COMPUTER AND TECHNOLOGIES HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 46)

ANNOUNCEMENT OF AUDITED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2005

GROUP RESULTS

The Board of Directors of Computer And Technologies Holdings Limited (the "Company") herein presents the audited consolidated income statement for the year ended 31 December 2005 and the audited consolidated balance sheet as at 31 December 2005 of the Company and its subsidiaries (the "Group"). These consolidated financial statements have been reviewed by the Company's Audit Committee.

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2005

	Notes	**2005** ***HK$'000***	2004 *HK$'000* (Restated)
REVENUE^	2	**212,874**	251,800
Cost of sales		**(133,988)**	(188,257)
Gross profit		**78,886**	63,543
Other income and gains		**8,281**	7,430
Selling and distribution costs		**(36,229)**	(40,724)
General and administrative expenses		**(40,747)**	(40,644)
Other expenses		**(2,469)**	(3,671)
Finance costs	3	**(17)**	(875)
PROFIT/(LOSS) BEFORE TAX	4	**7,705**	(14,941)
Tax	5	**(232)**	1,460
PROFIT/(LOSS) FOR THE YEAR		**7,473**	(13,481)
Attributable to:			
Equity holders of the parent		**8,011**	(13,520)
Minority interests		**(538)**	39
		7,473	(13,481)
DIVIDENDS	6		
Proposed final		**2,695**	–
Proposed special		**5,390**	–
		8,085	–
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	7		
Basic		**2.92 cents**	(4.91) cents
Diluted		**N/A**	N/A

^ Which is also the Group's turnover

CONSOLIDATED BALANCE SHEET
31 December 2005

	Notes	2005 ***HK$'000***	2004 *HK$'000* (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment		**16,249**	20,849
Investment properties		**17,820**	16,297
Goodwill		**23,790**	23,790
Other intangible assets		**7,868**	9,275
Held-to-maturity securities		**1,265**	1,265
Available-for-sale investment/investment security		**750**	1,000
Deferred tax assets		**2,000**	1,050
Total non-current assets		**69,742**	73,526
CURRENT ASSETS			
Held-to-maturity securities		**3,900**	–
Inventories		**20,631**	11,856
Trade receivables	8	**21,392**	56,922
Due from contract customers		**68,865**	123,826
Prepayments, deposits and other receivables		**9,513**	5,055
Equity investments at fair value through profit or loss		**5,008**	–
Pledged bank deposits		**8,012**	23,836
Cash and cash equivalents		**171,788**	98,050
Total current assets		**309,109**	319,545
CURRENT LIABILITIES			
Trade payables, other payables and accruals	9	**(39,816)**	(43,380)
Deferred income		**(4,818)**	(4,261)
Due to minority shareholders of subsidiaries		**(2,649)**	(2,649)
Interest-bearing bank borrowings		**–**	(15,000)
Tax payable		**(1,004)**	(258)
Total current liabilities		**(48,287)**	(65,548)
NET CURRENT ASSETS		**260,822**	253,997
TOTAL ASSETS LESS CURRENT LIABILITIES		**330,564**	327,523
NON-CURRENT LIABILITIES			
Other financial liabilities		**(23,400)**	(23,400)
Net assets		**307,164**	304,123
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital		**26,950**	27,520
Reserves		**271,059**	274,994
Proposed final and special dividends		**8,085**	–
		306,094	302,514
Minority interests		**1,070**	1,609
Total equity		**307,164**	304,123

Notes:

1.1 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The following new and revised HKFRSs (which also include Hong Kong Accounting Standards ("HKASs")) affect the Group and are adopted for the first time for the current year's financial statements:

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors

HKAS 10	Events after the Balance Sheet Date
HKAS 11	Construction Contracts
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 Amendment	Transition and Initial Recognition of Financial Assets and Financial Liabilities
HKAS 40	Investment Property
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations
HK(SIC)-Int 21	Income Taxes-Recovery of Revalued Non-depreciable Assets
HK-Int 4	Leases-Determination of the Length of Lease Term in respect of Hong Kong Land Leases

The adoption of HKASs 2, 7, 8, 10, 11, 12, 14, 16, 18, 19, 21, 23, 27, 33, 37, 38, HK(SIC)-Int 21 and HK-Int 4 has had no material impact on the accounting policies of the Group and the methods of computation in the Group's financial statements.

HKAS 1 has affected the presentation of minority interests on the face of the consolidated balance sheet, consolidated income statement, consolidated statement of changes in equity and other disclosures.

HKAS 17 has specific provisions regarding the classification of the land and buildings elements of a lease of land and buildings.

In prior years, the Group classified its entire interests in leasehold land and buildings held under operating leases as property, plant and equipment, without considering the land and buildings elements separately for the purposes of lease classification.

Upon the adoption of HKAS 17, the land and buildings elements of the Group's leasehold interests in land and buildings are considered separately for the purposes of lease classification. As permitted by HKAS 17, as the Group's prepaid land lease payments under operating leases cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease.

HKAS 17 has had no material impact for these financial statements on the amount recorded for leasehold land and buildings.

HKAS 24 has expanded the definition of related parties and affected the Group's related party disclosures.

The impact of adopting the other HKFRSs is summarised as follows:

(a) HKAS 32 and HKAS 39 – Financial Instruments

(i) Equity securities

In prior years, the Group classified its investments in securities as investment securities, which were held for non-trading purposes and were stated at cost less any impairment losses, on an individual investment basis. Upon the adoption of HKAS 39, the investment security held by the Group at 1 January 2005 in the amount of HK$1,000,000 is designated as an available-for-sale investment under the transitional provisions of HKAS 39 and accordingly is stated at its fair value at that date with gains or losses being recognised as a separate component of equity until subsequent derecognition or impairment.

The effects of the above changes are summarised in note 1.2 below. In accordance with the transitional provisions of HKAS 39, comparative amounts have not been restated.

(ii) Contractual obligations

In prior years, certain contractual obligations to deliver cash or another financial assets or a variable number of the Company's/one of its subsidiaries' equity instruments upon the occurrence or non-occurrence of certain future events or if certain future conditions were not met, were not recognised as a liability.

Upon the adoption of HKAS 32, such obligations are recognised as a financial liability. The effects of the above changes are summarised in note 1.2 below. In accordance with HKAS 32, comparative amounts have been restated.

(b) HKAS 40 – Investment Property

In prior years, changes in the fair values of investment properties were dealt with as movements in the asset revaluation reserve. If the total of this reserve was insufficient to cover a deficit, on a portfolio basis, the excess of the deficit was charged to the income statement. Any subsequent revaluation surplus was credited to the income statement to the extent of the deficit previously charged.

Upon the adoption of HKAS 40, gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise. As the Group did not have any asset revaluation reserve as at 1 January 2004 and 2005, the adoption of HKAS 40 has had no impact on the opening balances of retained profits and the results for the comparative period.

(c) HKFRS 2 – Share-based Payment

In prior years, no recognition and measurement of share-based payment transactions in which employees (including directors) were granted share options over shares in the Company were required until such options were exercised by employees, at which time the share capital and share premium were credited with the proceeds received.

Upon the adoption of HKFRS 2, when employees (including directors) render services as consideration for equity instruments ("equity-settled transactions"), the cost of the equity-settled transactions with employees is measured by reference to the fair value at the date at which the instruments are granted.

The main impact of HKFRS 2 on the Group is the recognition of the cost of these transactions and a corresponding entry to equity for employee share options.

The Group has adopted the transitional provisions of HKFRS 2 under which the new measurement policies have not been applied to (i) options granted to employees on or before 7 November 2002; and (ii) options granted to employees after 7 November 2002 but which had vested before 1 January 2005.

The effects of adopting HKFRS 2 on the Group's share options granted to employees after 7 November 2002 but had not vested before 1 January 2005 are summarised in note 1.2 below. Comparative amounts have been restated in accordance with HKFRS 2.

(d) HKFRS 3 – Business Combinations and HKAS 36-Impairment of Assets

In prior years, goodwill arising on acquisitions prior to 1 January 2001 was eliminated against the consolidated reserves in the year of acquisition and was not recognised in the income statement until disposal or impairment of the acquired business. Goodwill arising on acquisitions on or after 1 January 2001 was capitalised and amortised on the straight-line basis over its estimated useful life and was subject to impairment testing when there was any indication of impairment.

In prior years, negative goodwill was carried in the balance sheet and was recognised in the consolidated income statement on a systematic basis over the remaining average useful life of the acquired depreciable/amortisable assets, except to the extent that it related to expectations of future losses and expenses that were identified in the acquisition plan and that can be measured reliably, but which did not represent identifiable liabilities as at the date of acquisition, in which case, it was recognised as income in the consolidated income statement when the future losses and expenses were recognised.

The adoption of HKFRS 3 and HKAS 36 has resulted in the Group ceasing annual goodwill amortisation and commencing testing for impairment at the cash-generating unit level annually (or more frequently if events or changes in circumstances indicate that the carrying value may be impaired).

Any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of the acquisition of subsidiaries (previously referred to as negative goodwill), after reassessment, is recognised immediately in the income statement.

The transitional provisions of HKFRS 3 have required the Group to eliminate at 1 January 2005 the carrying amounts of accumulated amortisation with a corresponding adjustment to the cost of goodwill. Goodwill previously eliminated against the consolidated reserves remains eliminated against the consolidated reserves and is not recognised in the income statement when all or part of the business to which the goodwill relates is disposed of or when a cash-generating unit to which the goodwill relates becomes impaired.

The effects of the above changes are summarised in note 1.2 below. In accordance with the transitional provisions of HKFRS 3, comparative amounts have not been restated.

1.2 SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES

(a) Effect on the consolidated balance sheet

	Effect of adopting				
At 1 January 2005	**HKAS 1#**	**HKASs 32# and 39***	**HKAS 32#**	**HKFRS 2#**	
Effect of new policies (Increase/(decrease))	**Presentation** *HK$'000*	**Change in classification of equity investments** *HK$'000*	**Contractual obligations** *HK$'000*	**Equity-settled share option arrangements** *HK$'000*	**Total** *HK$'000*
Assets					
Property, plant and equipment	(16,297)	–	–	–	(16,297)
Investment properties	16,297	–	–	–	16,297
Available-for-sale investment	–	750	–	–	750
Investment security	–	(1,000)	–	–	(1,000)
					(250)
Liabilities/equity					
Other financial liabilities	–	–	23,400	–	23,400
Available-for-sale investment revaluation reserve	–	(250)	–	–	(250)
Share option reserve	–	–	–	837	837
Retained profits	–	–	(17,005)	(837)	(17,842)
Minority interests	–	–	(6,395)	–	(6,395)
					(250)

* *Adjustments taken effect prospectively from 1 January 2005*
\# *Adjustments/presentation taken effect retrospectively*

	Effect of adopting				
At 31 December 2005	**HKAS 1#**	**HKASs 32# and 39***	**HKAS 32#**	**HKFRS 2#**	
Effect of new policies (Increase/(decrease))	**Presentation** *HK$'000*	**Change in classification of equity investments** *HK$'000*	**Contractual obligations** *HK$'000*	**Equity-settled share option arrangements** *HK$'000*	**Total** *HK$'000*
Assets					
Property, plant and equipment	(17,820)	–	–	–	(17,820)
Investment properties	17,820	–	–	–	17,820
Available-for-sale investment	–	750	–	–	750
Investment security	–	(1,000)	–	–	(1,000)
					(250)
Liabilities/equity					
Other financial liabilities	–	–	23,400	–	23,400
Available-for-sale investment revaluation reserve	–	(250)	–	–	(250)
Share option reserve	–	–	–	1,144	1,144
Retained profits	–	–	(18,090)	(1,144)	(19,234)
Minority interests	–	–	(5,310)	–	(5,310)
					(250)

Effect of adopting HKFRS 3

Had the amortisation of goodwill been made for the year ended 31 December 2005 and included in these financial statements, the goodwill and retained profits of the Group at 31 December 2005 would have been reduced by HK$3,672,000.

(b) Effect on the consolidated income statement for the years ended 31 December 2005 and 2004

	Effect of adopting			
	HKFRS 2	**HKAS 32#**	**HKFRS 3**	
Effect of new policies	**Employee share option scheme** *HK$'000*	**Contractual obligations** *HK$'000*	**Discontinuation of amortisation of goodwill** *HK$'000*	**Total** *HK$'000*
Year ended 31 December 2005				
Increase in general and administrative expenses	(307)	–	–	(307)
Decrease in other expenses	–	–	3,672	3,672
Decrease in minority interests' share of losses	–	(1,085)	–	(1,085)
Total increase/(decrease) in profit	(307)	(1,085)	3,672	2,280
Increase/(decrease) in basic earnings per share	(0.11) cent	(0.40) cent	1.34 cents	0.83 cent

	Effect of adopting			
	HKFRS 2	**HKAS 32#**	**HKFRS 3**	
Effect of new policies	**Employee share option scheme** *HK$'000*	**Contractual obligations** *HK$'000*	**Discontinuation of amortisation of goodwill** *HK$'000*	**Total** *HK$'000*
Year ended 31 December 2004				
Decrease in gain on deemed disposal of subsidiaries	–	(15,309)	–	(15,309)
Increase in general and administrative expenses	(837)	(857)	–	(1,694)
Decrease in minority interests' share of losses	–	(839)	–	(839)
Total decrease in profit	(837)	(17,005)	–	(17,842)
Increase in basic loss per share	(0.30) cent	(6.18) cents	–	(6.48) cents

2. SEGMENT INFORMATION

The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide.

Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments.

The Group presented separate segment information for integration services and solutions services in the prior year's financial statements. During the current year, the integration services division has moved increasingly towards the provision of customised IT solutions by providing software design, implementation and application development services to businesses, where in the past the focus of integration services was on the sale of finished networking hardware with minimal system development support and customisation. This trend has aligned the core underlying business of integration services with solutions services. Accordingly, the integration services segment and the solutions services segment have been combined to form a single business segment in the current year.

To conform with the current year's presentation, the segment assets, liabilities and results of the integration services segment and the solutions services segment as at 31 December 2004 and for the year then ended have been combined and disclosed under the new "integration and solutions services" segment.

(a) Business segments

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 December 2005 and 2004.

Group

	Integration and Solutions Services		Application Services		Distribution		Investments		Consolidated	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000* (Restated)
Segment revenue:										
Sales to external customers	**135,350**	190,630	**48,528**	30,764	**27,680**	29,003	**1,316**	1,403	**212,874**	251,800
Other revenue and gains	**654**	912	**88**	9	**1,925**	1,936	**1,999**	2,894	**4,666**	5,751
Total	**136,004**	191,542	**48,616**	30,773	**29,605**	30,939	**3,315**	4,297	**217,540**	257,551
Segment results before significant non-cash expenses	**17,199**	5,117	**12,164**	4,029	**(273)**	1,599	**2,620**	4,067	**31,710**	14,812
Depreciation	**(3,294)**	(4,517)	**(1,434)**	(1,645)	**(710)**	(752)	**(265)**	(319)	**(5,703)**	(7,233)
Amortisation of deferred development costs	**–**	–	**(2,807)**	(2,319)	**–**	–	**–**	–	**(2,807)**	(2,319)
Amortisation of goodwill	**–**	–	**–**	(3,672)	**–**	–	**–**	–	**–**	(3,672)
Provision for bad and doubtful debts	**(2,211)**	–	**(301)**	–	**–**	–	**–**	–	**(2,512)**	–
Segment results	**11,694**	600	**7,622**	(3,607)	**(983)**	847	**2,355**	3,748	**20,688**	1,588
Unallocated interest income and gains									**3,615**	1,679
Unallocated expenses									**(16,581)**	(17,333)
Finance costs									**(17)**	(875)
Profit/(loss) before tax									**7,705**	(14,941)
Tax									**(232)**	1,460
Profit/(loss) for the year									**7,473**	(13,481)
Assets and liabilities:										
Segment assets	**74,950**	227,769	**77,096**	46,269	**13,736**	15,936	**120,925**	67,428	**286,707**	357,402
Unallocated assets									**92,144**	35,669
Total assets									**378,851**	393,071
Segment liabilities	**23,727**	30,642	**15,390**	10,175	**6,685**	7,920	**322**	175	**46,124**	48,912
Unallocated liabilities									**25,563**	40,036
Total liabilities									**71,687**	88,948
Other segment information:										
Capital expenditure	**2,117**	1,493	**272**	2,505	**332**	351	**–**	191	**2,721**	4,540
Unallocated capital expenditure									**282**	206
									3,003	4,746

(b) Geographical segments

The following table presents revenue and certain asset and expenditure information for the Group's geographical segments for the years ended 31 December 2005 and 2004.

Group

	Hong Kong		Mainland China		Others		Consolidated	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:								
Sales to external customers	**83,283**	119,390	**112,953**	117,573	**16,638**	14,837	**212,874**	251,800
Other segment information:								
Segment assets	**263,626**	302,472	**107,115**	82,649	**8,110**	7,950	**378,851**	393,071
Capital expenditure	**972**	3,922	**1,859**	609	**172**	215	**3,003**	4,746

3. FINANCE COSTS

	Group	
	2005	2004
	HK$'000	*HK$'000*
Interest on bank loans wholly repayable within five years	**17**	875

4. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax is arrived at after charging/(crediting):

	2005	2004
	HK$'000	*HK$'000*
Depreciation*	**6,131**	8,735
Amortisation of deferred development costs*	**2,807**	2,319
Amortisation of goodwill**	**–**	3,672
Provision for bad and doubtful debts**	**2,512**	–
Fair value losses, net:		
Equity investments at fair value through profit or loss	**123**	–
Gain on disposal of listed investments***	**(365)**	(138)
Changes in fair value of investment properties***	**(1,523)**	(1,958)
Interest income***	**(3,331)**	(1,297)

* *The amortisation of deferred development costs of HK$2,807,000 (2004: HK$2,319,000) and depreciation of HK$940,000 (2004: HK$3,624,000) are included in "Cost of sales" on the face of the consolidated income statement.*

** *These items are included in "Other expenses" on the face of the consolidated income statement.*

*** *This item is included in "Other income and gains" on the face of the consolidated income statement.*

5. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2005	2004
	HK$'000	*HK$'000*
Group:		
Current–Hong Kong		
Charge for the year	**250**	90
Overprovision in prior years	**(1)**	(52)
Current–Elsewhere		
Charge for the year	**933**	251
Overprovision in prior years	**–**	(1,749)
Deferred	**(950)**	–
Total tax charge/(credit) for the year	**232**	(1,460)

6. DIVIDENDS

	2005	2004
	HK$'000	*HK$'000*
Proposed final – HK$0.01 per ordinary share	**2,695**	–
Proposed special – HK$0.02 per ordinary share	**5,390**	–
	8,085	–

The proposed final and special dividends for the year are subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

7. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the net profit/(loss) for the year attributable to ordinary equity holders of the parent of HK$8,011,000 (2004 (restated): net loss of HK$13,520,000), and the weighted average number of 273,933,000 (2004: 275,173,000) ordinary shares in issue during the year.

(b) Diluted earnings/(loss) per share

A diluted earnings per share for the year ended 31 December 2005 has not been disclosed as the exercise price of the Company's outstanding share options is higher than the average market price of the Company's ordinary shares during the year and accordingly, the share options have no dilutive effect.

No diluted loss per share is presented for the year ended 31 December 2004 as the effect of the Company's outstanding share options was anti-dilutive.

8. TRADE RECEIVABLES

An aged analysis of the trade receivables as at the balance sheet date, based on the payment due date and net of provisions, is as follows:

	Group	
	2005	2004
	HK$'000	*HK$'000*
Current	**9,972**	45,613
Overdue 1 to 3 months	**7,967**	8,595
Overdue 4 to 6 months	**1,622**	1,756
Overdue more than 6 months	**1,831**	958
	21,392	56,922

Credit terms

For system integration projects and the provision of maintenance services and software development services, the Group's trading terms with its customers vary from contract to contract and may include cash on delivery, advance payment and on credit. For those customers who trade on credit, the credit period is generally for a period of 90 to 120 days, except for certain well established or major customers, where the terms may extend beyond 120 days. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management.

9. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

An aged analysis of the trade payables as at the balance sheet date, based on the invoice date, is as follows:

	Group	
	2005	2004
	HK$'000	*HK$'000*
Current	**16,220**	25,197
1 to 3 months	**1,913**	2,405
4 to 6 months	**2,729**	1,506
Over 6 months	**1,320**	–
	22,182	29,108
Other payables, accruals and deposits received	**17,634**	14,272
	39,816	43,380

The trade payables are non-interest-bearing and are normally settled on 30-day terms.

Other payables are non-interest-bearing and have an average term of three months.

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Operations

For the reporting period, the Group's overall gross profit was substantially increased to HK$78.9 million (2004: HK$63.5 million) despite the overall revenues dropped by 15.5% to HK$212.9 million which was primarily due to the completion of the construction phases of two large scale solution outsourcing contracts. The increase in gross profit was mainly attributed by the improvement in gross profit margin as well as the increased revenue contribution from Application Services which grew 57.8% to HK$48.5 million (2004: HK$30.8 million).

Following the Group's direction in business transformation, the revenue of the integration services business had been migrated from hardware oriented to increasing service oriented in nature. Such migration had led to a situation that both the business model and revenue nature of the integration service and the solution services are alike. Therefore, for the purpose of more meaningful presentation, the Group had decided to combine the Integration Services and Solution Services segments into Solutions & Integration Services segment, effective from this reporting.

During the reporting period, the Group received strong repeat orders from existing customers such as Shanghai Stock Exchange ("SSE"), China Eastern Airline, China Pacific Insurance, Shanghai Volkswagen, Shanghai Pudong Development Bank as well as various departments of the Hong Kong SAR Government ("Hong Kong Government"). Besides, the Group also managed to secure major contracts from new customers such as Yunnan Province Government in China and receive additional orders from various departments of the Hong Kong Government, including the development of the official website for the WTO Ministerial Conference (MC6) which was successfully held in Hong Kong last December.

The Group also entered into a partnership agreement with Shanghai Stocom Communication Co. Ltd ("STOCOM"), a subsidiary of SSE, to develop and co-market an integrated stock information broadcast and management platform ("Platform"). Such Platform will be promoted by STOCOM to the SSE broker members. It is anticipated that the progressive rollout of the Platform will gradually develop another stable source of income to the Group.

The Group's e-Services business doubled its revenue contribution during the reporting period when compared with 2004. The results were mainly contributed by the steady development of the Group's Government Electronic Trading Services ("GETS") and other related value-added services. Currently, the Group has more than 10,000 registered users for its e-Service businesses. To further capture market share and enlarge income base, the Group has been launching a series of promotional campaign on GETS and other e-Services to recruit additional customers and to create additional revenue from existing customers. Furthermore, the Group is also actively exploring opportunities to expand its e-Service offerings into the PRC market.

Benefiting from the general growth of the economy and the increasing multinational corporation ("MNC") establishments in China, the Software and Maintenance income generated from the Group's own branded Human Resource Management Software ("HRMS") continued to record satisfactory growth. After years of development, the Group's HRMS has become a popular choice of management application among large corporations with presence in both Hong Kong and China. In particular, three of the Big Four international audit firms are users of the Group's HRMS. Large conglomerates such as the Jardine Matheson Group also implemented the Group's HRMS for their group subsidiaries. Last but not least, the Group's HRMS is also well received by large MNCs such as Sony and Philips.

The Group's distribution business continued to be adversely impacted by the weak demands on its core product lines related to the video capturing and editing products. The Management has expanded new product lines in video surveillance and media player with emphasis on home entertainment sector to enlarge the revenue stream.

As of the reporting date, the Group has more than HK$310 million worth of contract on hand. It is foreseen that the Group's financial performance is now more stable and predictable after years of business transformation. The Group will continue to invest in research and development for introducing new software products to its existing customer base and value-added e-Services through its established e-Service infrastructures. In addition, the Group will increase its marketing force in the e-Service offerings in order to capture more customers and a larger market share. The IT market in general is forecasted to be continuously competitive. The Group will persist its directions by continuous improvement on its operation efficiency and to strengthen its development and support resources in China to meet competitions and to gain long-term competitive advantages.

Financial Resources and Liquidity

As at 31 December 2005, the Group's bank balances and cash (excluded pledged bank deposit of HK$8.0 million) was HK$171.8 million or increased 75.1% compared with HK$98.1 million as of 31 December 2004.

Approximately 77.5% of the Group's on hand funding is in Hong Kong or US currencies. The Group has not adopted any hedging policies, as both currencies carry no or low exchange fluctuation risks.

During the reporting period, the Group has also fully repaid the interest-bearing bank borrowing of HK$15 million. As a result, the gearing ratio, measured on the basis of total borrowings as a percentage of net assets, as at 31 December 2005 has been reduced to 0% whereas the ratio was 4.9% (as restated) as at 31 December 2004.

Remuneration Policy and Number of Employees

The remuneration policies adopted for the 12 months period ended 31 December 2005 are consistent with those disclosed in the Group's 2004 Annual Report. As at 31 December 2005, the Group employed approximately 299 full time and 34 contract-based employees (31 December 2004: 300 full time and 63 contract-based employees).

CODE ON CORPORATE GOVERNANCE PRACTICES

The Board of Directors opined that the Company has complied with the code provision set out in the Code of Corporate Governance Practice (the "CG Code") as stipulated in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") during the reporting year except on the deviations noted below.

Code provision A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Currently, the Company does not have a separate Chairman and Chief Executive and Mr. Ng Cheung Shing, the founder of the Group, holds both positions. The Board believes that vesting the roles of both chairman and chief executive in the same individual provides the Group with strong and consistent leadership and allows for more effective and efficient planning and execution of long-term business strategies.

Code provision A.4.1 stipulates that non-executive directors should be appointed for a specific term and subject to re-election. Independent non-executive directors of the Company do not have a specific term of appointment but are subject to retirement by rotation in accordance with the provisions of the bye-laws of the Company. The Company therefore considers that sufficient measures have been taken to ensure that its corporate governance practices are similar to those provided in the CG Code and is currently taking measures to revise the terms of appointment of all the non-executive directors to better comply with the CG Code.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2005, the Company repurchased its own ordinary shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as follows:

Month/year	**Number of shares repurchased**	**Highest price paid per share** *HK$*	**Lowest price paid per share** *HK$*	**Aggregate price paid** *HK$'000*
September 2005	802,000	0.83	0.79	651
October 2005	4,762,000	0.85	0.80	3,947
November 2005	132,000	0.80	0.80	106
	5,696,000			4,704

The repurchased shares were cancelled and accordingly, the issued share capital of the Company was reduced by the nominal value of these shares. The premium paid on the repurchase of the shares of HK$4,134,000 was charged to contributed surplus.

AUDIT COMMITTEE REVIEW

The Audit Committee has reviewed with management of the Company the Group's audited financial statements for the year ended 31 December 2005, including the accounting principles and practices adopted by the Group.

On behalf of the Board
Ng Cheung Shing
Chairman

Hong Kong, 20 April 2006

As at the date of this announcement, the Board comprises Mr. Ng Cheung Shing, Mr. Leung King San Sunny and Mr. Ma Mok Hoi as executive directors, and Mr. Ha Shu Tong, Dr. Lee Kwok On Matthew and Mr. Ting Leung Huel Stephen as independent non-executive directors.

Please also refer to the published version of this announcement in The Standard.