group's results and operating cash flows are substantially independent of changes in market interest rates.

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

All of the fair values of the Group's financial instruments approximate their fair values due to the short-term maturity of these instruments.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

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.

(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 | | Elimination | | Consolidated | |
|--|------------------|------------------|------------------------|------------------|---------------------------------|------------------|-------------------|------------------|------------------|------------------|------------------|------------------|
| | 2006 HK\$'000 | 2005 HK\$'000 | 2006 HK\$'000 | 2005 HK\$'000 | 2006 HK\$'000 | 2005 HK\$'000 | 2006 HK\$'000 | 2005 HK\$'000 | 2006 HK\$'000 | 2005 HK\$'000 | 2006 HK\$'000 | 2005 HK\$'000 |
| Revenue from external customers | 42,090 | 50,217 | 24,782 | 31,601 | - | 872 | - | - | - | - | 66,872 | 82,690 |
| Inter-segment sales | 2,521 | - | 2,666 | - | - | - | - | - | (5,187) | - | - | - |
| Total revenue | 44,611 | 50,217 | 27,448 | 31,601 | - | 872 | - | - | (5,187) | - | 66,872 | 82,690 |
| RESULTS | | | | | | | | | | | | |
| Segment results | 239 | 1,463 | 1,546 | 1,165 | - | 60 | (511) | (658) | - | - | 1,274 | 2,030 |
| Interest income | 11 | 1 | 21 | 3 | - | - | 8 | 8 | - | - | 40 | 12 |
| Finance costs | - | - | - | - | - | (3) | - | - | - | - | - | (3) |
| Gain on disposal of subsidiaries | - | - | - | - | - | 9,767 | - | - | - | - | - | 9,767 |
| Share of net (losses)/profits of associates | - | - | (616) | 686 | - | - | (1) | (6) | - | - | (617) | 680 |
| Profit/(loss) before income tax | 250 | 1,464 | 951 | 1,854 | - | 9,824 | (504) | (656) | - | - | 697 | 12,486 |
| Income tax expense | (3) | (131) | (237) | (316) | - | - | (19) | (4) | - | - | (259) | (451) |
| Profit/(loss) attributable to shareholders | 247 | 1,333 | 714 | 1,538 | - | 9,824 | (523) | (660) | - | - | 438 | 12,035 |
| SEGMENT ASSETS | | | | | | | | | | | | |
| Segment assets | 9,680 | 4,320 | 5,157 | 8,788 | - | - | 537 | 7,829 | - | - | 15,374 | 20,937 |
| SEGMENT LIABILITIES | | | | | | | | | | | | |
| Segment liabilities | (3,563) | (1,876) | (1,792) | (9,012) | - | - | (2,873) | (5,442) | - | - | (8,228) | (16,330) |
| OTHER INFORMATION | | | | | | | | | | | | |
| Depreciation and amortisation | 428 | 179 | 98 | 15 | - | 65 | - | - | - | - | 526 | 259 |
| Bad debts | - | - | 197 | - | - | - | - | - | - | - | 197 | - |
| Capital expenditure incurred during the year | 575 | 924 | 273 | 111 | - | - | - | - | - | - | 848 | 1,035 |

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

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.

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

| | Hong Kong | | PRC | | Consolidated | |
|--|------------------|------------------|------------------|------------------|------------------|------------------|
| | 2006 HK\$'000 | 2005 HK\$'000 | 2006 HK\$'000 | 2005 HK\$'000 | 2006 HK\$'000 | 2005 HK\$'000 |
| Revenue from external customers | <u>64,206</u> | <u>79,786</u> | <u>2,666</u> | <u>2,904</u> | <u>66,872</u> | <u>82,690</u> |
| Segment assets | <u>14,288</u> | <u>19,466</u> | <u>1,086</u> | <u>1,471</u> | <u>15,374</u> | <u>20,937</u> |
| Capital expenditure incurred during the year | <u>792</u> | <u>883</u> | <u>56</u> | <u>152</u> | <u>848</u> | <u>1,035</u> |

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

27. KEY SOURCES OF ESTIMATION UNCERTAINTY

The key sources of estimation uncertainty are as follows:–

- (i) plant and equipment of HK\$1,104,000 at 31st December, 2006 (2005: HK\$853,000) were stated at cost less accumulated depreciation and impairment losses. Estimation is made in the determination of the useful lives, residual values and the expected pattern of consumption of the future economic benefits embodied.
- (ii) trade debtors of HK\$4,946,000 at 31st December, 2006 (2005: HK\$8,302,000) were carried at amortised cost, less allowance for impairment. Estimation is made in the determination of the allowance for impairment.

Based on existing knowledge, it is reasonably possible that outcomes within the next financial year that are different from assumptions made could require a material adjustment to the carrying amount of these assets.

Financial Summary

RESULTS

| | Years ended 31st December, | | | | 2006 HK\$'000 |
|----------------------------|----------------------------|------------------|------------------|------------------|------------------|
| | 2002 HK\$'000 | 2003 HK\$'000 | 2004 HK\$'000 | 2005 HK\$'000 | |
| Turnover | <u>68,635</u> | <u>35,399</u> | <u>43,240</u> | <u>82,690</u> | <u>66,872</u> |
| (Loss)/profit for the year | <u>(20,852)</u> | <u>(27,282)</u> | <u>(11,841)</u> | <u>12,035</u> | <u>438</u> |

ASSETS AND LIABILITIES

| | Years ended 31st December, | | | | 2006 HK\$'000 |
|---------------------------------------|----------------------------|------------------|------------------|------------------|------------------|
| | 2002 HK\$'000 | 2003 HK\$'000 | 2004 HK\$'000 | 2005 HK\$'000 | |
| Non-current assets | <u>9,022</u> | <u>2,116</u> | <u>99</u> | <u>2,102</u> | <u>1,409</u> |
| Current assets | 47,416 | 19,877 | 13,786 | 18,835 | 13,965 |
| Deduct: | | | | | |
| Current liabilities | <u>28,721</u> | <u>19,789</u> | <u>23,241</u> | <u>14,074</u> | <u>5,972</u> |
| Net current assets/(liabilities) | <u>18,695</u> | <u>88</u> | <u>(9,455)</u> | <u>4,761</u> | <u>7,993</u> |
| Total assets less current liabilities | 27,717 | 2,204 | (9,356) | 6,863 | 9,402 |
| Non-current liabilities | <u>(206)</u> | <u>(1,975)</u> | <u>(2,256)</u> | <u>(2,256)</u> | <u>(2,256)</u> |
| Net assets/(liabilities) | <u>27,511</u> | <u>229</u> | <u>(11,612)</u> | <u>4,607</u> | <u>7,146</u> |

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that an annual general meeting (the "Meeting") of the shareholders of Computech Holdings Limited (the "Company") will be held at 10/F., Westlands Centre, 20 Westlands Road, Quarry Bay, Hong Kong at 10:00 a.m. on 23rd April, 2007 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, 2006;
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

Notice of Annual General Meeting

- (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

Notice of Annual General Meeting

- (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."

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

Hong Kong, 21st March, 2007

Notice of Annual General Meeting

Registered office:

Cricket Square,
Hutchins Drive,
P.O. Box 2681,
Grand Cayman, KY1-1111
Cayman Islands

Head office and principal place of business:

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

Notes:

- (a) Any member of the Company entitled to attend and vote at the Meeting is entitled to appoint another person as the proxy. A member who is the holder of two or more shares may appoint more than one proxy to represent and vote on his behalf at the Meeting. A proxy need not be a member of the Company.
- (b) A form of proxy for use at the Meeting is enclosed. Such form of proxy is also published on the GEM website at www.hkgem.com.
- (c) In order to be valid, the form of proxy, together with any power of attorney or other authority (if any) under which it is signed or a certified copy thereof, must be deposited with 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.