

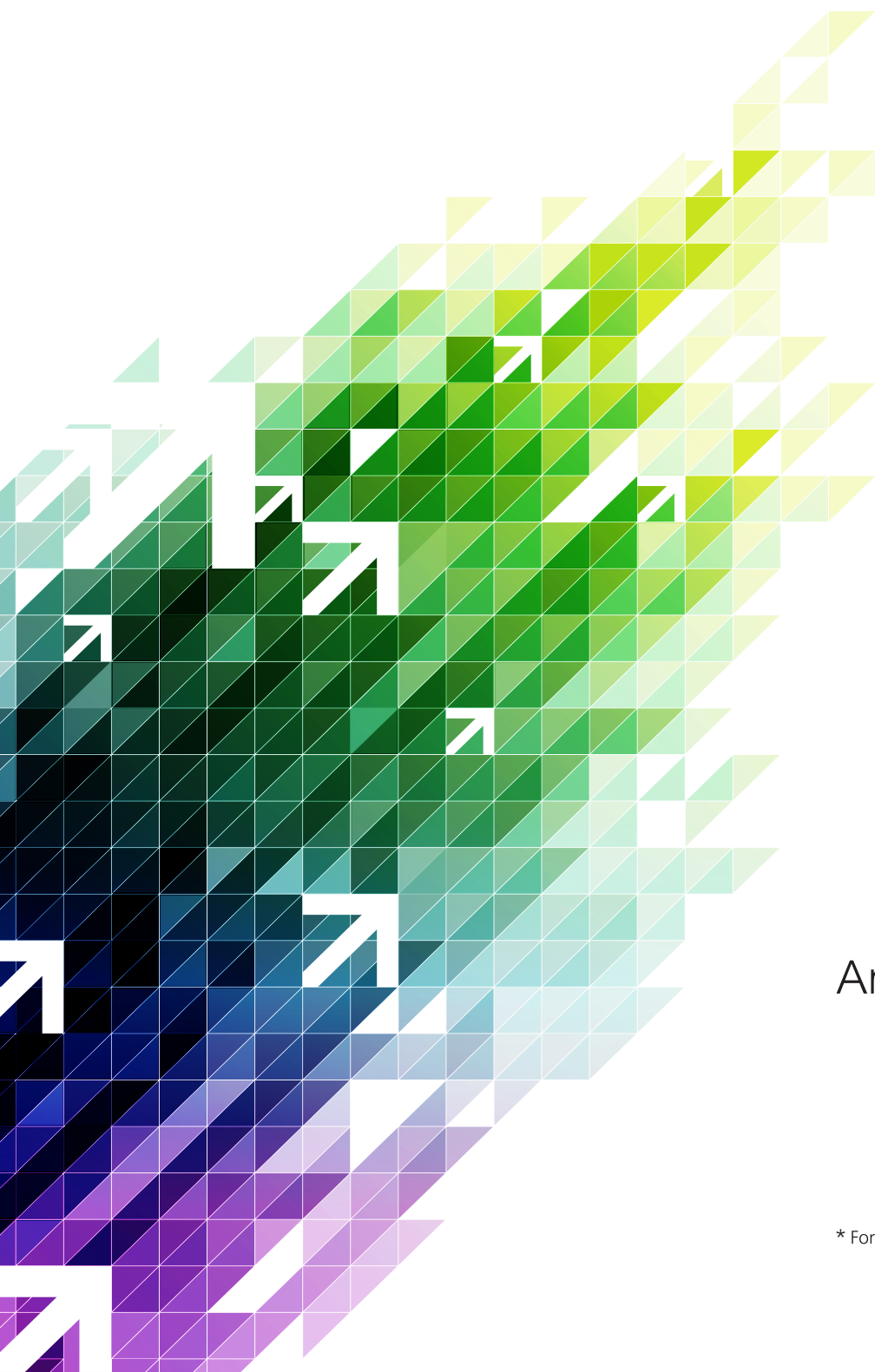


**COMPUTECH HOLDINGS LIMITED**

**駿科網絡訊息有限公司\***

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 8081)



Annual Report 2010

\* For identification purpose only

## CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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

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



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## Corporate Information

### EXECUTIVE DIRECTOR

Mak Kwong Yiu

### NON-EXECUTIVE DIRECTOR

Fung Pak Chuen, Alphonso

### INDEPENDENT NON-EXECUTIVE DIRECTORS

Chung Kong Fei, Stephen

Ng Chik Sum, Jackson

Pang Wing Kin, Patrick

Ip Wai Hung

### COMPLIANCE OFFICER

Mak Kwong Yiu *CFA, CPA*

### AUTHORISED REPRESENTATIVES

Mak Kwong Yiu

Chan Wai Kuen, Karen

### COMPANY SECRETARY

Chan Wai Kuen, Karen *CPA, FCCA*

### AUDIT COMMITTEE

Ng Chik Sum, Jackson *(Committee Chairman)*

Chung Kong Fei, Stephen

Pang Wing Kin, Patrick

Fung Pak Chuen, Alphonso

Ip Wai Hung

### AUDITORS

PKF

*Certified Public Accountants*

### REGISTERED OFFICE

Cricket Square

Hutchins Drive, P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

10/F., Westlands Centre

20 Westlands Road, Quarry Bay

Hong Kong

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fund Services (Cayman) Limited

Butterfield House, 68 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

17M Floor, Hopewell Centre

183 Queen's Road East

Hong Kong

### PRINCIPAL BANKERS

China Construction Bank (Asia) Corporation Limited

Bank of Tokyo-Mitsubishi UFJ, Limited

### STOCK CODE

8081

### WEBSITE ADDRESS

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

## Chairman's Statement

I am present herewith the results of Computech Holdings Limited (the "Company") and its subsidiaries (together the "Group") for the year ended 31 December 2010.

The Group recorded a turnover HK\$25,914,000 and loss attributable to shareholders of HK\$14,353,000 for the year ended 31 December 2010, compared to HK\$32,732,000 and HK\$4,974,000 respectively for the previous year. In view of the highly competitive IT business environment, our existing repair and maintenance business and call center business may not be promising in near future, the Group has entered into the Acquisition Agreement (the "Agreement") on 2 June 2010 (as supplemented by the Supplemental Agreement dated 28 July 2010) in order to diversifying its existing IT business to mining industry.

The Acquisition is under due diligence review and is subject to complete upon fulfillment of conditions precedent pursuant to the Agreement. Related professional fees (recorded under the administrative expenses) incurred for the Acquisition increased substantially as compared with last year.

### MARKET OVERVIEW

Computech Group reported a decrease in turnover of 21% compared with last year because of turnover dropped in services of call center and hot line business. Under the reviewed period, the Group worked close to our existing and potential business partner for strengthening business relationship.

With the worldwide economy set on a slow yet progress path to recovery, the demand on the industry of IT business has not a very strong rebound together with keen competition in the industry. The Group will not ease to get a business growth in the I.T. industry for the forthcoming year.

### OPERATING OVERVIEW

In the period of the review, Computech continued to focus on our core business – IT business. The Group has exercised a strictly cost control on the operation. Apart from the incurred acquisition related cost for the possible Acquisition of a mining company, Wiseking Mining Investment Company Limited, the administrative expenses have dropped in line with turnover.

### PROSPECTS

In the coming year, the Group will seek opportunities for diversifying into mining business in order to enhance the return to the shareholders of the Company. The Group considered that the Acquisition is a valuable investment opportunity for the Company to participate in the mineral business in view of the inflation and scarcity of resources. On the other hand, the Group will continue to focus on IT related business. It will continue to implement strict cost saving measures to ensure its business enjoys the highest cost-effectiveness.

## Chairman's Statement

### APPRECIATION

I would like to take this opportunity to express my appreciation to our employees, shareholders, board members, customers, and business partners for their support and contribution to the Group in 2010.

**Mak Kwong Yiu**  
*Executive Director*

Hong Kong, 17 March 2011



## Management Discussion and Analysis

### BUSINESS REVIEW

Computech reported a decrease in turnover of approximately 21% for the year of 2010, which was mainly due to termination of call center service with our major customer in 2009.

### FINANCIAL REVIEW

The Group recorded a turnover HK\$25,914,000 and loss attributable to shareholders of HK\$14,353,000 for the year ended 31 December 2010, compared to HK\$32,732,000 and HK\$4,974,000 respectively for the previous year. The loss per share for the year ended 31 December 2010 was HK\$1.74 cents (2009: HK\$0.65 cents).

Significant increase in comprehensive loss attributable to equity holders was due to (i) decrease in turnover as a result of termination of call center services with one of the major customers in last year and (ii) acquisition-related expenses including but not limited to professional fee, financial adviser fee, consultancy fee and valuation fee incurred during the year as compared with last year.

As discussed above, administrative expenses amounted to approximately HK\$17,852,000 for the year ended 31 December 2010, representing an approximately 56% increase compared with last year, which was resulted from professional fees incurred for the Acquisition during the year. If excluding the Acquisition related cost, the administrative expenses decreased in line with the turnover.

### FINANCIAL RESOURCES AND LIQUIDITY

The Group generally finances its daily operations from internally generated cash flows and fund raised in capital raising exercise. As at 31 December 2010, the total assets of the Group were approximately HK\$26,687,000 (2009: HK\$16,352,000), including cash and bank deposits of approximately HK\$21,289,000 (2009: HK\$8,362,000) and debtors, deposits and prepayments of approximately HK\$1,359,000 (2009: HK\$1,671,000). The total current liabilities of the Group were about HK\$7,278,000 (2009: HK\$4,936,000). The Group's current ratio, current assets over its current liabilities, was approximately 3.7 times (2009: 3.3 times).

At the end of financial year 2010, the Group did not have any loans due to banks or financial institutions. The total non-current liabilities of the Group was nil (2009: nil), where including bank loans and long-term borrowings. As a result, the group had no gearing, calculated on the basis of net debt to shareholders funds, as at 31 December 2010.

### CAPITAL STRUCTURE

#### Placing of new shares under general mandate (the "Placing")

Under the general mandate granted by annual general meeting of the Company held on 3 May 2010, the Company entered into the Placing Agreement with the Placing Agent pursuant to which the Company has agreed to place a maximum of 100,000,000 Placing Shares to not fewer than six Placees at a price of HK\$0.20 per Placing Share on 6 August 2010. The Placing was completed on 9 September 2010 in accordance with the terms and conditions of the Placing Agreement. The total number of 100,000,000 new shares of the Company have been issued and allotted by the Company to the placees at price of HK\$0.2 per placing share. The net proceeds from the Placing amount to approximately HK\$19.5 million.

Save as disclosed above, there was no change on the Group's capital structure for the year ended 31 December 2010.

## Management Discussion and Analysis

### FOREIGN EXCHANGE

The Group's foreign exchange risk is primarily attributable to its creditors. The Group's purchases were principally denominated in Hong Kong Dollars and Renminbi, with the majority of which denominated in Hong Kong Dollars. As the foreign exchange risks were insignificant to the Group, the Group has not applied any financial instruments for foreign currency hedging purposes during the period under review.

### SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES

On 2 June 2010, Mr. Lam Fung, Full Harbour International Limited, Monz Investments Limited, Apex Return Sdn Bhd, Debut Supreme Capital Sdn Bhd, Splendid Horizon Sdn Bhd, Fabulous Way Limited and Dragonrider Opportunity Fund L.P. (collectively the "Vendors") and the Company had entered into the Acquisition Agreement (the "Agreement") (as supplemented by the Supplemental Agreement dated 28 July 2010) pursuant to which, among other things, (i) the Vendors conditionally agreed to sell and the Company conditionally agreed to purchase the sale shares ("Sale Shares"), representing approximately 86% of the issued share capital of Wiseking Mining Investment Company Limited (the "Target"), and the Sale Loans; (ii) the consideration of the Acquisition is HK\$2,395,601,000 (subject to adjustments), which shall be satisfied by the Company by a combination of cash, issue and allotment of the Consideration CPS and Promissory Notes; and (iii) the Company undertakes in favour of the Vendors that within 30 days after the execution of the Acquisition Agreement, the Company will use its best endeavours, to make a conditional offer to the Remaining Shareholders to acquire the Remaining Shares, representing approximately 14% of the entire issued share capital of the Target, at a total consideration of HK\$282,000,000 by way of cash and/or the Fourth Tranche Promissory Notes. Completion is subject to fulfillment or waiver of certain conditions precedent. Details of the Acquisition refers to announcement dated 28 July 2010.

Save for the Acquisition disclosed above, there was neither material acquisition nor disposal of subsidiaries and affiliated companies of the Group for the year ended 31 December 2010 (31 December 2009: Nil).

### CHARGE ON THE GROUP'S ASSETS

As at 31 December 2010, there was no charge on the Group's assets (2009: nil).

### CAPITAL COMMITMENTS

The completion of the Acquisition is subject to fulfillment or waiver of certain conditions precedent pursuant to the Agreement and Supplemental Agreement and the Acquisition is under the due diligence review. No capital commitment existed at 31 December 2010.

Save as disclosed, the Group did not have undertaken any material investments at 31 December 2010 (2009: nil).



## Management Discussion and Analysis

### CONTINGENT LIABILITIES

Save as disclosed, the Group did not have any material contingent liabilities at 31 December 2010 (2009: nil).

### EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2010, the Group had 88 employees (2009: 107). 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.

## Directors and Senior Management Profile

### EXECUTIVE DIRECTOR

**MAK Kwong Yiu**, aged 36, is an Executive Director of the Company. He was appointed as the Executive Director since July 2008. Mr. Mak holds Bachelor and Master degrees in Business Administration from the Hong Kong University of Science and Technology. He earned the Chartered Financial Analyst designation in 2000. He is a Certified Public Accountant in the United States and Hong Kong respectively. Mr. Mak currently holds directorships in several companies which are engaged in business of financial services, asset management and asset valuation in Hong Kong. Mr. Mak is also an executive director of Convoy Financial Services Holdings Limited, a company whose shares are listed on the Main Board of the Stock Exchange of Hong Kong Limited. Mr. Mak has been an independent non-executive director of Across Asia Limited from March 2008 to 24 May 2010, a company whose shares are listed on the Growth Enterprise Market operated by the Stock Exchange.

### NON-EXECUTIVE DIRECTOR

**FUNG Pak Chuen, Alphonso**, aged 60, is a Non-Executive director of the Company. He was appointed as the Non-Executive Director in March 2000 and re-designated as Executive Director of the Company in 2004. Mr. Fung was further re-designated as Non-Executive director of the Company on 17th September 2009. He is a cofounder of the CL Group, a group of IT companies operating in the PRC, Hong Kong and South-East Asia, since 1979. Prior to that, he worked at IBM in Hong Kong and International Computer Limited in the United Kingdom. Mr. Fung graduated from the University of London with a Master degree in Computer Science. He has substantial experience in business planning and development in the IT industry. Mr. Fung has been a non-executive director of Oncard International Limited for the period of 25 August 2009 to 23 November 2010, a company listed on the Australian Securities Exchange.

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**CHUNG Kong Fei, Stephen**, aged 54, was appointed as an independent non-executive Director of the Company in September 2004. Mr. Chung has over 21 years of experience in investment and business management. He is one of the founders and executive directors of SDM Dental Inc., an investment holding company which operates 6 dental clinics in the PRC, currently the clinic chain is one of the largest of its kind in the PRC. Mr. Chung was previously an executive director of Qualipak International Holdings Limited, a manufacturer of packaging materials, whose shares are listed on the Stock Exchange of Hong Kong Limited. From 1987 to 1996, he was the deputy managing director of Lam Soon (HK) Limited. From 1983 to 1987, Mr. Chung was the Head of China Division of 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. 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 50, 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. Mr. Ng is a fellow member of both the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. He holds a Master of Science degree in Finance and a Master Degree in Business Administration. Mr. Ng has been an independent non-executive director of L'Occitane International S.A. since 25 January 2010, a company listed on the Main Board of the Stock Exchange.

## Directors and Senior Management Profile

**PANG Wing Kin, Patrick**, aged 55, is a qualified accountant and has over 27 years of working experience in the auditing, finance and general management areas. Mr. Pang was appointed as independent non-executive Director of the Company on 26 March 2009. He is a member of the CPA Australia, the Hong Kong Institute of Certified Public Accountants and the Institute of Internal Auditors of the United Kingdom. Mr. Pang is also an independent non-executive director of Samson Paper Holdings Limited, a company whose shares are listed on the Stock Exchange.

**IP Wai Hung**, aged 53, is an associate professor in the department of Industrial and Systems Engineering of the Hong Kong Polytechnic University. He has more than 30 years of experience in industry, education and consulting. He received his PhD from Loughborough University in United Kingdom, MBA from Brunel University, M.Sc in Industrial Engineering from Cranfield University, and LLB (Honours) from University of Wolverhampton. He is a member of the Hong Kong Institution of Engineers, a member of The Institute of Electrical and Electronics Engineers society, a member of the Institution of Engineering and Technology (UK), a member of the Institution of Mechanical Engineers (UK), and a fellow member of the Hong Kong Quality Management Association. He has been acting as consultant for various companies. He is visiting professor of the University of Electronic Science and Technology of China, and Honorary Fellow of Warwick Manufacturing Group, the University of Warwick. He is also the honorary advisor of the China Aircraft Services Limited. He is also chief editor of the International Journal of Engineering Business Management.

### SENIOR MANAGEMENT

**TAN Kong Chi, Joseph**, aged 48, is the general manager of CL Services Limited, the wholly owned subsidiaries of the Company. He joined the Group in October 2004. Mr. Tan is responsible for the overall management of the Group's IT services. He has more than 18 years of experience in IT services management. Prior to joining the Group, Mr. Tan served as the General Manager of CL Technical Services Limited, Customer Service Engineering Department Manager of Asian Electronics Limited and Customer Service Manager of Philips Communication & Processing Limited. He holds a bachelor degree in Business Studies from City University of Hong Kong and a Master degree in Business Administration from the University of Southern Queensland, Australia.

**CHAN Wai Kuen, Karen**, aged 45, is the financial controller and company secretary of the Group. She joined the Group in May 2008. Ms. Chan is responsible for financial management, accounting and company secretarial affairs of the Group. Ms. Chan has extensive experience in accounting and financial management. She holds a Bachelor degree in Accounting from the University of Hong Kong. She is a member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants.

## Directors' Report

The directors present their annual report together with the audited consolidated financial statements for the year ended 31 December 2010.

### PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

The Group is principally engaged in provision of IT services, including consultancy, technical support, systems integration, development and sales of relevant hardware and software products in Hong Kong.

### RESULTS

The results of the Group for the year are set out in the consolidated statement of comprehensive income on page 27.

### FINANCIAL SUMMARY

The summary of the consolidated results of the Group for each of the five years ended 31 December 2010 and the assets and liabilities of the Group as at 31 December 2006, 2007, 2008, 2009 and 2010 are set out on page 64.

### PLANT AND EQUIPMENT

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

### SHARE CAPITAL

Details of movements in share capital are set out in note 18(a) to the consolidated financial statements.

### SHARE OPTIONS

Details of the Company's share option scheme are set out in note 25(a) to the consolidated financial statements.

### RESERVES

Movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 30 and note 19 to the consolidated financial statements respectively.

## Directors' Report

### DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

#### Executive director:

Mak Kwong Yiu

#### Non-executive director:

Fung Pak Chuen, Alphonso

#### Independent non-executive directors:

Chung Kong Fei, Stephen

Ng Chik Sum, Jackson

Pang Wing Kin, Patrick

IP Wai Hung (appointed on 1 January 2011)

In accordance with Articles 87(1) of the Company's Articles of Association, each of Mr. Chung Kong Fei and Mr. Ng Chik Sum, Jackson shall retire at the forthcoming annual general meeting. Mr. Chung Kong Fei being eligible, offer himself for re-election as independent non-executive director at the forthcoming annual general meeting.

Pursuant to the articles of association 86(3) of the Company, Dr. Ip Wai Hung ("Dr. Ip") being appointed by the Board as an independent non-executive director of the Company on 1 January 2011, shall hold office until the forthcoming annual general meeting and, being eligible, offer himself for re-election at the forthcoming annual general meeting.

Dr. Ip has entered into a letter of appointment with the Company. His appointment is fixed for a term of one year and he will be subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the articles of association of the Company.

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

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

## Directors' Report

### CONFIRMATION OF INDEPENDENCE

Pursuant to the requirement of the GEM Listing Rules, the Company has received an annual written confirmation from each of the independent non-executive directors of the Company of his independence to the Company. The Company considers that all of the independent non-executive directors are independent in accordance with the guidelines set out in rule 5.09 of the GEM Listing Rules.

### DIRECTORS' INTERESTS IN CONTRACTS

Apart from the connected transactions as disclosed below, 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 Group entered into the following significant connected transactions during the year ended 31 December 2010:

On 14 November 2008, the Company renewed the agreement with CL International Holdings Limited (the "CLIH") for a term of three years commencing from 1 January 2009, pursuant to which the Group would purchase computer parts and components, peripherals and equipment from CLIH and its subsidiaries (together "CLIH Group") and provide IT related services to CLIH Group (the "Agreement"). CLIH is one of shareholders of the Company and CLIH is therefore a connected person of the Company according to the GEM Listing Rules.

The non-executive director, Mr. Fung was interested in the above transactions by virtue of his interest in CLIH. Details of the interests were disclosed in the section headed "Directors' interests in securities" below.

Related party transactions as disclosed in note 21 to the consolidated financial statements also constituted connected transactions under the GEM Listing Rules, required to be disclosed in accordance with Chapter 20.

The independent non-executive directors have reviewed the continuing connected transactions and are of the opinion that these transactions were (i) effected on normal commercial terms or terms no less favourable to the Group than terms available to or from independent third parties; (ii) in the ordinary course of the business of the Group; and (iii) in accordance with the Agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

In accordance with paragraph 20.38 of the GEM Listing Rules, the Board of Directors engaged the auditor of the Company to perform certain factual finding procedures on the above continuing connected transactions on a sample basis in accordance with Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed-Upon Procedures Regarding Financial Information" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has reported the factual findings on the selected samples based on the agreed procedures to the Board of Directors that the continuing connected transactions have received the approval of the Board. Nothing came to their attention that the continuing connected transactions (a) were not in accordance with the pricing policies of the Company; (b) have not been entered into in accordance with the Agreement governing the transactions; and (c) have exceeded the cap disclosed in the circular of the Company dated 8 December 2008.

## Directors' Report

### DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2010, 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	Number of shares	Approximate % of the issued share capital
Mr. Mak Kwong Yiu	Beneficial owner	5,761,469	0.63%
Mr. Fung Pak Chuen, Alphonso	Interest of controlled corporations	75,186,015	8.18%

#### Notes:

*Win Plus Group Limited (the "Win Plus") holds 84% interest in the issued share capital of Aplus Worldwide Limited (the "Aplus") and is accordingly taken to have an interest in the 73,782,000 shares of the Company in which Aplus is interested under the SFO. Win Plus also holds approximately 53% directly and indirectly in the issued share capital of CLIH and is accordingly taken to have an interest in the 1,404,015 shares of the Company in which CLIH is interested under the SFO. Win Plus is accordingly taken to have an interest in the 75,186,015 shares of the Company in total under the SFO.*

*Mr. Fung is director of Aplus, CLIH, Win Plus.*

*As 50% of the issued share capital of Win Plus is held by AFS Holdings Limited (the "AFS Holdings"), AFS Holdings is taken to have an interest in the 75,186,015 shares of the Company under the SFO. AFS Holdings is wholly-owned by Mr. Fung.*

## Directors' Report

### Long positions in the underlying shares of the Company

The share option scheme adopted by the Company on 2 June 2000 was expired on 2 June 2010. The Company has adopted a new share option scheme (the "Scheme") on 12 November 2010. Pursuant to the Scheme, one Director in the capacity as beneficial owners was granted share options to subscribe for shares of the Company.

Movements of share options granted by the Company are set out as below:

Name of director	Exercise price (HK\$)	Outstanding at 1 January 2010	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31 December 2010
Mr. Mak Kwong Yiu	0.187	—	5,759,479	5,759,479	—	—

*Note:*

*Mr. Mak Kwong Yiu was granted 5,759,479 share option of the Company with exercise price at HK\$0.187 per share by the Company on 1 December 2010.*

Save as disclosed above, as at 31 December 2010, 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 of Hong Kong.

### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Under the terms of the Scheme adopted by the Company on 12 November 2010, the board of directors is authorised, at its absolute discretion, to grant options to eligible participants including any employee, contracted celebrity, advisor, consultant, service provider, agent, customer, partner or joint-venture partner of the Group (including any director, whether executive or non-executive and whether independent or not, of the Group) who is in full-time or part-time employment with the Group at the time when an option is granted to such employee, or any person who, in the sole discretion of the Board, have contributed or may contribute to the Group. Further details of the Scheme are set out in note 25(a) to the consolidated financial statements.

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



## Directors' Report

### SUBSTANTIAL SHAREHOLDERS

As at 31 December 2010, 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 and underlying shares of the Company

Name of shareholder	Capacity	Number of shares held	Number of underlying shares held	Total	Approximate % of the issued share capital	Note
Mr. Chui Bing Sun	Beneficial owner	–	69,157,143	69,157,143	7.52%	
	Interest of a controlled corporation	76,800,000	–	76,800,000	8.36%	1
				<u>145,957,143</u>	<u>15.88%</u>	
New Brilliant Investments Limited	Beneficial owner	76,800,000	–	76,800,000	8.36%	1
Aplus Worldwide Limited	Beneficial owner	73,782,000	–	73,782,000	8.03%	
Win Plus Group Limited	Interest of controlled corporation	75,186,015	–	75,186,015	8.18%	2
AFS Holdings Limited	Interest of controlled corporation	75,186,015	–	75,186,015	8.18%	3
Ardian Holdings Limited	Interest of controlled corporation	75,186,015	–	75,186,015	8.18%	3
Mr. Fung Pak Chuen, Alphonso	Interest of controlled corporation	75,186,015	–	75,186,015	8.18%	4
Mr. Richard Lo	Interest of controlled corporation	75,186,015	–	75,186,015	8.18%	5
Mrs. Fung Pui Lan, Angela	Interest of spouse	75,186,015	–	75,186,015	8.18%	6
Mrs. Lo Lilian	Interest of spouse	75,186,015	–	75,186,015	8.18%	7

## Directors' Report

### Notes:

1. *New Brilliant Investments Limited is wholly-owned by Mr. Chui Bing Sun.*
2. *Win Plus holds 84% interest in the issued share capital of Aplus and is accordingly taken to have an interest in the 73,782,000 shares of the Company under the SFO. Win Plus also holds approximately 53% directly & indirectly in the issued share capital of CLIH and is accordingly taken to have an interest in the 1,404,015 shares of the Company in which CLIH is interested under the SFO. Therefore, Win Plus is taken to have an interest in the total 75,186,015 shares of the Company under the SFO.*
3. *Win Plus is owned as to 50% by AFS Holdings Limited and 50% by Ardian Holdings Limited. Accordingly, AFS Holdings Limited and Ardian Holdings Limited are each taken to have an interest in the 75,186,015 shares of the Company in which Win Plus is interested under the SFO.*
4. *Mr. Pak Chuen, Alphonso is the sole beneficial owner of AFS Holdings Limited, so Mr. Fung is deemed to have an interest in the 75,186,015 shares of the Company.*
5. *Mr. Lo, Richard is the sole beneficial owner of Ardian Holdings Limited, so Mr. Lo is deemed to have an interest in the 75,186,015 shares of the Company.*
6. *Mrs. Fung, Pui Lan, Angela ("Mrs. Fung") is spouse of Mr. Fung. Therefore, Mrs. Fung is deemed to have an interest in the 75,186,015 shares of the Company under the SFO.*
7. *Mrs. Lo, Lilian ("Mrs Lo") is spouse of Mr. Lo. Mrs Lo is therefore taken to have an interest in the 75,186,015 shares of the Company under the SFO.*

Save as disclosed above, as at 31 December 2010 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 interest 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 approximately 93% of the total sales for the year and sales to the largest customer included therein amounted to approximately 81%. Purchases from the Group's five largest suppliers accounted for approximately 60% of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 41%.

Save for one of the largest customers and one of the largest suppliers, being the subsidiaries of CLIH, as more fully disclosed in note 21 to the consolidated financial statements, in which the non-executive director, Mr. Fung 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.

## Directors' Report

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

There were no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities for the year ended 31 December 2010.

### COMPETING INTERESTS

As at 31 December 2010, 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 compete 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.

### SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, the Company has maintained the prescribed public float under the GEM Listing Rules throughout the financial year ended 31 December 2010.

### PRE-EMPTIVE RIGHTS

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

### AUDITOR

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

There was no change of auditor for the past three years.

On behalf of the Board

**Mak Kwong Yiu**  
*Executive Director*

Hong Kong, 17 March 2011

## Corporate Governance Report

### CORPORATE GOVERNANCE PRACTICE

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

The Company has considered the code ("Code") provisions set out in Appendix 15 of the GEM Listing Rules and has taken steps to comply with it where appropriate. In the opinion of the Directors, the Company had complied with the Code throughout the year ended 31 December 2010, except that the Code A.2.1 and B.1.1. Detail of the deviation is set out in the relevant section below.

### DIRECTORS' SECURITIES TRANSACTIONS

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

### BOARD OF DIRECTORS

During the financial year 2010, the board of directors ("Board") of the Company comprises of five directors, including one executive director, one non-executive director and three independent non-executive directors. Dr. Ip Wai Hung was also appointed as independent non-executive director on 1 January 2011. Details of the Directors are set out in the Directors' Report. None of the members of the Board is related to one another.

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

The Company complies at all times during the year under review with the minimum requirements of the GEM Listing Rules relating to the appointment of at least 3 independent non-executive directors and one of which should have appropriate professional qualifications or accounting or related financial management expertise.

## Corporate Governance Report

The Board meets regularly and held four full Board meetings in 2010 at approximately quarterly intervals. At least 14 days notice of the regular Board meetings were given to all Directors, who were all given an opportunity to include matters in the agenda for discussion. Board papers together with all appropriate, complete and reliable information are sent to all directors at least 3 days before each regular board meeting or committee meeting to keep directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Directors attended the meetings in persons or through other means of electronic communication in accordance with the Company's Articles of Association. During regular Board meetings, the Directors discussed and formulated the overall strategies of the Group, reviewed and approved the annual, interim and quarterly results, as well as discussed and decided on other significant matters of the Group. All directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary, with a view to ensuring that Board procedures and all applicable laws and regulations are followed. Each director is normally able to seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board. The following was an attendance record of the regular Board meetings for the year ended 31 December 2010:

Name of Directors	Number of meetings Attended/Total
<b>Executive Director</b>	
Mr. Mak Kwong Yiu	4/4
<b>Non-executive Director</b>	
Mr. Fung Pak Chuen, Alphonso	4/4
<b>Independent Non-Executive Directors</b>	
Mr. Chung Kong Fei, Stephen	4/4
Mr. Ng Chik Sum, Jackson	4/4
Mr. Pang Wing Kin, Patrick	4/4
Dr. Ip Wai Hung (appointed on 1 January 2011)	0/0

### INDEPENDENCE

Pursuant to the requirement of the GEM Listing Rules, the Company has received a written confirmation from each of the independent non-executive directors of the Company of his independence to the Company. The Company considers that all of the independent non-executive directors are independent in accordance with the guidelines set out in rule 5.09 of the GEM Listing Rules.

## Corporate Governance Report

### CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code A.2.1 stipulates that the role of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company does not at present have any office with the title of “chief executive officer” and “chairman”. The general manager of each business unit of the Company undertakes the day-to-day management of the Company's business, whereas the executive director is responsible for strategic planning of the Group. The Board believes that the balance of power and authority is adequately ensured under the existing arrangement and the operations of the Board which comprises experienced and high calibre individuals with a substantial number thereof being non-executive directors.

### NON-EXECUTIVE DIRECTOR

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

Save for Dr. Ip Wai Hung, who was appointed for a term of one year, the term of the office of the non-executive director is no specified length of service period and continuous unless terminated by either party giving to the other not less than one month notice in writing. All the non-executive directors are subject to the provisions of retirement by rotation at annual general meeting under the articles of association of the Company accomplishing the same objective as a specific term of appointment.

### REMUNERATION OF DIRECTORS

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

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

### NOMINATION OF DIRECTORS

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

## Corporate Governance Report

Newly appointed director will be briefed and updated to ensure that he has a proper understanding of the operations and business of the Company and that he is fully aware of his responsibilities and obligations under the GEM Listing Rules and relevant regulatory requirements.

Directors are continually updated on the statutory and regulatory regime and the business environment to facilitate the discharge of their responsibilities. Continuing briefing and professional development for directors will be arranged where necessary.

### AUDITOR'S REMUNERATION

For the year ended 31 December 2010, the fee payable to the Group's external auditor, PKF, for the audit service amounted to approximately HK\$212,000 and fee for non-audit related activities amounted to approximately HK\$27,600.

### AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference for the purpose of reviewing and providing supervision over the financial reporting process, internal control procedures, risk management systems and considering and recommending the appointment, re-appointment and removal of external auditors of the Group. The Audit Committee comprises four non-executive Directors, namely Mr. Ng Chik Sum, Jackson, Mr. Pang Wing Kin, Patrick, Mr. Chung Kong Fei, Stephen and Mr. Fung Pak Chuen, Alphonso, at the year ended 31 December 2010. Dr. Ip Wai Hung was also appointed as a member of the audit committee on 1 January 2011. The Audit Committee has held four meetings for the year of 2010 and has reviewed the Company's annual, interim and quarterly financial reports, which was of the opinion that such reports were prepared in accordance with the applicable accounting standards and requirements. The Audit Committee also met with the external auditors to discuss auditing, internal control, statutory compliance and financial reporting matters before recommending the annual financial reports to the Board for approval. The following was an attendance record of the Audit Committee meetings held for the year ended 31 December 2010:

Name of Audit Committee member	Number of meetings Attended/Total
Mr. Ng Chik Sum, Jackson ( <i>Chairman</i> )	4/4
Mr. Chung Kong Fei, Stephen	4/4
Mr. Pang Wing Kin, Patrick	4/4
Mr. Fung Pak Chuen, Alphonso	4/4
Dr. Ip Wai Hung (appointed on 1 January 2011)	0/0

## Corporate Governance Report

### INTERNAL CONTROL

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

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

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

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



## Corporate Governance Report

### COMMUNICATION WITH SHAREHOLDERS

Communication with shareholders is given high priority. The Company aims to provide its shareholders with high standards of disclosure and financial transparency through the publication of annual, interim and quarterly reports, announcements and circulars made through Exchange's websites of the Stock Exchange and the Company.

The Board also maintains an on-going dialogue with shareholders and use general meeting to communicate with shareholders. The Company encourages all shareholders to attend general meeting which provides a useful forum for shareholders to exchange views with the Board. The Chairman of the Board and members of relevant committees and senior management of the Company are also available to answer the shareholders' questions in the general meetings.

To safeguard shareholder interest and rights, a separate resolution is proposed for each substantially separate issue at shareholder meetings, including the election of individual directors. All resolutions put forward at shareholder meetings will be voted on by poll pursuant to the GEM Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each shareholder meeting.

## Independent Auditor's Report

大信梁學濂(香港)會計師事務所



Accountants &  
business advisers

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

### TO THE SHAREHOLDERS OF COMPUTECH HOLDINGS LIMITED

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

We have audited the consolidated financial statements of Computech Holdings Limited (the "Company") set out on pages 27 to 63, which comprise the consolidated and company statement of financial position as at 31st December, 2010, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

## Independent Auditor's Report

### OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31st December, 2010 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

### PKF

*Certified Public Accountants*  
Hong Kong, 17th March, 2011

# Consolidated Statement of Comprehensive Income

For the year ended 31st December, 2010

	Note	2010 HK\$'000	2009 HK\$'000
Turnover	4	25,914	32,732
Cost of sales		(22,492)	(26,596)
Gross profit		3,422	6,136
Other income		123	420
Selling and distribution expenses		(42)	(100)
Administrative expenses		(17,852)	(11,426)
Operating loss		(14,349)	(4,970)
Share of net losses of an associate		—	(1)
Loss before income tax	5	(14,349)	(4,971)
Income tax expense	6	(4)	(3)
Loss for the year	7	(14,353)	(4,974)
Other comprehensive loss		—	—
Total comprehensive loss for the year		(14,353)	(4,974)
Attributable to:			
Owners of the Company		(14,353)	(4,974)
Basic loss per share (HK cents)	8	(1.74)	(0.65)

# Consolidated Statement of Financial Position

At 31st December, 2010

	Note	2010 HK\$'000	2009 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Plant and equipment	11	88	188
Interests in an associate	13	4	4
		<b>92</b>	192
<b>CURRENT ASSETS</b>			
Inventories	14	751	1,771
Debtors, deposits and prepayments	15	1,359	1,671
Amounts due from related companies	16	3,196	4,302
Income tax recoverable		–	54
Cash and bank balances		21,289	8,362
		<b>26,595</b>	16,160
<b>DEDUCT:</b>			
<b>CURRENT LIABILITIES</b>			
Creditors, accruals and deposits received	17	7,275	4,932
Amount due to a related company	16	–	4
Income tax payable		3	–
		<b>7,278</b>	4,936
<b>NET CURRENT ASSETS</b>		<b>19,317</b>	11,224
<b>NET ASSETS</b>		<b>19,409</b>	11,416
<b>REPRESENTING:</b>			
Share Capital	18(a)	9,193	7,891
Share Premium and Reserves	19	10,216	3,525
<b>SHAREHOLDERS' FUNDS</b>		<b>19,409</b>	11,416

Approved and authorised for issue by the Board of Directors on 17th March, 2011

**Mak Kwong Yiu**  
Director

**Fung Pak Chuen, Alphonso**  
Director

## Statement of Financial Position

At 31st December, 2010

	Note	2010 HK\$'000	2009 HK\$'000
NON-CURRENT ASSET			
Interests in subsidiaries	12	4,763	4,742
CURRENT ASSETS			
Deposits and prepayments		346	178
Cash at bank		19,892	7,302
		20,238	7,480
DEDUCT:			
CURRENT LIABILITIES			
Accruals		1,404	1,874
Amounts due to subsidiaries	12(c)	2,616	3,421
		4,020	5,295
NET CURRENT ASSETS		16,218	2,185
NET ASSETS		20,981	6,927
REPRESENTING:			
Share Capital	18(a)	9,193	7,891
Share Premium and Reserves	19	11,788	(964)
SHAREHOLDERS' FUNDS		20,981	6,927

Approved and authorised for issue by the Board of Directors on 17th March, 2011

**Mak Kwong Yiu**  
Director

**Fung Pak Chuen, Alphonso**  
Director

## Consolidated Statement of Changes in Equity

For the year ended 31st December, 2010

	Share capital HK\$'000	Share premium HK\$'000	Share options reserve HK\$'000	Warrants reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1.1.2009	5,240	3,465	28	1,025	(934)	8,824
Issue of shares	2,651	4,915	–	–	–	7,566
Total comprehensive loss for the year	–	–	–	–	(4,974)	(4,974)
At 31.12.2009 and 1.1.2010	7,891	8,380	28	1,025	(5,908)	11,416
Issue of shares	<b>1,000</b>	<b>18,562</b>	<b>(28)</b>	–	–	<b>19,534</b>
Exercise of warrants	<b>244</b>	<b>1,645</b>	–	<b>(182)</b>	–	<b>1,707</b>
Share-based payment	–	–	<b>28</b>	–	–	<b>28</b>
Exercise of share options	<b>58</b>	<b>1,047</b>	<b>(28)</b>	–	–	<b>1,077</b>
Total comprehensive loss for the year	–	–	–	–	<b>(14,353)</b>	<b>(14,353)</b>
<b>At 31.12.2010</b>	<b>9,193</b>	<b>29,634</b>	<b>–</b>	<b>843</b>	<b>(20,261)</b>	<b>19,409</b>

# Consolidated Statement of Cash Flows

For the year ended 31st December, 2010

	2010 HK\$'000	2009 HK\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before income tax	(14,349)	(4,971)
Adjustments for:		
Interest income	(1)	(1)
Depreciation	136	269
Impairment loss on trade debtors	42	48
Loss on disposal of plant and equipment	—	5
Operating loss before working capital changes	(14,172)	(4,650)
Decrease in inventories	1,020	53
Decrease in debtors, deposits and prepayments	270	291
Decrease in amounts due from related companies	1,106	1,743
Increase in creditors, accruals and deposits received	2,343	347
(Decrease)/increase in amount due to a related company	(4)	4
Cash used in operations	(9,437)	(2,212)
Interest received	1	1
Income tax refund/(paid)	53	(34)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(9,383)</b>	<b>(2,245)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments to acquire plant and equipment	(36)	(45)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(36)</b>	<b>(45)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Issue of shares for cash	22,784	8,139
Share issuing expenses	(438)	(573)
Decrease in amount due from a shareholder	—	23
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>22,346</b>	<b>7,589</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>12,927</b>	<b>5,299</b>
<b>CASH AND CASH EQUIVALENTS AT 1ST JANUARY</b>	<b>8,362</b>	<b>3,063</b>
<b>CASH AND CASH EQUIVALENTS AT 31ST DECEMBER</b>	<b>21,289</b>	<b>8,362</b>
<b>ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	21,289	8,362



# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2010

## 1. GENERAL INFORMATION

Computech Holdings Limited is a limited liability company incorporated in the Cayman Islands. The addresses of its registered office and principal place of business are disclosed in the “Corporate Information” section of the annual report.

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

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

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

## 2. BASIS OF PREPARATION

### (a) Compliance with Hong Kong Financial Reporting Standards

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

The accounting policies used in the preparation of the Group’s financial statements are as same as those set out in the Group’s financial statements for the year ended 31st December, 2009.

### (b) Initial application of Hong Kong Financial Reporting Standards

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

HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKFRS 3	Business Combinations
HK(IFRIC) Int-17	Distributions of Non-cash Assets to Owners
HK Int-5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
Amendments to HKAS 39	Eligible Hedged Items
Amendments to HKFRS 2	Share-based payment – Group Cash-settled Share-based Payment Transactions
HKFRSs	Improvements to HKFRSs (2009)

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

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2010

## 2. BASIS OF PREPARATION (CONT'D)

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

The following Hong Kong Financial Reporting Standards in issue at 31st December, 2010 have not been applied in the preparation of the Group's consolidated financial statements for the year then ended since they were not yet effective for the annual period beginning on 1st January, 2010:

HKAS 24 (Revised)	Related Party Disclosures
HKFRS 9	Financial Instruments
HK(IFRIC) Int-19	Extinguishing Financial Liabilities with Equity Instruments
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets
Amendment to HKAS 32	Classification of Rights Issues
Amendment to HKFRS 7	Disclosures – Transfers of Financial Assets
Amendments to HK(IFRIC) Int-14	Prepayments of a Minimum Funding Requirement
Improvements to HKFRSs 2010	

The Group is required to initially apply these Hong Kong Financial Reporting Standards in its annual consolidated financial statements beginning on 1st January, 2011, except that the Group is required to initially apply Amendments to HKAS 12 in its annual consolidated financial statements beginning on 1st January, 2012 and HKFRS 9 in its annual consolidated financial statements beginning on 1st January, 2013.

## 3. SIGNIFICANT ACCOUNTING POLICIES

### (a) Measurement basis

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

### (b) Basis of consolidation

The consolidated financial statements include the financial statement of the Company and its subsidiaries for the year ended 31st December, 2010.

The results of subsidiaries during the year are dealt with in the consolidated statement of comprehensive income from the dates of acquisition.

All significant intra-group transactions and balances have been eliminated on consolidation.

## Notes to the Consolidated Financial Statements

For the year ended 31st December, 2010

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (c) Revenue recognition

Turnover represents revenue from sale of goods measured at the invoiced value of goods sold less returns and discounts and service income which included provision of IT services, including consultancy, technical support, systems integration, development and sales of relevant hardware and software products in Hong Kong.

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

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

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

#### (d) Plant and equipment

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

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

Repair and maintenance costs are charged to the statement of comprehensive income in the period in which they are incurred.

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

Computer equipment	– 3 years
Furniture and fixtures	– 4 years
Leasehold improvements	– the shorter of remaining lease term and useful life

## Notes to the Consolidated Financial Statements

For the year ended 31st December, 2010

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (d) Plant and equipment (cont'd)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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

#### (e) Investments in subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

In the Company's statement of financial position, the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted by the Company on the basis of dividend received and receivable.

#### (f) Investments in associates

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

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

#### (g) Inventories

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

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2010

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (h) Receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the statement of comprehensive income.

### (i) Payables

Payables are initially recognised at fair value and subsequently stated at amortised cost using the effective interest method.

### (j) Employee benefits

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

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

### (k) Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. In addition, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as revaluation decrease under that standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as revaluation increase under that standard.

## Notes to the Consolidated Financial Statements

For the year ended 31st December, 2010

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (I) 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 statement of comprehensive income because it excludes items of income and expense that are taxable or deductible in other years, and it further excludes statement of comprehensive income items that are never taxable and deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period 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 is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period. Deferred tax is charged or credited to income statement, except when it relates to items charged or credited directly to other comprehensive income or equity, in which case the deferred tax is also dealt with in other comprehensive income or equity respectively.

## Notes to the Consolidated Financial Statements

For the year ended 31st December, 2010

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (m) Cash equivalents

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

#### (n) Leases

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

#### (o) Related parties

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

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

#### (p) Foreign currency translation

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

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

##### (b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

## Notes to the Consolidated Financial Statements

For the year ended 31st December, 2010

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (p) Foreign currency translation (cont'd)

##### (c) *Group companies*

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of each reporting period;
- income and expenses for each statement of comprehensive income are translated at average exchange rates; and
- all resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity.

#### (q) Significant judgement

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

- whether the significant risks and rewards of ownership of goods have been transferred to the buyer;
- whether there is an indication of impairment of assets;
- whether the discount rates used to calculate the recoverable amount of assets are appropriate for the purpose of impairment review; and
- the expected manner of recovery of the carrying amount of assets.



## Notes to the Consolidated Financial Statements

For the year ended 31st December, 2010

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (r) Share-based payments

Share options and warrants issued in exchange for goods or services are measured at the fair values of the goods or services received, unless that fair value cannot be reliably measured, in which case the goods or services received are measured by reference to the fair value of the share options and warrants granted. The fair values of the goods or services received are recognised as expenses immediately, unless the goods or services qualify for recognition as assets. Corresponding adjustment has been made to equity (share options reserve and warrants reserve).

### 4. TURNOVER AND REVENUE

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

	<b>2010</b>	2009
	<b>HK\$'000</b>	HK\$'000
Sales	<b>350</b>	173
Service income	<b>25,564</b>	32,559
Turnover	<b>25,914</b>	32,732
Interest income	<b>1</b>	1
Total revenue	<b>25,915</b>	32,733

The Group's customer base is diversified and includes only one customer with whom transactions have exceeded 10% of the Group's revenue. In 2010 revenue from service income from this customer amounted to approximately HK\$20,891,000 (2009: HK\$25,756,000) and arose in Hong Kong.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2010

## 5. LOSS BEFORE INCOME TAX

	2010 HK\$'000	2009 HK\$'000
Loss before income tax is arrived at after charging:		
Cost of inventories expensed	2,337	2,483
Minimum lease payments paid under operating leases	1,411	1,374
Auditor's remuneration	212	222
Depreciation	136	269
Directors' remuneration – Note 10(a)	2,848	1,509
Other staff salaries and benefits	17,403	18,751
Retirement scheme contributions	776	892
Exchange loss	2	–
Loss on disposal of plant and equipment	–	5
Impairment loss on trade debtors	42	48

## 6. INCOME TAX EXPENSE

	2010 HK\$'000	2009 HK\$'000
Current income tax – Hong Kong Profits Tax		
– Provision for the year	4	1
– Under-provision in respect of prior year	–	2
	4	3

The provision for Hong Kong Profits Tax is calculated at 16.5% (2009: 16.5%) of the estimated assessable profits for the year.

## Notes to the Consolidated Financial Statements

For the year ended 31st December, 2010

### 6. INCOME TAX EXPENSE (CONT'D)

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

	2010 HK\$'000	2009 HK\$'000
Loss before income tax	(14,349)	(4,971)
Tax effect at Hong Kong profits tax rate of 16.5%	(2,368)	(820)
Tax effect of income that is not taxable	–	(4)
Tax effect of expenses that are not deductible	980	149
Tax effect of unrecognised accelerated depreciation allowances	15	22
Tax effect of tax loss not recognised	1,377	654
Under-provision in respect of prior year	–	2
Income tax expense	4	3

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

	2010 HK\$'000	2009 HK\$'000
Deductible temporary difference (Note 6(b)(i))		
Unutilised tax losses	14,279	5,931
Provision for trade debtors	90	48
Taxable temporary difference		
Accelerated depreciation allowances (Note 6(b)(ii))	(10)	(103)
Net deductible temporary difference	14,359	5,876

- (i) Deductible temporary difference 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. The unutilised tax losses accumulated in the Group amounted to HK\$14,279,000 (2009: HK\$5,931,000) can be carried forward indefinitely.
- (ii) Taxable temporary difference has not been recognised in these financial statements owing to immateriality.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2010

## 7. LOSS FOR THE YEAR

The consolidated loss attributable to shareholders of the Company includes a loss of approximately HK\$8,292,000 (2009: approximately HK\$2,872,000) which has been dealt with in the financial statements of the Company.

## 8. BASIC LOSS PER SHARE

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

	2010	2009
Loss attributable to shareholders of the Company for the year (HK\$'000)	(14,353)	(4,974)
Shares		
Weighted average number of ordinary shares in issue	827,025,280	765,590,401

Diluted earnings per share is not presented as the potential ordinary shares in respect of outstanding warrants are anti-dilutive.

## 9. RETIREMENT BENEFIT COSTS

The Hong Kong operating subsidiaries of the Group had participated in both a defined contribution scheme which is registered under the Occupational Retirement Schemes Ordinance ("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.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2010

## 10. DIRECTORS' EMOLUMENTS AND EMPLOYEES' EMOLUMENTS

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

	Fees HK\$'000	Basic salaries, allowances and other benefits HK\$'000	Retirement scheme contributions HK\$'000	Share-based payments HK\$'000	Total HK\$'000
<b>2010</b>					
Executive director:					
Mak Kwong Yiu	120	—	—	28	148
Non-executive director:					
Fung Pak Chuen, Alphonso	120	2,400	—	—	2,520
Independent non-executive directors:					
Pang Wing Kin, Patrick	60	—	—	—	60
Chung Kong Fei, Stephen	60	—	—	—	60
Ng Chik Sum, Jackson	60	—	—	—	60
	180	—	—	—	180
	420	2,400	—	28	2,848
<b>2009</b>					
Executive director:					
Mak Kwong Yiu	120	—	—	—	120
Non-executive director:					
Fung Pak Chuen, Alphonso	35	1,117	56	—	1,208
Independent non-executive directors:					
Pang Wing Kin, Patrick	46	—	—	—	46
Lee Sai Yeung	15	—	—	—	15
Chung Kong Fei, Stephen	60	—	—	—	60
Ng Chik Sum, Jackson	60	—	—	—	60
	181	—	—	—	181
	336	1,117	56	—	1,509

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2010

## 10. DIRECTORS' EMOLUMENTS AND EMPLOYEES' EMOLUMENTS (CONT'D)

### (a) (cont'd)

(i) During the year, HK\$2,400,000 bonus was paid to Mr. Fung Pak Chuen, Alphonso. No emoluments were paid by the Group to the directors as an inducement to join, or upon joining the Group, or as compensation for loss of office.

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

### (b) Five highest paid individuals

Among the five highest paid individuals in the Group, one is the director of the Company and the details of his remuneration have already been disclosed above.

The emoluments and designated band of the remaining four highest paid, non-director individuals during the year are as follows:

	<b>2010</b>	2009
	<b>HK\$'000</b>	HK\$'000
Salaries and allowances	<b>1,679</b>	1,944
Retirement scheme contributions	<b>67</b>	88
	<b>1,746</b>	2,032

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2010

## 11. PLANT AND EQUIPMENT

	Computer equipment HK\$'000	Furniture and fixtures HK\$'000	Leasehold improvements HK\$'000	Total HK\$'000
Cost:				
At 1.1.2009	1,558	14	197	1,769
Additions	45	–	–	45
Disposals	(67)	–	(106)	(173)
At 31.12.2009	1,536	14	91	1,641
Accumulated depreciation:				
At 1.1.2009	1,158	10	184	1,352
Charge for the year	261	2	6	269
Written back on disposals	(67)	–	(101)	(168)
At 31.12.2009	1,352	12	89	1,453
Net book value:				
At 31.12.2009	184	2	2	188
Cost:				
At 1.1.2010	<b>1,536</b>	<b>14</b>	<b>91</b>	<b>1,641</b>
Additions	<b>36</b>	<b>–</b>	<b>–</b>	<b>36</b>
Disposals	<b>(13)</b>	<b>(1)</b>	<b>(3)</b>	<b>(17)</b>
<b>At 31.12.2010</b>	<b>1,559</b>	<b>13</b>	<b>88</b>	<b>1,660</b>
Accumulated depreciation:				
At 1.1.2010	<b>1,352</b>	<b>12</b>	<b>89</b>	<b>1,453</b>
Charge for the year	<b>135</b>	<b>–</b>	<b>1</b>	<b>136</b>
Written back on disposals	<b>(13)</b>	<b>(1)</b>	<b>(3)</b>	<b>(17)</b>
<b>At 31.12.2010</b>	<b>1,474</b>	<b>11</b>	<b>87</b>	<b>1,572</b>
Net book value:				
<b>At 31.12.2010</b>	<b>85</b>	<b>2</b>	<b>1</b>	<b>88</b>

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2010

## 12. INTERESTS IN SUBSIDIARIES

	2010 HK\$'000	2009 HK\$'000
Unlisted shares, at cost	100	100
Less: Provision for impairment loss	(100)	(100)
	—	—
Amounts due from subsidiaries – Note 12(b)	4,763	4,742
	4,763	4,742

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

Name	Place of incorporation/ establishment and kind of legal entity	Particulars of issued share	Attributable equity interest held by the Company		Principal activities and place of operation
			Directly	Indirectly	
Computech International Limited*	The British Virgin Islands, limited liability company	1,000 ordinary shares of US\$1 each	100%	—	Investment holding in Hong Kong
Computech Solutions Services Limited (formerly known as CL Solutions Services Limited)	Hong Kong, limited liability company	100,000 ordinary shares of HK\$1 each	—	100%	Provision of hardware warranty services and investment holding in Hong Kong
CL Smart Sourcing Limited	Hong Kong, limited liability company	1 ordinary share of HK\$1	—	100%	Provision of IT staff outsourcing and recruitment services in Hong Kong
CL Computers Services Limited	Hong Kong, limited liability company	20,000 ordinary shares of HK\$1 each	—	100%	Dormant
CL Services Limited	Hong Kong, limited liability company	300,000 ordinary shares of HK\$1 each	—	100%	Provision of IT support services in Hong Kong
Computech Online Limited *	The British Virgin Islands, limited liability company	1 ordinary share of US\$1	—	100%	Investment holding in Hong Kong
Evertch Finance Limited *	Hong Kong, limited liability company	10,000 ordinary share of HK\$1	—	100%	Dormant

\* subsidiaries with no statutory financial statements or statutory financial statements are not audited by PKF.



## Notes to the Consolidated Financial Statements

For the year ended 31st December, 2010

### 12. INTERESTS IN SUBSIDIARIES (CONT'D)

- (b) The amounts due from subsidiaries are interest-free, unsecured and repayable on demand. The directors consider the carrying amounts approximate their fair values.
- (c) The amounts due to subsidiaries are interest-free, unsecured and repayable on demand. The directors consider the carrying amounts approximate their fair values.

### 13. INTERESTS IN AN ASSOCIATE

	2010 HK\$'000	2009 HK\$'000
Share of net assets	–	–
Amount due from an associate – Note 13(b)	4	4
	4	4

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

Name	Place of incorporation	Particulars of issued shares	Assets HK\$'000	Liabilities HK\$'000	Revenue HK\$'000	Loss HK\$'000	Interest held %
<b>2010</b>							
Jackstar Limited	Hong Kong	10,000 ordinary shares of HK\$1 each	5	14	–	(1)	50
<b>2009</b>							
Jackstar Limited	Hong Kong	10,000 ordinary shares of HK\$1 each	5	13	–	(1)	50

- (b) The amount due from an associate is interest-free, unsecured and repayable on demand. The directors consider the carrying amount approximate its fair value.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2010

## 14. INVENTORIES

	<b>2010</b>	2009
	<b>HK\$'000</b>	HK\$'000
Spare parts	<b>751</b>	1,771

## 15. DEBTORS, DEPOSITS AND PREPAYMENTS

	<b>2010</b>	2009
	<b>HK\$'000</b>	HK\$'000
Trade debtors	<b>893</b>	1,358
Other debtors, deposits and prepayments	<b>466</b>	313
	<b>1,359</b>	1,671

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 credit period given to trade debtors ranged from 30 days to 60 days. The following is an aging analysis of trade debtors:

	<b>2010</b>	2009
	<b>HK\$'000</b>	HK\$'000
Within 3 months	<b>834</b>	1,195
4 – 6 months	<b>23</b>	–
Over 6 months	<b>36</b>	163
	<b>893</b>	1,358

## Notes to the Consolidated Financial Statements

For the year ended 31st December, 2010

### 16. AMOUNTS DUE FROM/(TO) RELATED COMPANIES

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

	2010 HK\$'000	2009 HK\$'000
1 – 30 days	3,196	4,302
	3,196	4,302

The amount due to a related company is interest-free, unsecured and repayable on demand. The directors consider the carrying amount approximate its fair value.

### 17. CREDITORS, ACCRUALS AND DEPOSITS RECEIVED

	2010 HK\$'000	2009 HK\$'000
Trade creditors	1,558	1,619
Other creditors and accruals	5,561	3,163
Deferred revenue	145	150
Deposits received	11	–
	7,275	4,932

The following is an aging analysis of trade creditors:

	2010 HK\$'000	2009 HK\$'000
Within 3 months	1,222	1,619
4 – 6 months	6	–
Over 6 months	330	–
	1,558	1,619

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2010

## 18. SHARE CAPITAL AND RESERVE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

### (a) Share capital

	Note	Number of shares	HK\$'000
Authorised:			
Ordinary shares of HK\$0.01 each at 1.1.2010 and 31.12.2010		10,000,000,000	100,000
Issued and fully paid:			
Ordinary shares of HK\$0.01 each at 1.1.2010		789,146,990	7,891
Issue of shares	(i)	100,000,000	1,000
Issue of shares through warrants	(ii)	24,390,000	244
Issue of shares through share options	(iii)	5,759,479	58
<b>Ordinary shares of HK\$0.01 each at 31.12.2010</b>		<b>919,296,469</b>	<b>9,193</b>

- (i) Pursuant to the general mandate granted by annual general meeting of the Company held on 3rd May, 2010, the Company entered into the Placing Agreement with the placing agent on 6th August, 2010, the Company has conditionally agreed to place, through the Placing Agent on a best effort basis, a maximum of 100,000,000 Placing Shares at a price of HK\$0.20 per Placing Share.
- (ii) Upon the exercise of warrants under the Instrument dated 30th September, 2008 by warrant holder, 24,390,000 shares were issued on 2nd November, 2010 at a price of HK\$0.07 per share.
- (iii) The subscription rights attaching to 5,759,479 share options were exercised at the subscription price of HK\$0.187 per share, resulting in the issue of 5,759,479 shares on 8th December, 2010.

## Notes to the Consolidated Financial Statements

For the year ended 31st December, 2010

### 18. SHARE CAPITAL RESERVE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY (CONT'D)

#### (b) Capital management

The Group's equity capital management objectives are to safeguard the Group's ability to continue as a going concern and to provide an adequate return to shareholders commensurately with the level of risk. To meet these objectives, the Group manages the equity capital structure and makes adjustments to it in the light of changes in economic conditions by paying dividends to shareholders, issuing new equity shares, and raising or repaying debts as appropriate.

The Group's equity capital management strategy, which was unchanged from the previous periods, was to maintain a reasonable proportion in total debt and equity capital. The Group monitors equity capital on the basis of the debt-to-equity capital ratio, which is calculated as net debt over equity capital. Net debt is calculated as total debt less cash and cash equivalents. Equity capital comprises all components of equity (i.e. share capital, accumulated losses and reserves). The debt-to-equity capital ratios at 31st December, 2010 and at 31st December, 2009 were as follows:

	The Group		The Company	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Total debt	<b>7,278</b>	4,936	<b>4,020</b>	5,295
Less: Cash and cash equivalents	<b>(21,289)</b>	(8,362)	<b>(19,892)</b>	(7,302)
Net debt	<b>(14,011)</b>	(3,426)	<b>(15,872)</b>	(2,007)
Total equity	<b>19,409</b>	11,416	<b>20,981</b>	6,927
Debt-to-equity capital ratio	<b>N/A</b>	N/A	<b>N/A</b>	N/A

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2010

## 19. SHARE PREMIUM AND RESERVES

<b>The Group</b>	<b>Share premium</b> HK\$'000	<b>Share Options reserve</b> HK\$'000	<b>Warrants reserve</b> HK\$'000	<b>Accumulated losses</b> HK\$'000	<b>Total</b> HK\$'000
At 1.1.2009	3,465	28	1,025	(934)	3,584
Issue of shares	4,915	—	—	—	4,915
Loss for the year	—	—	—	(4,974)	(4,974)
At 31.12.2009 and 1.1.2010	8,380	28	1,025	(5,908)	3,525
Issue of shares	<b>18,562</b>	<b>(28)</b>	—	—	<b>18,534</b>
Exercise of warrants	<b>1,645</b>	—	<b>(182)</b>	—	<b>1,463</b>
Share-based payment	—	<b>28</b>	—	—	<b>28</b>
Exercise of share options	<b>1,047</b>	<b>(28)</b>	—	—	<b>1,019</b>
Loss for the year	—	—	—	<b>(14,353)</b>	<b>(14,353)</b>
<b>At 31.12.2010</b>	<b>29,634</b>	<b>—</b>	<b>843</b>	<b>(20,261)</b>	<b>10,216</b>

<b>The Company</b>	<b>Share premium</b> HK\$'000	<b>Share Options reserve</b> HK\$'000	<b>Warrants reserve</b> HK\$'000	<b>Accumulated losses</b> HK\$'000	<b>Total</b> HK\$'000
At 1.1.2009	3,465	28	1,025	(7,525)	(3,007)
Issue of shares	4,915	—	—	—	4,915
Loss for the year	—	—	—	(2,872)	(2,872)
At 31.12.2009 and 1.1.2010	8,380	28	1,025	(10,397)	(964)
Issue of shares	<b>18,562</b>	<b>(28)</b>	—	—	<b>18,534</b>
Exercise of warrants	<b>1,645</b>	—	<b>(182)</b>	—	<b>1,463</b>
Share-based payment	—	<b>28</b>	—	—	<b>28</b>
Exercise of share options	<b>1,047</b>	<b>(28)</b>	—	—	<b>1,019</b>
Loss for the year	—	—	—	<b>(8,292)</b>	<b>(8,292)</b>
<b>At 31.12.2010</b>	<b>29,634</b>	<b>—</b>	<b>843</b>	<b>(18,689)</b>	<b>11,788</b>

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2010

## 19. SHARE PREMIUM AND RESERVES (CONT'D)

### (a) Share options reserve

The share options reserve arises on the grant of share options to an eligible participant under the scheme. Further information about share-based payments to such director is set out in note 25(a).

### (b) Warrants reserve

The warrants reserve arises on the grant of warrants to the Group's agent under service agreement entered into by the Group and the agent. Further information about share-based payments to the agent is set out in note 25(b).

## 20. OPERATING LEASES COMMITMENTS

As at 31st December, 2010, the Group had outstanding commitments under non-cancellable operating leases for which the aggregate minimum lease payments fall due as follows:

	2010 HK\$'000	2009 HK\$'000
Within one year	1,800	1,800
In the second to fifth years inclusive	600	2,400
	<b>2,400</b>	4,200

Operating lease payments represent rentals payable by the Group for its office premises. Lease was negotiated for a term of three years with fixed monthly rentals.

## 21. RELATED PARTY AND CONNECTED TRANSACTIONS

- (a) During the year, the Group had the following transactions with CL International Holdings Limited, a connected person of the Company according to the GEM Listing Rules and its subsidiaries ("CLIH Group"):

	Note	2010 HK\$'000	2009 HK\$'000
Provision of IT services to CLIH Group	(i)	20,891	25,830
Purchases from CLIH Group	(i)	1,164	1,619

The above transactions were entered into on the following basis:

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

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2010

## 21. RELATED PARTY TRANSACTIONS (CONT'D)

### (b) Key management compensation

	2010 HK\$'000	2009 HK\$'000
Salaries, allowances and other benefits in kind	4,079	3,061
Retirement scheme contributions	67	144
	4,146	3,205

## 22. NATURE AND EXTENT OF FINANCIAL INSTRUMENT RISKS

### (a) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group manages currency risk, when it is considered significant, by entering into appropriate currency forward contracts.

Carrying amounts of financial assets and financial liabilities as at 31st December, 2010 exposed to currency risk were as follows:

	The Group		The Company	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Financial assets denominated in foreign currencies:				
Cash and bank balances	20	19	8	8
Financial liabilities denominated in foreign currencies:				
Creditors, accruals and deposits received	(93)	(36)	—	—
Net financial (liabilities)/assets exposed to currency risk	(73)	(17)	8	8

The company's financial assets and financial liabilities exposed to currency risk were primarily denominated in United States dollars, Renminbi and Macau Pataca.



# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2010

## 22. NATURE AND EXTENT OF FINANCIAL INSTRUMENT RISKS (CONT'D)

### (a) Currency risk (cont'd)

The net financial (liabilities)/assets denominated in foreign currencies are analysed as follows:

	The Group		The Company	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
United States dollars	20	(2)	8	8
Macau Pataca	(13)	—	—	—
Renminbi	(80)	(15)	—	—
	(73)	(17)	8	8

Since Hong Kong dollars is pegged to United States dollars, impact on material fluctuations in the exchange rates of Hong Kong dollars against United States dollars is remote.

Should Hong Kong dollars at 31st December, 2010 devalue by 10% against Renminbi and Macau Pataca, the carrying amount of the net financial liabilities exposed to currency risk at 31st December, 2010 determined in accordance with HKAS 21 "The effects of changes in Foreign Exchange Rate" would have increased by HK\$9,300 (2009: HK\$1,500); and hence the equity at 31st December, 2010 would have decreased by HK\$9,300 (2009: HK\$1,500); and the loss for the year ended 31st December, 2010 would have increased by HK\$9,300 (2009: HK\$1,500).

### (b) Credit risk

Credit risk is the risk that a party to a financial instrument will cause a financial loss for the Group by failing to discharge an obligation.

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

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2010

## 22. NATURE AND EXTENT OF FINANCIAL INSTRUMENT RISKS (CONT'D)

### (b) Credit risk (cont'd)

Carrying amounts of financial assets as at 31st December, 2010, which represented the amounts of maximum exposure to credit risk, were as follows:

	The Group		The Company	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Amount due from an associate	4	4	—	—
Debtors and deposits	1,129	1,426	140	—
Amount due from related companies	3,196	4,302	—	—
Cash and bank balances	21,289	8,362	19,892	7,302
	<b>25,618</b>	14,094	<b>20,032</b>	7,302

Except for trade debtors with carrying amount of HK\$36,000 (2009: HK\$163,000) which were past due, the directors are satisfied with the credit quality of financial assets.

### (c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities and capital management. The Group manages liquidity risk by monitoring its liquidity position through periodic preparation of cash flows and cash balances forecasts and periodic evaluation of the ability of the Group and the Company to meet its financial obligations, measured by the debt-to-equity capital ratio.

Maturities of the financial liabilities of the Group and the Company as at 31st December, 2010 were as follows:

	The Group		The Company	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Total amounts of contractual undiscounted obligations:				
Creditors and accruals	7,119	4,782	1,404	1,874
Amount due to a related company	—	4	—	—
Amounts due to subsidiaries	—	—	2,616	3,421
	<b>7,119</b>	4,786	<b>4,020</b>	5,295
Due for payment:				
Within one year or on demand	7,119	4,786	4,020	5,295

## Notes to the Consolidated Financial Statements

For the year ended 31st December, 2010

### 22. NATURE AND EXTENT OF FINANCIAL INSTRUMENT RISKS (CONT'D)

#### (d) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group manages interest rate risk, when it is considered significant, by entering into appropriate swap contracts.

As at 31st December, 2010, the Group did not have any exposure to interest rate risk.

#### (e) Market price risk

The market price risk is the risk that the fair value or future cash flows of a financial instrument traded in the market will fluctuate because of changes in market prices.

As at 31st December, 2010, the Group did not have any financial instruments exposed to market price risk.

#### (f) Fair value estimation

The carrying amounts of the Group's financial assets and liabilities approximate their fair values due to their short-term maturities.

### 23. SEGMENT AND ENTITY-WIDE INFORMATION

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

### 24. KEY SOURCES OF ESTIMATION UNCERTAINTY

The key sources of estimation uncertainty are as follows:

- (i) plant and equipment of HK\$88,000 at 31st December, 2010 (2009: HK\$188,000) were stated at cost less accumulated depreciation and impairment losses. Estimation is made in the determination of the useful lives, residual values and the expected pattern of consumption of the future economic benefits embodied.
- (ii) trade and other debtors of HK\$893,000 at 31st December, 2010 (2009: HK\$1,358,000) were carried at amortised cost, less allowance for impairment. Estimation is made in the determination of the allowance for impairment.

## Notes to the Consolidated Financial Statements

For the year ended 31st December, 2010

### 25. SHARE-BASED PAYMENTS

#### (a) Share option scheme

Under the terms of a share option scheme (the "Scheme") adopted by the Company on 12th November, 2010, the board of directors is authorised, at its absolute discretion, to grant options to eligible participants including any employee, contracted celebrity, advisor, consultant, service provider, agent, customer, partner or joint-venture partner of the Group (including any director, whether executive or non-executive and whether independent or not, of the Group) who is in full-time or part-time employment with the Group at the time when an option is granted to such employee, or any person who, in the sole discretion of the Board, have contributed or may contribute to the Group.

The purpose of the Scheme is to provide incentives and help the Group in retaining its existing employees and recruiting additional employees and to provide them with a direct economics interest in attaining the long term business objectives of the Company.

The maximum entitlement of each participant under the Scheme would not exceed 1% of the aggregate number of shares for the time being issued and issuable in any 12-month period under the Scheme.

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

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

The Scheme shall remain in force for the period of 10 years commencing on the adoption date of the Scheme which is 12th November, 2010.

An option may be exercised at any time during the period to be determined and identified by the board of directors to each grantee at the time of making an offer for the grant of an option, but in any event no later than 10 years from the date of grant but subject to the early termination of the Scheme.

There is no performance target which must be achieved before any of the options can be exercised.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2010

## 25. SHARE-BASED PAYMENTS (CONT'D)

### (a) Share option scheme (cont'd)

- (i) The terms and conditions of the share options granted to a director in respect of his services rendered to the Group are as follows, whereby all options are settled by delivery of shares:

<b>Date of grant</b>	<b>Exercise price of each option</b> HK\$	<b>Number of share options</b>
1st December, 2010	0.187	5,759,479

- (ii) On 6th December, 2010, all the share options were exercised. The closing share price at the date of exercise was HK\$0.209.

- (iii) The number and weighted average exercise prices of share options granted to the director of the Company in respect of his services to the Group are as follows:

	<b>2010</b>		<b>2009</b>	
	<b>Weighted average exercise price</b> HK\$	<b>Number of share options</b>	<b>Weighted average exercise price</b> HK\$	<b>Number of share options</b>
Outstanding at the beginning of the year	—	—	0.56	500,000
Granted during the year	<b>0.187</b>	<b>5,759,479</b>	—	—
Adjustments during the year	—	—	0.447	126,398
Exercise during the year	<b>0.187</b>	<b>(5,759,479)</b>	0.447	(626,398)
Outstanding at the end of the year	—	—	—	—

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2010

## 25. SHARE-BASED PAYMENTS (CONT'D)

### (a) Share option scheme (cont'd)

- (iv) The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted during the year ended 31st December, 2010 is measured based on the Black-Scholes Model. The contractual life of the share options is used as an input into this model. Expectations of early exercise are incorporated into the Black-Scholes Model.

	2010
<b>Fair value of share options and assumptions</b>	
Fair value at the date of grant	<b>HK\$0.0049</b>
Closing share price at the date of grant	<b>HK\$0.184</b>
Exercise price	<b>HK\$0.187</b>
Expected volatility	<b>61.745%</b>
Expected average share option life	<b>1 Year</b>
Expected annual dividend yield	<b>NIL</b>
Risk-free interest rate per annum	<b>0.08%</b>

The expected volatility is based on the historical volatility. Expected dividend yield is based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

### (b) Warrants

On 6th September, 2008, the Company entered into a service agreement with Mr Chui Bing Sun (the "Agent") pursuant to which the Agent is appointed for providing business development advisory services for the business of the Group. The services provided by the Agent to the Company comprise the provision of (i) introducing new investment opportunities to the Company in areas of interest which the Group has indicated to the Agent, which may or may not be in the principal business line of the Group, (ii) assisting the Company to seek funding for existing business and future business expansion, and (iii) assisting in diversifying the Company's current business.

In consideration of the performance of the services to be rendered by the Agent, the Company granted the warrants, which is exercisable at any time during the period of three years commencing from 30th September, 2008, to subscribe for 20,900,000 shares at the exercise price of HK\$0.46 per share.

#### *OPEN OFFER*

On 8th April, 2009, the Company announced a proposal to raise approximately HK\$7.9 million in gross proceeds by issuing 52,401,000 Offer Shares at the subscription price of HK\$0.15 per Offer Share. The Open Offer was approved by the independent shareholders of the Company at a general meeting held on 2009 by way of poll.

The Offer Shares, in fully-paid form, were allotted and issued on Tuesday, 2nd June, 2009 and the dealings of the Offer Shares, in fully-paid form, commenced on the Stock Exchange on Monday, 4th June, 2009.

## Notes to the Consolidated Financial Statements

For the year ended 31st December, 2010

### 25. SHARE-BASED PAYMENTS (CONT'D)

#### (b) Warrants (cont'd)

##### *SHARE SUBDIVISION*

On 3rd December, 2009, the Company subdivided the existing issued and unissued shares of HK\$0.05 each into 5 shares of HK\$0.01 each and 789,146,990 shares issued and fully paid since than.

Immediate after the Open Offer and share subdivision became unconditional, adjustments were made to the exercise price and number of outstanding warrants to subscribe for share of the Company.

##### *PLACING*

On 9th September, 2010, the Placing was completed in accordance with the terms and conditions of the Placing Agreement dated 6th August, 2010. An aggregate of 100,000,000 Placing Shares have been successfully placed by the Company to not less than six Placees, who are independent institutional, professional and/or other investors and whose ultimate beneficial owners are third parties independent of and not connected with the Company or any director, chief executive, management shareholders, controlling shareholders or substantial shareholders (as defined in the GEM Listing Rules) of any member of the Group or any associate of them or any connected persons of the Company, at the Placing Price of HK\$0.20 per Placing Share.

Pursuant to the terms of instrument constituting the warrants, the subscription price of the warrants and the number of shares to be allotted and issued upon exercise of all the subscription rights under the warrants will remain unchanged upon completion of the Placing on 9th September, 2010.

- (i) The terms and conditions of the warrants granted to the Agent in respect of his services rendered to the Group are as follows, whereby all warrants are settled by delivery of shares:

<b>Date of grant</b>	<b>Exercise price of each warrant</b>	<b>Number of warrants</b>
	HK\$	
30th September, 2008	0.07	137,342,857

- (ii) 24,390,000 warrants were exercised on 2nd November, 2010 at a price of HK\$0.07 per share.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2010

## 25. SHARE-BASED PAYMENTS (CONT'D)

### (b) Warrants (cont'd)

#### SHARE SUBDIVISION (cont'd)

- (iii) The number and weighted average exercise prices of warrants granted to the Agent of the Company in respect of his services to the Group are as follows:

	2010		2009	
	Weighted average exercise price HK\$	Number of outstanding warrants	Weighted average exercise price HK\$	Number of outstanding warrants
Outstanding at the beginning of the year	0.07	137,342,857	0.46	20,900,000
Granted during the year	—	—	—	—
Adjustments during the year	—	—	0.07	116,442,857
Exercise during the year	0.07	(24,390,000)	—	—
Outstanding at the end of the year	0.07	112,952,857	0.07	137,342,857

- (iv) Details of the warrants granted to the Agent that remained outstanding as at end of each reporting period are as follows:

	2010	2009
<b>Number of warrants outstanding</b>		
Granted on 30th September, 2008 with an exercise price of HK\$0.07	112,952,857	137,342,857
<b>Weighted average remaining contractual life</b>	0.75 years	1.75 years



## Financial Summary

### RESULTS

	Years ended 31st December,				2010 HK\$'000
	2006 HK\$'000	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000	
Turnover	66,872	60,498	49,489	32,732	25,914
(Loss)/profit for the year	438	1,676	(976)	(4,974)	(14,353)

### ASSETS AND LIABILITIES

	Years ended 31st December,				2010 HK\$'000
	2006 HK\$'000	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000	
Non-current assets	1,409	771	421	192	92
Current assets	13,965	17,534	12,988	16,160	26,595
Deduct:					
Current liabilities	5,972	7,091	4,585	4,936	7,278
Net current assets	7,993	10,443	8,403	11,224	19,317
Total assets less current liabilities	9,402	11,214	8,824	11,416	19,409
Non-current liabilities	(2,256)	(2,256)	—	—	—
Net assets	7,146	8,958	8,824	11,416	19,409