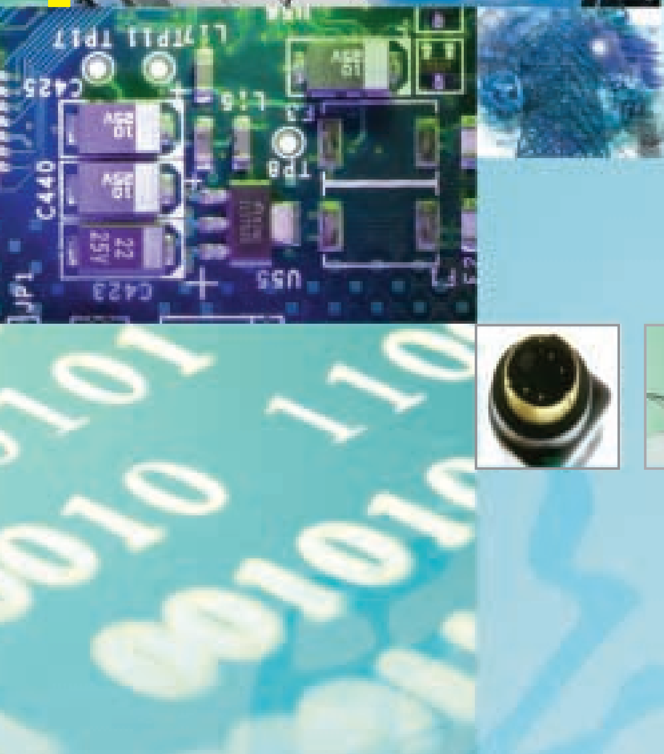
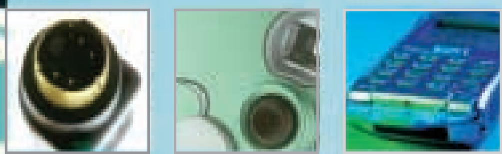


Computech Holdings Limited

駿科網絡訊息有限公司*

(Incorporated in the Cayman Islands with limited liability)



Annual Report 2004

Computech

* 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 announcement, 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 announcement. This announcement, 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 Growth Enterprise Market (the "GEM Listing Rules") of The Stock Exchange of Hong Kong Limited 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 announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the ommission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

Contents

Corporate Information

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

Non-executive Directors
Sugii Toshio

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

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

Head office and principal place of business
10/F Westlands Centre,
20 Westlands Road, Quarry Bay,
Hong Kong

Principal share registrar and transfer office
Butterfield Bank (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
Shanghai Commercial Bank
UFJ Bank Limited

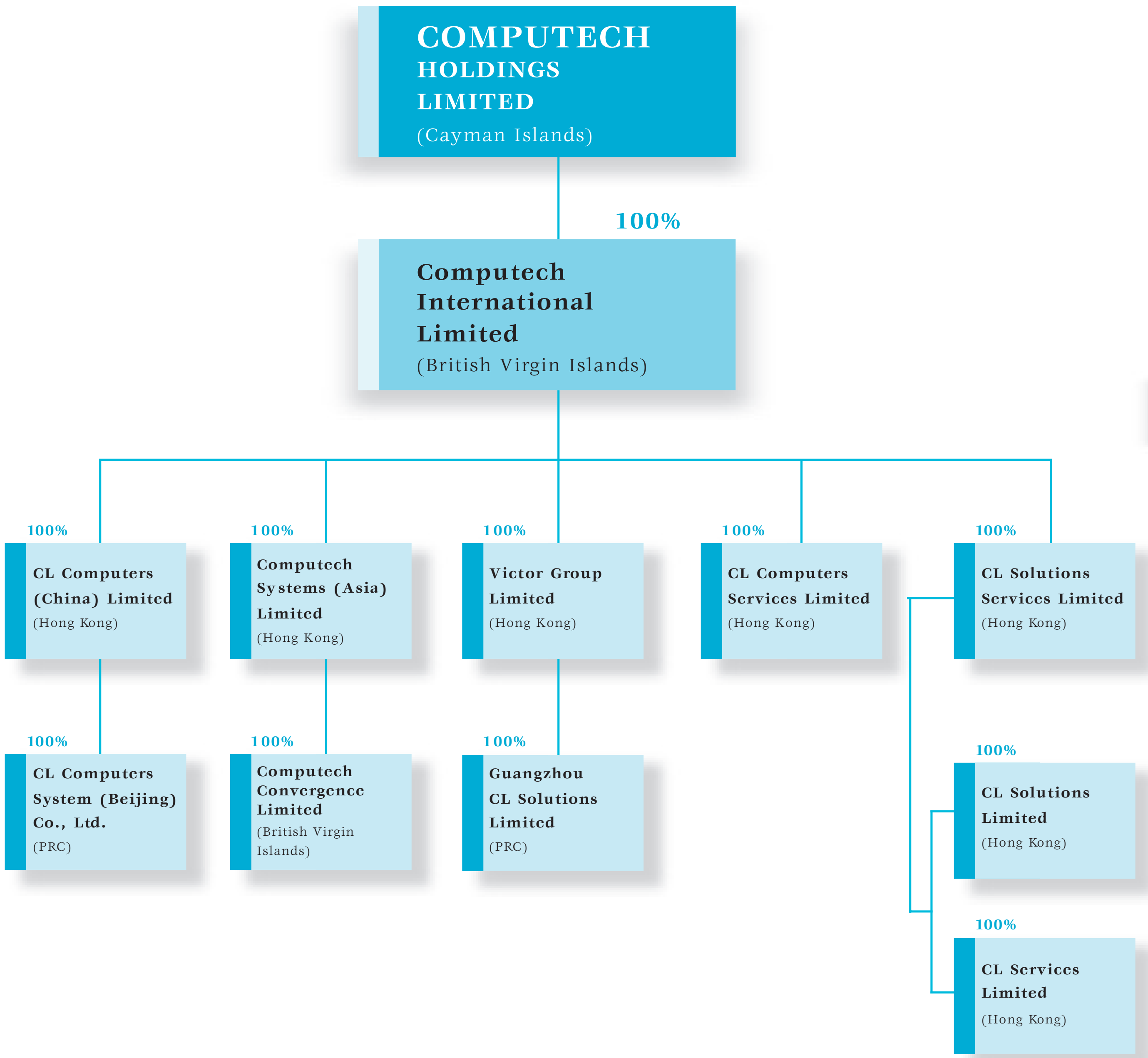
Auditors
PKF
Certified Public Accountants

Website address
www.computech.com.hk

Stock code
8081

Structure of the Group

At as 31st December, 2004



Chairman's Statement

I am pleased to present the results of Computech Holdings Limited (the "Company") and its subsidiaries (together the "Group") for the year 2004.

2004 was a year of consolidation for the Group. On one hand, the Group has further reduced its reliance on revenue from the financial industry in the People's Republic of China ("PRC") as profit margins in software and hardware continued to erode, on the other hand, in the fourth quarter, the Group established two new business units targeting IT services in Hong Kong and supply chain systems integration and solutions in the PRC and Hong Kong. The Group suffered another loss in 2004 but improvements are expected in the future.

Operating results

During the year under review, the Group's turnover for the year ended 31st December, 2004 was approximately HK$43,240,000 (2003: HK$35,399,000), representing approximately a 22% increase from last year and the gross profit margin for the year increased to 24% (2003: 8%). The audited loss attributable to shareholders for the year ended 31st December, 2004 was approximately HK$11,841,000 (loss per share of HK4.93 cents), representing approximately a 57% decrease as compared with the loss of approximately HK$27,282,000 (loss per share of HK11.37 cents) in 2003. The improvement in financial performance of the Group was mainly due to the diversification into IT services and supply chain solutions in the fourth quarter of the year.

Selling, distribution and administrative expenses in the year 2004 was approximately HK$12,272,000, representing a decrease of 44% as compared with 2003 due to the stringent cost control during the year. The Group's representative office in Guangzhou has also been further scaled down in 2004 in order to reduce expenses.

The management of the Group took a prudent approach in the evaluation of outstanding accounts receivables and made specific provisions for bad debts of HK$8,992,000 for receivables outstanding as at 31st December, 2004. The development costs of the packaged software product developed by the Group, namely, Data Warehouse which was previously capitalised in the amount of HK$862,000, have been written off in the financial year.

Market overview

The change in practice to negotiating directly with manufacturers in the purchasing of hardware and software by the major banks in the PRC has reduced the customers' reliance on IT systems integrators serving the banking industry. At the same time, investment in IT by foreign banks in the PRC is still very small. Adding to the fact that many local systems integrators are entering into this market place, it has become a buyers' market with suppliers having to offer steep discounts to gain business.

The management does not foresee any positive change in business environment for the IT systems integrators in the banking industry in the PRC and has decided to further scale down its operation in this area.

IT outsourcing has been adopted by many commercial enterprises and government institutions over the years and is expected to continue to grow. It allows the outsourcing organization to focus on its core competencies and to rely on partners who have the scale and capabilities to handle non-core areas, often in a more economical and efficient manner. The Group started its IT services business in the fourth quarter of 2004 and is receiving outsourcing jobs to provide maintenance and technical support services to major organizations in Hong Kong. The Group expects positive contribution from this business in the future.

The tremendous economic growth in the PRC has led to a rapid surge in the need for efficient supply chain and logistic management systems to help manufacturers, distributors, retailers and transportation service providers cope with the increased business volume. In September 2004, the Group started a business unit to promote products and services to customers in the area of automatic data collection and warehouse management solutions in the PRC and Hong Kong. There is good growth potential for this business unit in the years to come.

Operating overview

To cope with the Group's diversification into IT services and supply chain solutions, the number of employees has increased in the fourth quarter of 2004. The Group intends to establish alliances with partners who can help bring in business opportunities to accelerate the expansion in the region.

The PRC remains a main market focus for the Group. While the sale and support teams in the banking sector in the PRC have been scaled down in the past two years, the teams to promote and support customers in the supply chain solutions area in the PRC will gradually be built as revenue increases.

Prospects and appreciation

The two new business lines, IT services and supply chain solutions, will be the main revenue and profit generator for the Group in the near term. The Group is constantly looking for innovative products and solutions to add to its portfolio.

Mr. Tsang Link Carl Brian, the former independent non-executive director of the Company, resigned in September 2004. On behalf of the board, I would like to express my gratitude to his substantial contribution to the Group. Mr. Chung Kong Fei, Stephen and Mr. Ng Chik Sum, Jackson were appointed as independent non-executive directors of the Company in September 2004. I would like to welcome them to the board. Finally, I would like to thank our shareholders, board members, customers, business partners and employees for their dedicated support and contribution.

Fung Pak Chuen, Alphonso
Chairman

Hong Kong, 29th March, 2005

Business review

To enlarge the Group's business scope, the Group diversified into IT services and supply chain solutions during the year under review. The Company entered into an agreement with CL International Holdings Limited ("CLIH") on 28th July, 2004 to render IT related services to the customers of CLIH and its subsidiaries (together the "CLIH Group") in Hong Kong and the People's Republic of China ("PRC") in non-banking sectors. The provision of IT services to CLIH Group was commenced in the fourth quarter of 2004, of which the contribution to the Group in terms of revenue and operating profit amounted to approximately HK$15,342,000 and HK$813,000 respectively.

In September 2004, the Group commenced the business line in supply chain solutions, which promote products and services to customers in the area of automatic data collection and warehouse management solutions in the PRC and Hong Kong. During the year under review, contribution from the supply chain solutions business unit in terms of revenue and operating profit amounted to approximately HK$10,892,000 and HK$448,000 respectively.

In view of the increasing demand in IT outsourcing services and the need for efficient supply chain and logistic management systems in the PRC and Hong Kong market, the directors believe that the Group's future growth will be fuelled by the new lines of business in these markets.

Financial review

For the year under review, the Group recorded a turnover of approximately HK$43,240,000 and a loss attributable to shareholders of approximately HK$11,841,000. This represented an increase in turnover of approximately 22% and a decrease in the net loss of approximately 57% as compared with last year. The improvement in the financial performance of the Group was mainly due to the diversification into IT services and supply chain solutions in the fourth quarter of 2004, which contributed approximately HK$15,342,000 and HK$10,892,000 respectively to the Group's turnover.

Decrease in loss for the year of 2004 was also attributable to the decrease in selling, distribution and administrative expenses in the year, which was approximately HK$12,272,000, representing a decrease of 44% as compared with 2003, as a result of the decrease in scale of the Group's operation in banking software sector as well as stringent cost control during the year. Meanwhile, the loss for the year was attributable to specific provision for long outstanding debts and full provision of the remaining capitalised amount of development costs for a banking software product, namely Data Warehouose, which were approximately HK$8,992,000 and HK$862,000 respectively. Such provisions were made in compliance with the Group's accounting policy.

Financial resources and liquidity

As at 31st December, 2004, the total assets of the Group were approximately HK$13,885,000 (2003: HK$21,993,000), including cash and bank deposits of approximately HK$5,337,000 (2003: HK$8,494,000) and debtors, deposits and prepayments of approximately HK$5,595,000 (2003: HK$11,075,000).

The Group's current assets are approximately 0.59 time (2003: 1 time) over its current liabilities whereas the gearing ratio, representing bank borrowing and non-current liabilities over total assets, was 0.17 (2003: 0.09). The Group's non-current liabilities being non-current loans of HK$2,256,000 (2003: HK$1,884,000 being non-current loan and HK$91,000 being secured bank loan). The loans are interest-free, unsecured and not repayable until the Group is in a position to do so. Save as disclosed above, the Group did not have any other non-current borrowings during the year under review.

Capital structure

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

Foreign exchange

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

Significant investments and acquisitions

There was no material acquisitions and disposals of subsidiaries and affiliated companies of the Group during the two years ended 31st December, 2004.

Charge on the Group's assets

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

Capital commitments

As at 31st December, 2004 and 31st December, 2003, the Group did not have any future plans for material investment.

Contingent liabilities

As at 31st December, 2004 and 31st December, 2003, the Group did not have any material contingent liabilities.

Employees and remuneration policies

To cope with the Group's diversification into IT services and supply chain solutions, the number of employees has increased substantially during the year of 2004. As at 31st December, 2004, the Group had 217 employees (2003: 39). Remuneration is determined by reference to market terms and the performance, qualification and experience of individual employee. Year-end bonus based on individual performance will be paid to employees as recognition of and reward for their contributions. Other benefits include contributions to statutory mandatory provident fund scheme and medical scheme to its employees in Hong Kong and the statutory central pension schemes to its employees in the PRC.

Directors

Executive Directors

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

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

Non-executive Directors

SUGII Toshio, aged 56, was appointed as a non-executive Director of the Company in February, 2004. Mr. Sugii has over 20 years' experience in computer business, is currently a senior Project Manager, Information and Telecommunication Systems of Hitachi, Limited.

Independent non-executive Directors

LEE Sai Yeung, aged 53, was 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 a Master's degree in Business Administration and a bachelor's degree in Business Administration (with honours) from the University of Texas at Austin.

CHUNG Kong Fei, Stephen, aged 48, 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 director of SDM Dental Inc., an investment holding company which operates 5 dental clinics in the PRC, currently the clinic chain is the second largest of its kind in China. During 1997, Mr. Chung was an executive director of Qualipak International Holdings Limited, a manufacturer of packaging materials, whose shares are listed on the Stock Exchange of Hong Kong Limited. From 1987 to 1996, he was the deputy managing director of Lam Soon (HK) Limited. From 1980 to 1987, Mr. Chung was the Head of China Division for Manufacturers Hanover Trust Company. Mr. Chung is currently an independent non-executive director of Unity Investments Holdings Limited, whose shares are listed on the Stock Exchange of Hong Kong Limited. 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 44, 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. Mr. Ng previously worked with Coopers and Lybrand and he also served as Group Financial Controller with Lam Soon Group, Finance Director of East Asia of Allergan Inc., a U.S. pharmaceutical company, and Director of Tradelink Electronic Commerce Limited, the sole provider of e-trade declaration platform in Hong Kong. Mr. Ng is a fellow member of the Chartered Association of Certified Accountants and a certified public accountant of the Hong Kong Institute of Certified Public Accountants. He holds a Master of Science degree in Finance and a Master's degree in Business Administration.

Senior management

TAN Kong Chi, Joseph, aged 42, is the general manager of CL Services Limited, a wholly owned subsidiary of the Company. He joined the Group in October 2004. Mr. Tan is responsible for the overall management of the Group's IT services 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's degree in Business Studies from City University of Hong Kong and a Master's degree in Business Administration from the University of Southern Queensland, Australia.

LIU Si Ca, aged 40, is the general manager of CL Solutions Limited, a wholly owned subsidiary of the Company. He joined the Group in September 2004. Mr. Liu is responsible for the overall management of the Group's supply chain solutions business unit. He has more than 14 years of experience in the automated data capture solution and supply chain solutions. Prior to joining the Group, Mr. Liu served as Systems Consultant for Intermec Canada in 1989 and was relocated to Intermec Asia in Hong Kong in 1996. In 1999, he joined CL Technical Services Limited as Sales Manager and served as General Manager of CL Solutions (China) Limited in 2003. Mr. Liu graduated from Seneca College, Toronto Canada in computer engineering.

YIP Yuk Sing, Wallace, aged 39, 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's degree in Accounting from the Napier University, United Kingdom and a Master's degree in Corporate Finance from the Hong Kong Polytechnic University. He is an associate member of The Chartered Association of Certified Accountants and a certified public accountant of the Hong Kong Institute of Certified Public Accountants.

The directors have pleasure in presenting their annual report together with the audited financial statements for the year ended 31st December, 2004.

Principal activities

The Company is an investment holding company and the principal activities of its subsidiaries are set out in note 10 to the financial statements.

Results and dividend

The results of the Group for the year ended 31st December, 2004 are set out in the consolidated income statement on page 19.

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

Financial summary

The summary of the pro forma combined results of the Group for the year ended 31st December, 2000 and the consolidated results of the Group for each of the four years ended 31st December, 2004 and the assets and liabilities of the Group as at 31st December, 2000, 2001, 2002, 2003 and 2004 are set out on page 52.

Fixed assets

Details of movements in fixed assets during the year are set out in note 9 to the financial statements.

Share options

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

Reserves

Movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 25 and note 21 to the financial statements respectively.

Directors and directors' service contracts

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

Executive directors:

Fung Pak Chuen, Alphonso
Lo, Richard
Lee Man Lung, Vincent – resigned on 28th February, 2004
Yip Tai Chee, Alick – resigned on 13th February, 2004
Tang Chi Lap – resigned on 13th February, 2004

Non-executive directors:

Taniguchi Hiroyuki – resigned on 13th February, 2004
Sugii Toshio – alternate to Taniguchi Hiroyuki and re-designated as non-executive director on 13th February, 2004

Independent non-executive directors:

Lee Sai Yeung
Chung Kong Fei, Stephen – appointed on 30th September, 2004
Ng Chik Sum, Jackson – appointed on 30th September, 2004
Tsang Link Carl, Brian – resigned on 30th September, 2004

In accordance with Article 87 (1) and (2) of the Company's Articles of Association, Mr. Lo, Richard and Mr. Sugii Toshio shall retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Mr. Chung Kong Fei, Stephen and Mr. Ng Chik Sum, Jackson, appointed pursuant to the Articles 86(3) of the Company's Articles of Association, shall hold office until the forthcoming annual general meeting (the "Meeting") and, being eligible, offer themselves for re-election at the Meeting.

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

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

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

Each of the independent non-executive directors has confirmed his independence to the Company pursuant to Rule 5.09 of the GEM Listing Rules of the Stock Exchange and the Company considers the independent non-executive directors to be independent.

Directors' interests in contracts

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

Connected transactions

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

Directors' interests in securities

As at 31st December, 2004, the interests and short positions of the Directors in the securities of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, including interests and short positions which they are deemed or taken to have under such provisions of the SFO, or which are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which are required, pursuant to rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors to be notified to the Company and the Stock Exchange were as follows:

Long positions in shares of the Company

Name of director	Capacity in which such interests were held	Number of shares	Percentage of nominal value of share capital
Mr. Fung Pak Chuen, Alphonso ("Mr. Fung") *(Note 1)*	Interests of spouse	131,688,000	54.87%
Mr. Lo, Richard ("Mr. Lo") *(Note 2)*	Interests of spouse	131,688,000	54.87%

Notes:

1. Win Plus Group Limited ("Win Plus") holds 84% interest in the issued share capital of Aplus Worldwide Limited ("Aplus") and is accordingly taken to have an interest in the 131,688,000 shares in which Aplus is interested under the SFO.

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

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

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

Directors' interests in securities (Continued)

Notes: (Continued)

1. (Continued)

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

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

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

Save as disclosed above, as at 31st December, 2004, none of the Directors of the Company has any interests and short positions in the shares, equity derivatives, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, including interests and short positions which they are deemed or taken to have under such provisions of the SFO, or which are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which are required, pursuant to rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors to be notified to the Company and the Stock Exchange.

Directors' rights to acquire shares or debentures

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

The directors consider it inappropriate to value the share options as the generally accepted methodology to calculate the value of options such as the Black-Scholes option pricing model was developed for use in estimating the fair value of traded options that are fully transferable. Such an option pricing model requires input of highly subjective assumptions, including the expected share price volatility. Because the Company's share options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, such generally accepted methodology such as the Black-Scholes option pricing model does not necessarily provide a reliable measure of the fair value of the Company's share options.

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

Substantial shareholders

As at 31st December, 2004, so far as was known to any Director of the Company, persons who have an interest or a short position in the shares, equity derivatives, underlying shares or debentures of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or be interested in, directly or indirectly, 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of the Company pursuant to section 336 of the SFO were as follows:

Long positions in shares of the Company

Name of shareholder	**Capacity in which such interests were held**	**Number of shares**	**Percentage of nominal value of share capital**
Hitachi, Ltd.	Beneficial owner	60,000,000	25.00%
Aplus	Beneficial owner	131,688,000	54.87%
Win Plus *(Note 1)*	Interest of a controlled corporation	131,688,000	54.87%
Gumpton *(Note 2)*	Interest of a controlled corporation	131,688,000	54.87%
AFS *(Note 3)*	Interest of a controlled corporation	131,688,000	54.87%
Ardian *(Note 3)*	Interest of a controlled corporation	131,688,000	54.87%
General Trust *(Note 4)*	Interest of a controlled corporation	131,688,000	54.87%
Mrs. Fung, Pui Lan, Angela *(Note 5)*	Beneficiary of trust	131,688,000	54.87%
Mrs. Lo, Lilian *(Note 6)*	Beneficiary of trust	131,688,000	54.87%

Notes:

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

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

3. Gumpton is owned as to 50% by AFS and 50% by Ardian. Accordingly, AFS and Ardian are each taken to have an interest in the 131,688,000 shares in which Gumpton is interested under the SFO.

Substantial shareholders (Continued)

Notes: (Continued)

4. AFS and Ardian are in turn wholly-owned by General Trust. Therefore, General Trust is taken to have an interest in the 131,688,000 shares in which AFS and Ardian are interested under the SFO.

5. General Trust is the trustee of AFS Trust. Mrs. Fung, Pui Lan, Angela, being the spouse of Mr. Fung, is one of the beneficiaries of AFS Trust and therefore is taken to have an interest in the 131,688,000 shares in which General Trust is interested under the SFO.

6. General Trust is also the trustee of Ardian Trust. Mrs. Lo, Lilian, being the spouse of Mr. Lo, is one of the beneficiaries of Ardian Trust and therefore is taken to have an interest in the 131,688,000 shares in which General Trust is interested under the SFO.

Save as disclosed above, as at 31st December, 2004, so far as was known to any Director of the Company, no other persons had an interest or a short position in the shares, 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 62% of the total sales for the year and sales to the largest customer included therein amounted to 28%. Purchases from the Group's five largest suppliers accounted for 89% of the total purchases for the year and purchases from the largest supplier included therein amounted to 33%.

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

Purchase, sale or redemption of the company's listed securities

As at 31st December, 2004, there were no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities.

Competing interests

As at 31st December, 2004, the Directors are not aware of any business or interest of the directors, the initial management shareholders of the Company and their respective associates, that competes or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

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.

Audit committee

Pursuant to rules 5.28 to 5.29 of the GEM Listing Rules, the Company has established an Audit Committee with written terms of reference for the purpose of reviewing and providing supervision over the financial reporting process and internal control procedures of the Group. The Audit Committee has three members comprising Mr. Lee Sai Yeung, Mr. Chung Kong Fei, Stephen and Mr. Ng Chik Sum, Jackson.

Up to the date of approval of these financial statements, the Audit Committee has held four meetings and has reviewed the Company's draft annual, interim and quarterly financial reports.

Code of conduct regarding securities transactions by directors

During the year ended 31st December, 2004, the Company had adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings as set out in rules 5.48 to 5.67 of the GEM Listing Rules. The Company had also made specific enquiry of all directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding directors' securities transactions.

Board practices and procedures

The Company has complied with rules 5.34 to 5.45 of the GEM Listing Rules concerning management responsibilities of the Board throughout the financial year ended 31st December, 2004.

Auditors

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

On behalf of the Board

Fung Pak Chuen, Alphonso
Chairman

Hong Kong, 29th March, 2005

梁學濂會計師事務所

PKF

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

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

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

Respective responsibilities of directors and auditors

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

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

Basis of opinion

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

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Fundamental uncertainty

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

Opinion

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

PKF
Certified Public Accountants
Hong Kong, 29th March, 2005

Consolidated Income Statement

For the year ended 31st December, 2004

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

Consolidated Balance Sheet

At 31st December, 2004

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

At 31st December, 2004

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

Approved and authorised for issue by the Board of Directors on 29th March, 2005

Fung Pak Chuen, Alphonso
Director

Lo, Richard
Director

Balance Sheet

At 31st December, 2004

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

Approved and authorised for issue by the Board of Directors on 29th March, 2005

Fung Pak Chuen, Alphonso
Director

Lo, Richard
Director

Consolidated Cash Flow Statement

For the year ended 31st December, 2004

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

Consolidated Cash Flow Statement

For the year ended 31st December, 2004

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

Consolidated Statement of Changes in Equity

For the year ended 31st December, 2004

	Share capital HK$'000	Share premium HK$'000	Exchange reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1.1.2003	24,000	19,030	100	(15,619)	27,511
Loss for the year	–	–	–	(27,282)	(27,282)
At 31.12.2003 and 1.1.2004	24,000	19,030	100	(42,901)	229
Loss for the year	–	–	–	(11,841)	(11,841)
At 31.12.2004	**24,000**	**19,030**	**100**	**(54,742)**	**(11,612)**

1. Principal accounting policies

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

(a) Group reorganisation

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

(b) Basis of preparation

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

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

1. Subsequent to the balance sheet date, the Company proposed to raise HK$4,800,000, before expenses, from a rights issue of 240,000,000 new shares of the Company. The rights issue will be fully underwritten by Aplus Wordwide Limited and is scheduled to become unconditional on 3rd May, 2005. The estimated net proceeds of the rights issue will amount to approximately HK$4.3 million. The Company intends to use the net proceeds from the rights issue for general working capital purposes.

2. The Directors are actively exploring new business opportunities in order to revitalize the Group. In the fourth quarter of 2004, the Group has successfully diversified into 2 new lines of business, namely IT services and supply chain solutions, which contributed operating profit of approximately HK$1,261,000 in aggregate to the Group.

3. The Directors have taken stringent cost-saving measures to streamline the Group's exiting operations and to strengthen its financial control.

1. Principal accounting policies (Continued)

(b) Basis of preparation (Continued)

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

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

(c) Basis of consolidation

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

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

(d) Goodwill/negative goodwill

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

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

(e) Fixed assets and depreciation

Fixed assets are stated at cost less aggregate depreciation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the assets have been put into operation, such as repairs and maintenance, is charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the asset, the expenditure is capitalised as an additional cost of the asset.

1. Principal accounting policies (Continued)

(e) Fixed assets and depreciation (Continued)

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

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

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

(f) Leases

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

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

(g) Subsidiaries

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

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

(h) Investment securities

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

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

1. Principal accounting policies (Continued)

(i) Development costs

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

(j) Inventories

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

(k) Impairment

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

(l) Provisions

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

(m) Revenue recognition

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

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

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

1. Principal accounting policies (Continued)

(n) Employee benefits

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

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

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

(o) Foreign currency translation

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

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

(p) Related parties

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

(q) Income tax

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

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

1. Principal accounting policies (Continued)

(q) Income tax (Continued)

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

(r) Cash equivalents

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

(s) Segment reporting

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

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

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

1. Principal accounting policies (Continued)

(s) Segment reporting (Continued)

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

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

(t) Recently issued accounting standards

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

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

2. Turnover and revenue

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

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

3. Loss before income tax

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

4. Income tax expense

	2004 HK$'000	2003 HK$'000
Current tax		
Provision for Hong Kong profits tax at 17.5% on the estimated assessable profits for the year	**221**	1

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

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

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

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

4. Income tax expense (Continued)

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

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

(i) Deductible temporary differences have not been recognised owing to the absence of objective evidence in respect of the availability of sufficient taxable profits that are expected to arise to offset against the deductible temporary differences.

(ii) The unutilised tax losses accumulated in the PRC subsidiary amounted to approximately HK$15,060,000 (2003: HK$16,936,000) would expire in five years from the respective year of loss. The unutilised tax losses accumulated in the Hong Kong subsidiaries amounted to HK$21,412,000 (2003: HK$37,147,000) can be carried forward indefinitely.

(iii) Taxable temporary difference has not been recognised owing to immateriality.

5. Loss for the year

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

6. Loss per share

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

	2004 HK$'000	2003 HK$'000
Loss		
Loss for the year used in the calculation of basic loss per share	**(11,841)**	(27,282)
Shares		
Weighted average number of shares in issue for the purpose of calculation of basic loss per share	**240,000,000**	240,000,000

7. Retirement benefit costs

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

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

8. Directors' emoluments and employees' emoluments

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

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

8. Directors' emoluments and employees' emoluments (Continued)

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.

(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:

	2004	2003
	HK$'000	HK$'000
Salaries and allowances	**783**	1,322
Retirement scheme contributions	**24**	66
	807	1,388

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

9. Fixed assets

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

10. Interests in subsidiaries

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

10. Interests in subsidiaries (Continued)

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

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

10. Interests in subsidiaries (Continued)

Name	Place of incorporation/ establishment	Particulars of issued share capital/ registered capital	Attributable equity interest held by the Group Directly	Attributable equity interest held by the Group Indirectly	Principal activities
CL Solutions Limited	Hong Kong	300,000 shares of HK$1 each	–	100%	Provision of IT solutions and related services
CL Services Limited	Hong Kong	300,000 shares of HK$1 each	–	100%	Provision of IT support services
Guangzhou CL Solutions Limited	PRC	US$200,000	–	100%	Dormant
Victor Group Limited	Hong Kong	1 share of HK$1 each	–	100%	Dormant

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

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

11. Investment securities

	2004 HK$'000	2003 HK$'000
Unlisted equity securities, at cost	**2,342**	2,342
Less: Provision for diminution in value	**2,342**	2,342
	–	–

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

12. Development costs

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

13. Inventories

	2004 HK$'000	2003 HK$'000
Equipment and accessories held for re-sale	**578**	308
Spare parts	**2,276**	–
	2,854	308

14. Debtors, deposits and prepayments

	2004 HK$'000	2003 HK$'000
Debtors, deposits and prepayments comprise:		
Trade debtors	**4,538**	17,313
Less: Provision for bad debts	**–**	7,775
	4,538	9,538
Other debtors, deposits and prepayments	**1,057**	1,537
	5,595	11,075

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

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

15. Banking facilities

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

16. Cash and bank balances

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

17. Secured bank loan

	2004 HK$'000	2003 HK$'000
Principal outstanding	**91**	206
Less: Amount repayable within one year (shown under current liabilities)	**91**	115
Amount repayable after one year but within five years (shown under non-current liabilities)	**–**	91

18. Creditors, accruals and deposits

	2004 HK$'000	2003 HK$'000
Creditors, accruals and deposits comprise:		
Trade creditors	**7,196**	13,055
Other creditors, accruals and deposits	**8,597**	5,605
	15,793	18,660

The following is an aging analysis of trade creditors:

	2004 HK$'000	2003 HK$'000
0 – 6 months	**3,573**	839
7 – 12 months	**116**	4,193
Over 12 months	**3,507**	8,023
	7,196	13,055

19. Amounts due to related companies

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

20. Share capital

	Group and Company	
	Number of shares	HK$'000
Authorised:		
At 1st January, 2004 and 31st December, 2004	**1,000,000,000**	**100,000**
Issued and fully paid:		
At 1st January, 2004 and 31st December, 2004	**240,000,000**	**24,000**

(a) Under the terms of a share option scheme (the "Scheme") adopted by the Company on 2nd June, 2000, the board of directors is authorised, at its absolute discretion, to grant options to executive directors and full time employees of the Company or its subsidiaries, to subscribe for shares in the Company.

The purpose of the Scheme is to encourage the officers and staff to participate in the ownership of the Company in order to provide additional incentives to them.

The maximum entitlement of each participant under the Scheme would not exceed 25% of the aggregate number of shares for the time being issued and issuable under the Scheme.

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

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

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

20. Share capital (Continued)

(a) (Continued)

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

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

21. Reserves

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

(a) Under the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, the share premium is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(b) As at 31st December, 2004, in the opinion of the directors, there was no reserve of the Company available for distribution to the shareholders (2003: HK$Nil).

22. Loans from directors

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

23. Commitments

(a) Operating leases

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

	2004 HK$'000	2003 HK$'000
(i) The Group		
Within one year	**1,538**	1,123
In the second to fifth years inclusive	**492**	–
	2,030	1,123
(ii) The Company		
Within one year	**–**	403
In the second to fifth years inclusive	**–**	–
	–	403

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

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

24. Connected and related party transactions

On 28th July, 2004, the Company entered into an agreement with CL International Holdings Limited ("CLIH"), pursuant to which the Group would purchase computer parts and components, peripherals and equipment from CLIH and its subsidiaries (together "CLIH Group") and provide IT related services to certain existing customers of CLIH Group. CLIH is indirectly owned as to approximately 46.2% by the General Trust. Aplus Worldwide Limited, the controlling shareholder of the Company, is indirectly owned as to 84% by the General Trust. CLIH is therefore a connected person of the Company according to the GEM Listing Rules.

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

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

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

The above transactions were entered into on the following bases:

(i) a fixed amount with reference to the cost of services rendered;

(ii) a certain percentage of the Group's billings on the relevant services; and

(iii) amounts with reference to market price of goods sold or services rendered.

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

25. Segment reporting

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

(a) Business segments

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

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

25. Segment reporting (Continued)

(a) Business segments (Continued)

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

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

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

(b) Geographical segments

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

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

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

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

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

26. Ultimate holding company

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

27. Subsequent events

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

(a) By the Order of the Grand Court of the Cayman Islands dated 14th January, 2005 and special resolution passed on 12th October, 2004, to reduce and diminish the authorised and issued share capital of the Company ("Capital Reduction") by the following ways:

(i) to reduce the share capital of the Company by canceling issued and paid up capital to the extent of HK$0.09 on each of shares in issue and by reducing the nominal value of all issued and unissued shares from HK$0.10 each to HK$0.01 each;

(ii) to cancel the share premium account;

(iii) to apply the credit arising from the capital reduction and cancellation of the share premium account to set off in full the accumulated losses of the Company, which amounted to approximately HK$33,521,000 as shown in the audited financial statements of the Company for the year ended 31st December, 2003, and

(iv) to cancel 684,000,000 unissued shares of HK$0.10 each in the share capital of the Company and each remaining unissued shares of HK$0.10 each in the share capital of the Company be subdivided into 10 unissued new shares of HK$0.01 each.

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

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

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

Financial Summary

Results

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

Notes:

1. The results of the Group for the year ended 31st December, 2000 presented above include the results of the Company and its subsidiaries with effect from 1st January, 2000 or since their respective dates of incorporation/establishment, where this is a shorter period, on the basis that the current group structure had been in existence throughout the said year.

2. The results of the Group for each of the four years ended 31st December, 2004 are prepared under the basis as set out in note 1(c) on page 27.

Assets And Liabilities

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

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 29th April, 2005 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, 2004;

2. To re-elect the directors and to authorize the board of directors (the "Board") to fix their remuneration;

3. To re-appoint auditors and authorize the Board to fix their remuneration;

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

"**That**

(a) subject to paragraph (c) of this resolution, and pursuant to the Rules Governing the Listing of Securities on the Growth Enterprise Market (the "GEM Listing Rules") of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the exercise by the directors of the Company (the "Directors") during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with the unissued shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such powers be and the same is hereby generally and unconditionally approved;

(b) the approval in paragraph (a) of this resolution shall authorize the Directors during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;

(c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (where pursuant to options or otherwise) by the Directors pursuant to the approval in paragraph (a) of this resolution, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined); or (ii) the grant or exercise of any option under the share option scheme of the Company; or (iii) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares in accordance with the Articles of Association of the Company in force from time to time; or (iv) any issue of shares in the Company upon the exercise of rights of subscription or conversion under the terms of any warrants of the Company or any securities which are convertible into shares of the Company, shall not exceed the aggregate of:

(1) 20% of the aggregate nominal amount of the share capital of the Company in issue on the date of the passing of this Resolution; and

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

(d) for the purpose of this resolution:

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

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual meeting of the Company is required by the Articles of Association of the Company or any other applicable law of the Cayman Islands to be held; and

(iii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the directors of the Company by this Resolution.

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

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

"**That**

(a) subject to paragraph (b) of this resolution, the exercise by the Directors during the Relevant Period (as defined below) of all powers of the Company to repurchase its shares on the Stock Exchange or any other stock exchange on which the shares of the Company may be listed and recognized by the Securities and Futures Commission (the "SFC") and the Stock Exchange for such purpose, and otherwise in accordance with the rules and regulations of the SFC, the GEM Listing Rules, the Memorandum and Articles of Association of the Company and all other applicable laws in this regard, be and the same is hereby generally and unconditionally approved;

(b) the aggregate nominal amount of shares of the Company which may be purchased by the Company pursuant to the approval in paragraph (a) of this resolution during the Relevant Period shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of the passing of this resolution and the authority pursuant to paragraph (a) of this resolution shall be limited accordingly; and

(c) for the purpose of this Resolution, "Relevant Period" means the period from the date of the passing of this resolution until whichever is earliest of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association of the Company or any other applicable law of the Cayman Islands to be held; and

(iii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the directors of the Company by this Resolution."

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

   "**That**

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

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

31st March, 2005

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

Head office and principal place of business:
10/F., Westlands Centre,
20 Westlands Road,
Quarry Bay,
Hong Kong

Notes:

(a) Any member of the Company entitled to attend and vote at the Meeting is entitled to appoint another person as the proxy. A member who is the holder of two or more shares may appoint more than one proxy to represent and vote on his behalf at the Meeting. A proxy need not be a member of the Company.

(b) A form of proxy for use at the Meeting is enclosed. Such form of proxy is also published on the GEM website at www.hkgem.com.

(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.

(d) In relation to proposed resolutions no. 4 above, approval is being sought from the shareholders for the grant to the directors of the Company of a general mandate to authorize the allotment and issue of shares under the GEM Listing Rules of the Stock Exchange. The directors of the Company have no immediate plans to issue any new shares of the Company other than shares which may fall to be issued under the share option scheme of the Company or any scrip dividend scheme which may be approved by shareholders of the Company.