ANNUAL REPORT 2005

Excel TECHNOLOGY

Excel Technology International Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 8048)

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This report, for which the directors (the "Directors") of Excel Technology International Holdings Limited (the "Company") 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 of Hong Kong Limited for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:- (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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Corporate Information

EXECUTIVE DIRECTORS

ZEE CHAN Mei Chu, Peggy
FUNG Din Chung, Rickie
LEUNG Lucy, Michele
NG Wai King, Steve

NON-EXECUTIVE DIRECTOR

IP Tak Chuen, Edmond

INDEPENDENT NON-EXECUTIVE DIRECTORS

CHEONG Ying Chew, Henry
CHANG Ka Mun
WONG Mee Chun

COMPLIANCE OFFICER

FUNG Din Chung, Rickie

QUALIFIED ACCOUNTANT

TANG Lai Wah, BA (Hons), EMBA, FCCA, CPA

COMPANY SECRETARY

TANG Lai Wah, BA (Hons), EMBA, FCCA, CPA

AUTHORISED REPRESENTATIVES

FUNG Din Chung, Rickie
LEUNG Lucy, Michele

BERMUDA RESIDENT REPRESENTATIVES

COLLIS John Charles Ross
WHALEY Anthony Devon *(Deputy)*

AUDIT COMMITTEE

CHEONG Ying Chew, Henry
CHANG Ka Mun
WONG Mee Chun

REMUNERATION COMMITTEE

ZEE CHAN Mei Chu, Peggy
CHEONG Ying Chew, Henry
CHANG Ka Mun

AUDITORS

Moores Rowland Mazars

LEGAL ADVISER

Baker & McKenzie

PRINCIPAL BANKER

The Hongkong and Shanghai Banking Corporation Limited
The Bank of East Asia, Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fund Services (Bermuda) Limited
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Financial Highlights

For the year ended 31 December 2005

	2005	2004
	HK$'000	*HK$'000*
Turnover	**224,242**	162,888
Loss from operations	**(19,768)**	(26,845)
Loss attributable to equity holders of the parent	**(16,566)**	(20,962)
Loss per share – Basic	**(1.68 cents)**	(2.13 cents)
Total equity	**87,233**	104,450

Chairman's Statement

I would like to highlight the achievements we have made in the past year, and put into perspective how these achievements have positioned us to move forward with strength stronger than ever.

ESTABLISHED A SOLID ASIAN PRESENCE

In 2005, we have increased our geographic coverage by establishing our presence in Dalian and Hangzhou in China, and Kuala Lumpur in Malaysia. Now, we have grown from a Hong Kong based company in 2000, to a reputable IT company in the region with offices in these locations:

- Greater China – Hong Kong, Beijing, Shanghai, Shenzhen, Dalian, and Hangzhou
- South East Asia – Singapore and Malaysia

Our enterprise software have been adopted by many multinational and local banks, financial and brokerage companies, and many other prestigious companies within the region. Our consultants have traveled to many cities in China and Southeast Asia to implement our solutions. We are now a truly regional company with recognition from our customers and partners.

Leveraging this strong Asian presence, we will focus strongly on the multinational companies to maximize the return on our marketing and delivery efforts. With the opening up of China and many Southeast Asia countries, we can anticipate companies expanding into these countries would generate more opportunities for us.

FAST GROWTH IN CHINA

While the Excel Group recorded an increase of 38% in turnover in 2005 comparing to 2004, China achieved a remarkable growth of 62%. This is the result of the conscious efforts put in by the Group in focusing its future growth of the China market. More resources and management time had been put into the running of our operating companies there, which generated increases across all business lines in China.

While much of this increase comes from the systems integration business with mainly software services, our own suite of enterprise software has also gained ground steadily. We are delighted to add into our customer portfolio a number of big Chinese enterprises and banking clients.

Recognized by industry watcher Deloitte Touche Tohmatsu for our fast growth, we were awarded the 35th of the "Deloitte Technology Fast 50 China" award, a ranking of China's 50 fast-growing technology companies. We also ranked the 213th in the "2005 Deloitte Technology Fast 500 Asia Pacific" award, a ranking of the top 500 technology companies in Asia.

From zero presence in years before 2001, to a turnover of HK$145 milliion in 2005, our China business has come a long way. We believe our China focus is starting to pay us back handsomely as we anticipate our China business will continue to grow at a fairly rapid rate. There are already plans to strengthen the company structure in China to allow us to sustain a strong and long-term growth.

Chairman's Statement

SIGNIFICANT PENETRATION INTO THE SOUTHEAST ASIA REGION

Over the past years, the Group had secured a number of prestigious customers in the Southeast Asia region with our enterprise software. The turnover from these sales had increased by 190% as compared to that of 2004. In 2005, the SE Asia revenue was HK$11.9 million with a profit of HK$2.7 million.

Our excellent track records in delivering the solution to these customers proved to help us in establishing firm foothold in other countries within the region. Besides Singapore and Malaysia, we are currently approached by potential customers and partners from Thailand, Indonesia and other countries and had already secured a prestigious Thai customer for our stock trading software.

BUILDING SOFTWARE OUTSOURCING BUSINESS

As indicated in our annual report last year, software development outsourcing is one of the business areas, which will fuel our future growth. Significant efforts have been spent in 2005 to set up this business by recruiting the right talents and setting up development centers in Dalian and Hangzhou, with a third one in Taipei coming on board soon. These development centers are staffed with Japanese, English and Chinese speaking software engineers who will help us to develop the outsourcing opportunities in Japan, Hong Kong as well as the western world. A number of pilot projects, awarded by multinational companies, are already underway to test out the delivery capacity of these development centers.

Today, counting our Shenzhen Software Center, the Group now has over 350 software engineers doing research and development work for our enterprise software products, as well as offering world class software outsourcing services to large companies.

FINANCE AND COST CONTROL

Despite all the achievement we attained in 2005, the Group still has not attained the one most wanted – return to profitability.

While the Group's loss attributable to equity holders in 2005 has been reduced by 21% from that of previous year, the loss before interest, taxation, depreciation, amortisation, impairment, provision for obsolete inventories and share of results of associates ("EBITDA loss") has been significantly reduced to HK$7.5 million (2004: HK$18.1 million). This is a very positive indicator as it shows that the Group has improved its return from operations.

While we were expanding geographically and building up new business lines, we have not lost sight of stringent cost control measures. Overhead and traveling expenses have been kept to the same level as of 2004, despite the many cross-border activities we performed as required by the expansion and the business.

Chairman's Statement

SEEKING PARTNERSHIP FOR GROWTH

The market definitely has clear view of the Group's value in our strong geographic presence in China, our localized suite of software products for Asia, and our delivery capability. This is evidenced by many offers from international software companies and IT service companies seeking long-term business relationships. Besides our steady and continuous expansion, the Group is open to consider any other alternative in growing our business in an inorganic way, such as working closely with market leaders to enlarge our product and service offerings and use them as a bridge to the North American and European markets.

RETURN TO PROFITABILITY

Management is cognizant of the importance of profitability. Past years efforts had been on building geographic presence and expanding product and service offerings at the expense of profitability.

In 2006, without sacrificing important medium and long-term growth, management has the mandate to drive profitability and build our balance sheet strength. We will step up our sales and market effort in the growth areas, look to increase the productivity of our professional teams, and to create the synergy among our operating units by targeting multinational customers. We will pursue our profitability goal relentlessly in 2006.

Management Discussion and Analysis

FINANCIAL PERFORMANCE

During the year ended 31 December 2005, the Group recorded a satisfactory increase of 38% in turnover of HK$224,242,000, compared with a turnover of HK$162,888,000 for 2004.

The overall sales of enterprise software products increased by 34% to HK$68,166,000 (2004: HK$50,748,000). The growth from sales of enterprise software products is largely attributed to the contribution from Hong Kong and Southeast Asia.

Systems Integration rose by 29% to HK$121,922,000 (2004: HK$94,824,000). This is mainly due to the contribution from Mainland China's transaction in software services.

Revenue on professional services surged more than double to HK$29,044,000, with 133% increase compared with HK$12,450,000 in 2004 as a result of the rapid growth of the IT outsourcing business.

The Group's ASP operation is stable with revenue slightly increased to HK$5,110,000 (2004: HK$4,866,000).

The Group's loss attributable to equity holders in 2005 was reduced by 21% to HK$16,566,000 (2004: HK$20,962,000). The loss from operation of HK$19,768,000 (2004: HK$26,845,000) included the impairment loss on goodwill of HK$4,162,000. The EBITDA loss in 2005 was HK$7,539,000, a 58% reduction from 2004 loss of HK$18,099,000.

OPERATION REVIEW

In 2005, the Group further stepped up our sales network, product offerings, and development capability. This expansion plan has contributed to both our top line and bottom line with revenue increase of HK$61 million and loss attributable to equity holders of the parent narrowed by HK$4.4 million over 2004. Our expansion is largely directed at the China market, which has marked a large contribution to the Group.

Our China business saw a 62% increase in turnover in 2005, comparing to 2004. The major contributor was the systems integration business, which gave us the business volume as well as valuable access to influential customers. We brought in important clients like China Life Insurance, China Petro Chemical, and Bohai Bank with various products and services. Our enterprise software business also sees steady growth in China, reaping in several major implementations among large Chinese commercial banks and foreign invested banks.

Our China subsidiary did exceptionally well in 2005 and caught the attention of researchers and industry watchers. It received the "2005 Deloitte Technology Fast 50 China" award from the renowned Deloitte Touche Tohmatsu recognizing its fast growth.

The Group added the Dalian and Hangzhou Software Centers, in addition to the Shenzhen Software Center, to boost up our capability and capacity to handle offshore development services. We expect these two offices to bring in outsourcing business opportunities from large companies from Japan and Taiwan, which want to reduce IT costs, or have expansion plans in China.

Management Discussion and Analysis

OPERATION REVIEW *(Continued)*

The Hong Kong operation remains stable with increase of enterprise software sales. Cost continues to be a challenge for Hong Kong management, and with a conscious effort to migrate our development teams to Shenzhen, we want to mitigate the high staff cost in Hong Kong.

Southeast Asia started to make contribution to the Group with several regional deployments of our Wealth Management Suite of products in Singapore and Malaysia. This shows that our regional footprints have helped us to land more business, especially from those multinational banks, which prefer to deal with suppliers and partners on a regional basis. The sales in the region are expected to grow steadily with positive contribution.

To capture the business opportunities in the de-regulating banking industry in Malaysia, we have set up a small office in Kuala Lumpur. Managed by our general manager in Singapore, this Malaysia office will work closely with our Singapore office to bring back regional deals in the coming future as most of our prospects do have presence in both countries.

PRODUCTS AND SERVICES

Our enterprise software will continue to be a major revenue generator in our China, Hong Kong and Southeast Asia locations. It will also help us to generate systems integration and professional services business, as many of our customers would prefer to deal with one single integrator instead of multiple suppliers.

The Group completed the localization of REAPS (Reserve and Treasury Processing System) for China and successfully completed its first implementation with a China regional bank. It not only has state-of-the-art risk management engine and straight-through-processing for sophisticated financial instruments, but also processes RMB bonds, making it a unique treasury system for the China financial market. Given that China will continue to open up its banking industry, we believe there exists many opportunities in which we can sell this treasury solution to the new and upcoming banks in China as well as existing regional banks.

The Unit Trust System from our Wealth Management Platform was successfully localized and launched in Singapore and Malaysia with a multinational bank, thus proving another success of our geographic expansion for regional support. The Wealth Management System (also from our Wealth Management Platform) was implemented in China and Malaysia with major statewide banks.

The Group invested heavily in setting up a subsidiary in development outsourcing with software centers in Dalian and Hangzhou to target the Japan and Taiwan market. It is expected that this professional services income will become a major contribution to the Group in the coming years.

Management Discussion and Analysis

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2005, the Group held cash and cash equivalents of HK$14,464,000 (2004: HK$20,196,000), plus pledged deposit of HK$10,484,000 (2004: HK$11,622,000).

The computer hardware inventory level was reduced to HK$279,000 (2004: HK$7,036,000)

In prior years, the Group had fully paid up its capital commitment of US$1,000,000 to a private equity investment fund. As at 31 December 2005, the investment was stated at fair value. There is no more outstanding capital commitment from the Group.

As of 31 December 2005, the gearing ratio of the Group was 8.6% (2004: 5.3%) on the basis of bank borrowing divided by equity attributable to equity holders of the parent.

CAPITAL STRUCTURE

As at 31 December 2005, the Group's outstanding issued shares were 985,050,000, which was the same as last year.

SIGNIFICANT INVESMTENTS/ACQUISITIONS AND PERFORMANCES

During the year, the Group had not made any significant investment or acquisition.

SEGMENTAL PERFORMANCES

Hong Kong region's turnover was HK$86,190,000 (2004: HK$75,924,000).

The China operations recorded a total turnover of HK$145,303,000 (2004: HK$89,587,000).

South East Asia region recorded a turnover of HK$11,901,000 (2004: HK$4,109,000).

EMPLOYEES

The total number of employees as at 31 December 2005 was 442 (beginning of 2005: 361), largely representing the need to staff up staff force for project delivery in 2005 and the professional service business for large scale development outsourcing.

EXPOSURE TO FOREIGN EXCHANGE RISK

The Group received renminbi from sales in China. The renminbi receipts, as usual, had been applied to internal use within China.

Corporate Governance Report

(1) CORPORATE GOVERNANCE PRACTICES

The Board and senior management are committed to the principles of Corporate Governance and have dedicated significant efforts to provide transparency, accountability and independence.

The Company has adopted the Code of Corporate Governance Practice and the Rules on Corporate Governance Report as set out in the GEM Listing Rules Appendix 15 and Appendix 16 with effective from the accounting periods from 1 January 2005, save as disclosed in section (4) Chairman and chief executive officer regarding code provision A.2.1.

(2) COMPLIANCE OF CODE FOR DIRECTORS' SECURITIES TRANSACTION

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all directors, all directors of the Company have complied with the required standard of dealings and the code of conduct regarding securities transactions by directors adopted by the Company throughout the twelve months ended 31 December 2005.

(3) EFFECTIVE AND EXPERIENCED BOARD

Board Composition

The Board currently comprises of the following members:

Executive Directors:

Zee Chan Mei Chu, Peggy	
Leung Lucy, Michele	
Fung Din Chung, Rickie	
Ng Wai King, Steve	(Appointed on 31 Dec 2005)
Wen Pei Sung	(Resigned on 31 Dec 2005)

Non-Executive Director:

Ip Tak Chuen, Edmond

Independent Non-executive Directors:

Cheong Ying Chew, Henry
Chang Ka Mun
Wong Mee Chun

Corporate Governance Report

(3) EFFECTIVE AND EXPERIENCED BOARD *(Continued)*

Board Meeting

The Board meets at least four times a year to review financial and operating performance and discuss Group direction and strategy.

Details of the attendance of the board of Director are as follows:

	21 Mar 2005	10 May 2005	8 Aug 2005	7 Nov 2005
Zee Chan Mei Chu, Peggy	✓	✓	✓	✓
Leung Lucy, Michele	✓	✓	✓	✓
Fung Din Chung, Rickie	✓		✓	✓
Wen Pei Sung	✓	✓	✓	✓
Ng Wai King, Steve *(Note 1)*	N/A	N/A	N/A	N/A
Ip Tak Chuen, Edmond		✓		✓
Cheong Ying Chew, Henry	✓	✓	✓	✓
Chang Ka Mun	✓	✓	✓	
Wong Mee Chun	✓	✓	✓	✓

Note 1: Ng Wai King, Steve was appointed as Executive Director on 31 December 2005

Directors are given notice of regular Board meetings of at least 14 days in advance. The directors will receive details of agenda with comprehensive reports on the management's strategic plans, updates by business unit heads on their lines of business, financial objectives, plans and actions at least 3 days before Board meeting.

All Directors have access to the Company Secretary who is responsible for ensuring that Board procedures are complied with and advises the Board on corporate governance and compliance matters.

The Executive Directors meet every two weeks to review company business pipeline, receivables, and business unit performance. Senior management meets with Business Unit Management every two weeks to review project status and business unit issues. All these management meetings are minuted with proper central filing for attendants review and comment.

The Company has undertaken several meetings, first with senior management, second with the Audit Committee, and subsequently with the Board, to discuss and review the Group's practice on corporate governance and make specific checks on the Group's compliance via a compliance matrix in accordance to the criteria set forth by the Listing Rule.

The non-executive Board has a well balance of expertise in corporate finance, accounting, and China matters. They bring independent and invaluable advise and judgment on the Group's business expansion and risk management issues where executing our expansion plan. The executive Directors are seasoned practitioners in the information technology field and contribute to the Company with their industry and domain knowledge and management experience.

Corporate Governance Report

(3) EFFECTIVE AND EXPERIENCED BOARD *(Continued)*

The Company confirmed that annual confirmations of independence were received from each of the Company's independent non-executive directors pursuant to Rule 5.09 of the GEM Listing Rules and all independent non-executive directors are considered to be independent.

(4) CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under the Code provision A.2.1, the roles of chairman and chief executive officer should be separated.

The Company has achieved a high compliance level with the exception of the separation of Ms. Zee Chan Mei Chu, Peggy serving the dual role of Chairman and Chief Executive Officer.

This exception was discussed and the dual role was approved by the Board based on the following reasons:

- The Company size is relatively small and thus not justified in separating the role of chairman and chief executive officer.

- The Company has in place internal controls to provide check and balance on the functions.

Ms. Zee Chan Mei Chu, Peggy is primarily responsible for leadership of the Company and the Board, setting strategic direction, ensuring the effectiveness of management in execution of the strategy approved by the Board. Execution responsibilities lie with other Executive Directors and senior management of each business unit.

Thus, the Company considers that this structure will not impair the balance of power and authority between the board and the management of the Company.

(5) AUDIT COMMITTEE

The Company established an audit committee on 11 August 2000 with written terms of reference in accordance with Rule 5.28 to 5.33 of the GEM Listing Rules. The audit committee comprises three members – Mr. Cheong Ying Chew, Henry, Mr. Chang Ka Mun and Ms. Wong Mee Chun, all of whom are independent non-executive directors. Mr. Cheong Ying Chew, Henry is the chairman of the audit committee. Its principal duties are to review and supervise the financial reporting process and internal control procedures of the Group.

The Audit Committee meets four times a year to review with senior management and once to twice a year with the Company's auditors for the Company's audit findings, accounting policies and standards, changes of accounting rules (if any), compliance to listing rules, internal and audit control, and budget and cash flow forecast.

The Group's unaudited quarterly and interim results and annual audited results during the year ended 31 December 2005 have been reviewed by the audit committee, who is of the opinion that such statements comply with the applicable accounting standards and that adequate disclosures have been made.

Corporate Governance Report

(5) AUDIT COMMITTEE *(Continued)*

Details of the attendance of members at Audit Committee meeting are as follows:

	11 Mar 2005	4 May 2005	1 Aug 2005	31 Oct 2005
Cheong Ying Chew, Henry	✓	✓	✓	✓
Chang Ka Mun		✓	✓	✓
Wong Mee Chun	✓	✓	✓	✓

(6) REMUNERATION COMMITTEE

The remuneration committee was established in May 2005.

The Company adopted that a remuneration committee be established with specific written terms of reference which deal clearly with its authority and duties. The terms of reference will follow the requirement of Code Provision B.1.3.

The composition of the remuneration committee include Chairman, Ms. Zee Chan Mei Chu, Peggy and two independent non-executive directors, Mr. Cheong Ying Chew, Henry and Mr. Chang Ka Mun.

The remuneration committee meets annually, or on an as needed basis, to review the recommendation from the Chief Executive Officer on the compensation and incentive scheme to be provided to Senior Management.

During the period under review, a meeting of the remuneration committee was held in August 2005. Details of the attendance of members at remuneration committee meeting are as follows:

	8 Aug 2005
Zee Chan Mei Chu, Peggy	✓
Cheong Ying Chew, Henry	✓
Chang Ka Mun	✓

The policy for the remuneration of executive directors is:

- To ensure that none of the Directors should determine their own remuneration;
- The remuneration should be broadly aligned with companies with which the Company competes for human resources;
- The Group should aim to attract and retain executives and to motivate them to pursue appropriate growth strategies whilst take into account individual performance;
- The remuneration should reflect the performance, complexity of duties and responsibility of the individual.

Corporate Governance Report

(7) NON-EXECUTIVE DIRECTOR

Code provision A.4.1 provides that Non-executive director should be appointed for a specific term and subject to re-election. The Company's non-executive director has been appointed for specific term and subject to re-election.

(8) AUDITORS' REMUNERATION

The audit committee of the Company is responsible for considering the appointment of the external auditor. During the year under review, the Group has incurred an aggregate of HK$651,000 to the external auditor for its services of auditing.

(9) INTERNAL CONTROLS

The Board recognises the importance of maintaining a sound internal control system to safeguard shareholder's interest and investments and manage the Group's asset and liability. Senior management assumes the overall responsibility for reviewing the adequacy and integrity of the Group's internal control and risk management system to the Executive Directors.

The Board has delegated to management the implementation of such systems of internal controls as well as the review of relevant financial, operational and compliance controls and risk management procedures. Qualified personnel and individual business unit head throughout the Group maintain and monitor the compliance to these controls on an ongoing basis and report variants to senior management.

The Group Compliance Officer, independently reviews these controls and evaluates their adequacy, effectiveness and compliance, and reports directly to the Executive Directors on a regular basis.

The Group's internal control systems highlights several important areas:

- Check and Balances

  All senior and sensitive positions and tasks will have check and balances control requiring either dual signatures or maker checker functions.

  Major transactions or undertakings will have level control, requiring different levels of review and approval.

- Separation of Duties

  Clear separation of duties is in place to provide segregate controls of important duties.

Corporate Governance Report

(9) INTERNAL CONTROLS *(Continued)*

- Rotation of Positions

  On a regular basis, senior management are rotated on their post and duties to detect any internal control loopholes and mis-demeanor and to provide fresh looks at the business.

Based on the assessment made by senior management on the Group's corporate governance practice during the year ended 31 December 2005, the Audit Committee is satisfied that:

- The internal controls and accounting systems of the Group are designed to provide reasonable assurance that material assets are protected, business risks attributable to the Group are identified and monitored, material transactions are executed in accordance with management's authorisation and the accounts are reliable for publication; and

- There is an ongoing process in place for identifying, evaluating and managing the significant risks faced by the Group.

(10) BUSINESS ETHNICS AND PROFESSIONAL CODES OF CONDUCTS

The Group puts high standards on business ethnics and professional conducts. Employees briefed regularly on the code of ethnics undertaking by professional firms and on the conducts of non-disclosure of client and company information.

The Group also adopts good employment standards of non-discrimination policy and fair compensation scheme.

Profile of Directors and Senior Management

EXECUTIVE DIRECTORS

Ms. ZEE CHAN Mei Chu, Peggy (Age 51)

Chairman and Chief Executive Officer

Ms. Chan is the founder of the Excel Group and is responsible for setting and implementing the corporate strategic directions of the Group. Ms. Chan has over 22 years of experience in business re-engineering, strategy studies, technology planning and systems development, serving major multi-national corporations and government agencies. Starting her career as a manager in Arthur Young & Company in Washington D.C., United States, Ms. Chan returned to Hong Kong in 1988 to establish the local office of an Australian software house, and later the Excel Group. She received the Hong Kong Young Entrepreneur Award in 1990. Ms. Chan is a founding member of the Cyber Youth Services, a non-profit organization dedicated to provide community services to young people through innovative usage of information technology. She is also one of the founding members of ISIA (Information and Software Industry Association), a trade organization dedicated to promoting the software industry in Hong Kong.

Ms. LEUNG Lucy, Michele (Age 53)

Executive Vice President

Ms. Leung is in charge of the business development and operations in the Southeast Asia Region for the Group. She is also responsible for the development of wealth management related software products. Ms. Leung has over 23 years of experience in the development, conversion and migration of various computer systems in the credit card, retail banking, and insurance industries. Prior to joining the Excel Group in 1989, Ms. Leung worked for Mervyn's, United Grocers, Tymshare Transaction Services, Visa and the Bank of Montreal in the United States and Canada. Ms. Leung was appointed as an Executive Director of the Group in 2000.

Mr. FUNG Din Chung, Rickie (Age 50)

Executive Vice President

Mr. Fung is responsible for business development and corporate marketing work for Hong Kong and the South China area. In addition, he oversees a number of subsidiaries, including i21 (ASP service), HR21 (payroll software) and others. Mr. Fung has over 26 years of IT experience. Prior to joining the Excel Group in 1996, Mr. Fung worked for IBM Hong Kong for 17 years, holding various positions in technical service, training, marketing and management areas. Mr. Fung is the treasurer and secretary of ISIA (Information and Software Industry Association), and a frequent speaker on various information technology subjects. Mr. Fung was appointed as an Executive Director of the Group in 2000.

Dr. NG Wai King, Steve (Age 47)

Executive Vice President

Dr. Ng is responsible for the setting the technology direction of its enterprise software development strategy. Leading a team of software engineers, Dr. Ng performs research and development of the Group's software infrastructure, which becomes the building blocks used by other software development teams in the Group. He has over 16 years of IT experience. Besides his strong technical capabilities, Dr. Ng also has extensive knowledge in banking, stock brokerage, portfolio management and treasury business. Prior to joining the Excel Group in 1996, Dr. Ng was the technology head for Citibank's Hong Kong Private Banking Group, in which, he managed a number of development projects for regional and global implementation. Dr. Ng was appointed as an Executive Director of the Group on 31 December 2005.

Profile of Directors and Senior Management

NON-EXECUTIVE DIRECTOR

Mr. IP Tak Chuen, Edmond (Age 53)

Mr. Ip has been an Executive Director of Cheung Kong (Holdings) Limited since 1993 and Deputy Managing Director since 2005. Mr. Ip is also Deputy Chairman of Cheung Kong Infrastructure Holdings Limited, an Executive Director of CK Life Sciences Int'l., (Holdings) Inc., and a Non-Executive Director of TOM Group Limited. Mr. Ip was appointed as a Non-Executive Director of the Group on 21 February 2000.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHEONG Ying Chew, Henry (Age 58)

Mr. Cheong is a director of certain other listed companies in Hong Kong. He is a member of the Process Review Panel for the Securities and Futures Commission ("SFC"), a member of the Committee on Real Estate Investment Trusts of the SFC, a member of the GEM Listing Committee, Main Board Listing Committee and Derivatives Market Consultative Panel of the Hong Kong Exchanges and Clearing Limited, and also a member of the Corporate Advisory Council of the Hong Kong Securities Institute. Mr. Cheong holds a Bachelor of Science degree in Mathematics and a Master of Science degree in Operational Research and Management. Mr. Cheong was appointed as an Independent Non-Executive Director of the Group on 30 May 2000.

Mr. CHANG Ka Mun (Age 46)

Mr. Chang is a Managing Director of Li & Fung Development (China) Limited. He is also a member of the National Committee of Chinese People's Political Consultative Conference and a member of the Committee on Economic Development of Hong Kong. He was a member of the Preparatory Committee of Hong Kong Special Administrative Region as well as the Basic Law Consultative Committee of the National People's Congress of the PRC. Mr. Chang was appointed as an Independent Non-Executive Director of the Group on 30 May 2000.

Ms. WONG Mee Chun, JP (Age 53)

Ms Wong has over 20 years of experience in finance, accounting and general management. Ms. Wong is a Justice of Peace, a member of the ICAC Complaints Committee, Administrative Appeals Board, the Solicitors' Disciplinary Tribunal and the Standing Committee on Disciplined Services Salaries and Conditions of Service. She graduated from the London School of Economics and Political Science, University of London and qualified as a member of the Institute of Chartered Accountants in England and Wales with Coopers & Lybrand, London. She is also a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants. Ms. Wong was appointed as an Independent Non-Executive Director of the Group on 9 August 2002.

Profile of Directors and Senior Management

DIRECTORS

Mr. CHEONG Ho Sang, Alfred (Age 49)

Director

Mr. Cheong is responsible for the development and implementation of banking software in the treasury and loans areas. He has over 25 years of working experience in IT especially in the banking industry where he has in-depth knowledge of corporate, investment and private banking products, accounting & MIS functions, and process management. Prior to joining the Excel Group in 2000, Mr. Cheong worked for Citibank and UBS AG in various senior management positions. At Citibank, he was in-charge of investment banking technology department for the Asia Pacific region. He was the technology head for Private Banking in Hong Kong and Singapore of UBS AG. Mr. Cheong is also a Certified Management Accountant (CMA) in Canada.

Ms. TANG Lai Wah, Venus (Age 48)

Group Financial Controller and Company Secretary

Ms. Tang has over 20 years of accounting and financial management experience in telecommunication, media and information technology industries. Prior to joining the Group in 2002, Ms. Tang had held managerial positions in several sizeable listed companies in Hong Kong. She was the Group Financial Controller for Star Telecom Group and South China Media Group respectively. Ms. Tang is a fellow member of the Association of Chartered Certified Accountants and a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants. She holds an Executive MBA degree and a Bachelor degree in Accountancy with honors from the City University of Hong Kong.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Excel Technology International Holdings Limited (the "Company") will be held at 5/F., 663 King's Road, North Point, Hong Kong on 24 April 2006 (Monday) at 2:30p.m. for the following purposes:

1. To receive and consider the Audited Financial Statements of the Company and the Reports of the Directors and Auditors for the year ended 31 December 2005;

2. To re-elect retiring Directors;

3. To authorise the Board of Directors to fix their remuneration;

4. To re-appoint Auditors and authorise the Board of Directors to fix their remuneration; and

5. By way of special business, to consider and, if thought fit, pass with or without amendments, the following resolution as ordinary resolution:

ORDINARY RESOLUTION

"THAT:

(a) subject to paragraph (c) below, the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined in this Resolution) of all the powers of the Company to allot, issue or deal with unissued shares in the capital of the Company and to make or grant offers, agreements and options which would or might require the exercise of such power be and is hereby generally and unconditionally approved;

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

(c) the aggregate nominal amount of share capital allotted, issued or dealt with or agreed conditionally or unconditionally to be allotted, issued or dealt with (whether pursuant to options or otherwise) by the Directors of the Company pursuant to the approval in paragraph (a) above, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined in this Resolution); or (ii) any share option scheme or similar arrangement of the Company for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company; or (iii) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the Bye-Laws of the Company in force from time to time; or (iv) the exercise of rights of subscription or conversion under the terms of any warrants or convertible bonds issued by the Company or any securities which are convertible into shares of the Company, shall not exceed 20 per cent of the aggregate nominal amount of the share capital of the Company in issue on the date of passing this Resolution; and

Notice of Annual General Meeting

(d) for the purpose of this Resolution:

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

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

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-Laws of the Company, the Companies Act 1981 of Bermuda (as amended) or any other applicable law to be held; and

(iii) the passing of an ordinary resolution by the members of the Company in general meeting revoking or varying the authority given to the Directors of the Company by this Resolution;

"Rights Issue" means an offer of shares in the Company, or offer or issue of warrant, options or other securities giving rights to subscribe for shares open for a period fixed by the Directors of the Company to holders of shares in the Company on the register of members of the Company on a fixed record date in proportion to their then holdings of shares as at that date (subject to such exclusion or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws or the requirements of any recognized regulatory body or any stock exchange in any territory outside Hong Kong)."

6. By way of special business, to consider and, if thought fit, pass with or without amendments, the following resolution as ordinary resolution:

ORDINARY RESOLUTION

"THAT:

(a) the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined in this Resolution) of all powers of the Company to purchase its own shares, subject to paragraph (b) below, be and is hereby generally and unconditionally approved;

(b) the aggregate nominal amount of shares of the Company which may be purchased by the Company on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") or any other stock exchange recognized for this purpose by the Securities and Futures Commission of Hong Kong and the Stock Exchange under the Hong Kong Code on Share Repurchase pursuant to the approval in paragraph (a) above shall not exceed 10 per cent of the aggregate nominal amount of the issued share capital of the Company as at the date of passing this Resolution and the authority pursuant to paragraph (a) of this Resolution shall be limited accordingly; and

Notice of Annual General Meeting

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

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

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-Laws of the Company, the Companies Act 1981 of Bermuda (as amended) or any other applicable law to be held; and

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

7. By way of special business, to consider and, if thought fit, pass with or without amendments, the following resolution as ordinary resolution:

ORDINARY RESOLUTION

"**THAT** the general mandate granted to the Directors of the Company pursuant to the Resolution 5 above and for the time being in force to exercise the powers of the Company to allot, issue or deal with unissued shares of the Company and to make or grant offers, agreements and options which would or might require the exercise of such power, be and is hereby extended by the aggregate nominal amount of shares in the share capital of the Company repurchased by the Company since the granting of such general mandate pursuant to the exercise by the Directors of the Company of the powers of the Company to purchase such shares, provided that such amount shall not exceed 10 per cent of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this Resolution."

By Order of the Board
Zee Chan Mei Chu, Peggy
Chairman

Hong Kong, 29 March 2006

Registered Office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head Office and Principal Place of Business in Hong Kong:
5/F., 663 King's Road
North Point
Hong Kong

Notice of Annual General Meeting

Notes:

1. A member entitled to attend and vote at the Annual General Meeting convened by the above notice is entitled to appoint one or more proxies to attend and vote on his behalf. A proxy need not be a member of the Company.

2. To be valid, a form of proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority must be deposited with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for the holding of the Annual General Meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude a member from attending and voting in person.

3. In relation to proposed Resolution 5 above, approval is being sought from the members for the grant to the Directors of a general mandate to authorise the allotment and issue of shares pursuant to the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. The directors have no immediate plans to issue any new securities of the Company pursuant to the said general mandate other than shares which may fall to be issued upon the exercise of any options granted under the share option scheme of the Company or any scrip dividend scheme.

4. If two or more persons are joint holders of a share of the Company, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the other joint holder(s). For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

Directors' Report

The directors have pleasure in submitting their report and audited financial statements for the year ended 31 December 2005.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its principal subsidiaries are set out in note 34 to the financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2005 are set out in the consolidated income statement on page 35.

The directors do not recommend the payment of a dividend.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 24 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 14 to the financial statements.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 25 to the financial statements.

DIRECTORS

The directors who held office during the year and up to the date of this report were:

Executive directors:
Zee Chan Mei Chu, Peggy *(Chairman)*
Fung Din Chung, Rickie
Leung Lucy, Michele
Ng Wai King, Steve *(appointed on 31 December 2005)*
Wen Pei Sung *(resigned on 31 December 2005)*

Non-executive director:
Ip Tak Chuen, Edmond

Independent non-executive directors:
Cheong Ying Chew, Henry
Chang Ka Mun
Wong Mee Chun

DIRECTORS *(Continued)*

In accordance with the Company's bye-laws, Ng Wai King, Steve and Chang Ka Mun retire by rotation and, being eligible, offer themselves for re-election.

The independent non-executive director is not appointed for specific terms but is subject to retirement by rotation in accordance with the Company's bye-laws.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SECURITIES

At 31 December 2005, the interests and short positions of the directors and the chief executives of the Company and their associates in the shares, underlying shares or debentures of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Rule 5.46 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules"), were as follows:

Long Positions

(a) Ordinary shares of HK$0.10 each of the Company

	Number of ordinary shares held				
Name of director	**Beneficial owner**	**Held by family**	**Held by controlled corporation**	**Total**	**Percentage of the issued share capital of the Company**
Zee Chan Mei Chu, Peggy	2,544,000	–	563,679,197 *(Note 1)*	566,223,197	57.48%
Fung Din Chung, Rickie	24,559,498	–	–	24,559,498	2.49%
Leung Lucy, Michele	–	–	24,559,498 *(Note 2)*	24,559,498	2.49%
Ng Wai King, Steve	21,050,998	–	–	21,050,998	2.14%
Wong Mee Chun	40,000	382,000 *(Note 3)*	–	422,000	0.04%

Notes:

(1) These shares were held by Passion Investment (BVI) Limited, a company incorporated in the British Virgin Islands which is wholly-owned by Zee Chan Mei Chu, Peggy.

(2) These shares were held by Mossell Green Limited, a company incorporated in the British Virgin Islands which is wholly-owned by Leung Lucy, Michele.

(3) These shares were held by the spouse of Wong Mee Chun.

Directors' Report

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SECURITIES *(Continued)*

Long Positions *(Continued)*

(b) Share options

Details of the share options granted to and held by the directors under the Company's share option scheme adopted on 16 June 2000 and amended on 18 April 2001 (the "Old Scheme") are as follows:

Name of director	Date of grant	Exercise price *HK$*	Number of options held	Number of underlying shares
Wen Pei Sung	11 October 2001 *(Note 1)*	0.70	2,000,000	2,000,000

Note:

(1) The exercisable period is from 11 October 2001 to 10 October 2006 (both dates inclusive) (vesting period with 1st tranche of 20% from 11 April 2002, 2nd tranche of 20% from 11 October 2002, 3rd tranche of 15% from 11 April 2003, 4th tranche of 15% from 11 October 2003, 5th tranche of 15% from 11 April 2004 and the remaining tranche of 15% from 11 October 2004).

Save as disclosed above and other than certain nominee shares in subsidiaries held by a director in trust for the Company or its subsidiaries, at 31 December 2005, none of the directors or chief executive or any of their spouses or children under the age of 18 had any right to subscribe for the shares of the Company, or had exercised any such right.

Save as disclosed above, none of the directors nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 31 December 2005.

Directors' Report

SHARE OPTIONS

During the year, the movements in the number of share options which have been granted to certain directors and employees under the Old Scheme are as follows:

			Number of options		
Directors	Date of grant	Exercise price	Outstanding at 1.1.2005	Lapsed during the year	Outstanding at 31.12.2005
		HK$			
Fung Din Chung, Rickie	1 September 2000 *(Note 1)*	0.90	8,000,000	(8,000,000)	–
Leung Lucy, Michele	1 September 2000 *(Note 1)*	0.90	8,000,000	(8,000,000)	–
Wen Pei Sung	11 October 2001 *(Note 2)*	0.70	2,000,000	–	2,000,000
			18,000,000	(16,000,000)	2,000,000
Employees	1 September 2000 *(Note 1)*	0.90	16,928,000	(16,928,000)	–
Employees	11 October 2001 *(Note 2)*	0.70	12,644,000	(3,060,000)	9,584,000
			29,572,000	(19,988,000)	9,584,000
			47,572,000	(35,988,000)	11,584,000

Notes:

(1) The exercisable period is from 1 September 2000 to 31 August 2005 (both dates inclusive) (vesting period with 1st tranche of 20% from 1 March 2001, 2nd tranche of 20% from 1 September 2001, 3rd tranche of 15% from 1 March 2002, 4th tranche of 15% from 1 September 2002, 5th tranche of 15% from 1 March 2003 and the remaining tranche of 15% from 1 September 2003).

(2) The exercisable period is from 11 October 2001 to 10 October 2006 (both dates inclusive) (vesting period with the 1st tranche of 20% from 11 April 2002, 2nd tranche of 20% from 11 October 2002, 3rd tranche of 15% from 11 April 2003, 4th tranche of 15% from 11 October 2003, 5th tranche of 15% from 11 April 2004 and the remaining tranche of 15% from 11 October 2004).

On 23 April 2002, the Company adopted a new share option scheme (the "New Scheme") which was approved in substitution of the Old Scheme. Options granted under the Old Scheme prior to its substitution which have not been fully exercised remain valid until such time that such options are fully exercised or have lapsed. Particulars of the Old Scheme and the New Scheme are set out in note 27 to the financial statements.

No share options were granted under the New Scheme since its adoption.

Directors' Report

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than as disclosed above, at no time during the year was the Company, its holding company, or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS

During the year ended 31 December 2005, the Group had the following transactions with connected persons as defined in the GEM Listing Rules.

Pursuant to the agreements dated 1 September 2004 and 1 September 2005 entered into between the Group and Zee King Tak, Winston, Zee King Tak, Winston agreed to lease certain premises to the Group. Zee King Tak, Winston is the spouse of Zee Chan Mei Chu, Peggy. The rentals payable by the Group for the year amounted to HK$45,600.

Pursuant to the agreement dated 1 January 2005 entered into between the Group and Net Fun Limited, the Group agreed to provide general administrative services and technical support services to Net Fun Limited. The management fee and service income receivable by the Group during the year amounted to HK$100,000.

During the year, Net Fun Limited provided design services to the Group. The design fee payable by the Group for the year amounted HK$100,000.

Zee Chan Mei Chu, Peggy is a director of and has beneficial interests in Net Fun Limited.

Save as disclosed above, no contracts of significance to which the Company, its holding company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' SERVICE CONTRACTS

The Company has entered into a service contract with each of Zee Chan Mei Chu, Peggy, Fung Din Chung, Rickie and Leung Lucy, Michele for a term of three years commencing on 1 March 2000. The service contracts were renewed for further periods from 1 March 2004 to 31 December 2004 and from 1 January 2005 to 31 December 2005. The service contracts will continue thereafter until terminated by not less than six months' notice in writing by either party to the other.

The Company has entered into a service contract with Wen Pei Sung for a term of three years commencing on 27 April 2000. The service contract was renewed for further periods from 1 March 2003 to 31 December 2003, from 1 January 2004 to 31 Decmeber 2004 and 1 Janauary 2005 to 31 December 2005. The service contract will continue thereafter until terminated by not less than six months' notice in writing by either party to the other. Wei Pei Sung tendered his resignation as an executive director with effect from 31 December 2005.

The Company has entered into a service contract with Ng Wai King, Steve for a term of one year commencing on 1 January 2005. The service contract will continue thereafter until terminated by not less than six months' notice in writing by either party to the other.

Directors' Report

DIRECTORS' SERVICE CONTRACTS *(Continued)*

Save as disclosed above, none of the directors proposed for re-election at the forthcoming annual general meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation (other than statutory compensation).

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate turnover attributable to the Group's five largest customers was approximately 48.0% of the Group's total turnover and the Group's largest customer accounted for approximately 30.0% of the Group's turnover.

The aggregate purchases during the year attributable to the Group's five largest suppliers was approximately 64.5% of the Group's total purchases and the Group's largest supplier accounted for approximately 29.3% of the Group's total purchases.

None of the directors, their associates or any shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's issued share capital) had any interest in any of the five largest customers and suppliers of the Group.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2005, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following shareholders had notified the Company of relevant interests and short positions in the issued share capital of the Company.

Long positions in the ordinary shares of HK$0.10 each of the Company

Name of shareholder	*Note*	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Zee Chan Mei Chu, Peggy	*1*	566,223,197	57.48%
Passion Investment (BVI) Limited	*1*	563,679,197	57.22%
Cheung Kong (Holdings) Limited	*2*	143,233,151	14.54%
Li Ka-Shing Unity Trustee Company Limited (as trustee of The Li Ka-Shing Unity Trust)	*2*	143,233,151	14.54%
Li Ka-Shing Unity Trustcorp Limited (as trustee of another discretionary trust)	*2*	143,233,151	14.54%
Li Ka-Shing Unity Trustee Corporation Limited (as trustee of The Li Ka-Shing Unity Discretionary Trust)	*2*	143,233,151	14.54%
Li Ka-shing	*2*	143,233,151	14.54%
Alps Mountain Agent Limited	*2*	71,969,151	7.31%
iBusiness Corporation Limited	*2*	67,264,000	6.83%

Directors' Report

SUBSTANTIAL SHAREHOLDERS *(Continued)*

Notes:

(1) These shares have been disclosed as directors' interests held by controlled corporation in the paragraph headed "Directors' and chief executive's interests or short positions in securities".

(2) Mr. Li Ka-shing is the settlor of each of The Li Ka-Shing Unity Discretionary Trust ("DT1") and another discretionary trust ("DT2"). Each of Li Ka-Shing Unity Trustee Corporation Limited ("TDT1", which is the trustee of DT1) and Li Ka-Shing Unity Trustcorp Limited ("TDT2", which is the trustee of DT2) holds units in The Li Ka-Shing Unity Trust ("UT1") but is not entitled to any interest or share in any particular property comprising the trust assets of the said unit trust. The discretionary beneficiaries of each of DT1 and DT2 are, inter alia, Mr. Li Tzar Kuoi, Victor, his wife and children and Mr. Li Tzar Kai, Richard. Li Ka-Shing Unity Trustee Company Limited ("TUT1") as trustee of UT1 together with certain companies which TUT1 as trustee of UT1 is entitled to exercise or control the exercise of one-third or more of the voting power at their general meetings hold more than one-third of the issued share capital of Cheung Kong (Holdings) Limited ("CKH"). CKH is entitled to exercise or control the exercise of one-third or more of the voting power at the general meetings of Alps Mountain Agent Limited ("Alps") and iBusiness Corporation Limited ("iBusiness").

The entire issued share capital of each of TUT1, TDT1 and TDT2 are owned by Li Ka-Shing Unity Holdings Limited ("Unity Holdco"). Each of Mr. Li Ka-shing, Mr. Li Tzar Kuoi, Victor and Mr. Li Tzar Kai, Richard is interested in one-third of the entire issued share capital of Unity Holdco. TUT1 is only interested in the shares of CKH by reason only of its obligation and power to hold interests in those shares in its ordinary course of business as trustee and, when performing its functions as trustee, exercises its power to hold interests in the shares of CKH independently without any reference to Unity Holdco or any of Mr. Li Ka-shing, Mr. Li Tzar Kuoi, Victor and Mr. Li Tzar Kai, Richard as a holder of the shares of Unity Holdco as aforesaid.

By virtue of the SFO, each of Mr. Li Ka-shing, being the settlor and may be regarded as a founder of each of DT1 and DT2 for the purpose of the SFO, TUT1, TDT1, TDT2 and CKH are deemed to be interested in the 143,233,151 shares of the Group of which 71,969,151 shares are held by Alps and 67,264,000 shares are held by iBusiness.

Save as disclosed above, the Company has not been notified of any other interests or short positions in the issued share capital of the Company at 31 December 2005.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

PRE-EMPTIVE RIGHTS

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

AUDIT COMMITTEE

The Company established an audit committee on 11 August 2000 with written terms of reference in accordance with Rule 5.28 to 5.33 of the GEM Listing Rules. The audit committee comprises three members – Cheong Ying Chew, Henry, Chang Ka Mun and Wong Mee Chun, all of whom are independent non-executive directors. Cheong Ying Chew, Henry is the chairman of the audit committee. Its principal duties are to review and supervise the financial reporting process and internal control procedures of the Group. The audit committee met on a quarterly basis during the year ended 31 December 2005.

COMPETING INTERESTS

Ip Tak Chuen, Edmond, a non-executive director of the Company, and Cheong Ying Chew, Henry, an independent non-executive director of the Company, are a non-executive director and an independent non-executive director of TOM Group Limited respectively. TOM Group Limited operates an Internet portal delivering Internet infotainment content and services, development of software and computer network systems, provision of related services and event production.

Ip Tak Chuen, Edmond is also a director of iBusinessCorporation.com Holdings Limited, which is a company facilitating e-commerce business on the Internet.

Save as disclosed above, at 31 December 2005, none of the directors, the management shareholders or their respective associates (as defined in the GEM Listing Rules) had an interest in a business which causes or may cause significant competition with the business of the Group.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 December 2005.

Directors' Report

AUDITORS

During the year the auditors, Messrs. Deloitte Touche Tohmatsu resigned and Messrs. Moores Rowland Mazars, Chartered Accountants, Certified Public Accountants, were appointed auditors of the Company. A resolution will be submitted to the annual general meeting to re-appoint Messrs. Moores Rowland Mazars.

On behalf of the Board

Zee Chan Mei Chu, Peggy
Chairman

Hong Kong, 29 March 2006

Auditors' Report

Moores Rowland Mazars

摩斯倫・馬賽會計師事務所

To the members of

Excel Technology International Holdings Limited

(incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 35 to 81 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

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

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

BASIS OF OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants, except that the scope of our work was limited as explained below.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. However, the evidence available to us was limited as follows:

As at 31 December 2005, the Group's interests in associates included share of net assets of Camelot Information Systems Inc. ("Camelot") of HK$29,631,000 and the Group's loss for the year was arrived at after share of Camelot's profit of HK$6,154,000 for the year then ended. As further explained in note 16 to the financial statements, these amounts were derived from the unqualified audited accounts of Camelot for the year ended 31 December 2005, which have been prepared under the accounting principles generally accepted in the People's Republic of China. Because of the delay in receiving the audited accounts of Camelot and other information from the auditors of Camelot, we have not been able to form a conclusion on the adequacy of the work of Camelot's

Auditors' Report

auditors and, hence, whether additional audit procedures are required, and we have not been able to perform alternative procedures that we considered necessary to satisfy ourselves as to whether:

(1) the Group's interests in Camelot as at 31 December 2005 and the Group's share of profit for the year then ended were fairly stated under the Hong Kong Financial Reporting Standards ("HKFRS"); and

(2) the financial information of Camelot as disclosed in note 16 to the financial statements was fairly stated under the HKFRS.

In forming our opinion we have also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

QUALIFIED OPINION ARISING FROM LIMITATION OF AUDIT SCOPE

Except for any adjustments that might have been found to be necessary had we been able to obtain sufficient evidence concerning the Group's interest in Camelot and share of Camelot's profit, in our opinion the financial statements give a true and fair view of the state of the Company's and the Group's affairs as at 31 December 2005 and of the Group's loss for the year then ended. In all respects, in our opinion the financial statements give a true and fair view of the Group's cash flows for the year ended 31 December 2005 and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Moores Rowland Mazars
Chartered Accountants
Certified Public Accountants
Hong Kong
29 March 2006

Consolidated Income Statement

Year ended 31 December 2005

	Notes	2005 HK$'000	2004 HK$'000 (Restated)
Turnover	3	**224,242**	162,888
Other net operating income	5	**688**	2,333
Change in inventories of hardware and software		**(6,757)**	421
Purchase of hardware and software		**(108,521)**	(90,427)
Professional fee		**(15,463)**	(6,274)
Staff costs		**(82,038)**	(66,999)
Depreciation and amortisation		**(8,338)**	(8,746)
Other expenses		**(19,690)**	(20,041)
Impairment loss recognised in respect of goodwill		**(4,162)**	–
Reversal of impairment of property, plant and equipment		**816**	–
Provision for obsolete inventories		**(545)**	–
Loss from operations		**(19,768)**	(26,845)
Finance costs	9	**(316)**	(382)
Share of results of associates		**4,517**	4,290
Loss before taxation	6	**(15,567)**	(22,937)
Taxation	10	**(139)**	(113)
Loss for the year		**(15,706)**	(23,050)
Attributable to:			
Equity holders of the parent	11	**(16,566)**	(20,962)
Minority interests		**860**	(2,088)
		(15,706)	(23,050)
Loss per share			
– Basic	12	**(1.68 cents)**	(2.13 cents)

Consolidated Balance Sheet

At 31 December 2005

	Notes	2005 HK$'000	2004 HK$'000 (Restated)
Non-current assets			
Property, plant and equipment	14	**13,687**	13,999
Interests in associates	16	**36,365**	31,848
Goodwill	17	**1,140**	5,302
Development costs	18	**3,367**	8,121
Available-for-sale financial assets	19	**7,229**	8,744
		61,788	68,014
Current assets			
Inventories, at cost		**279**	7,036
Unbilled revenue	20	**7,956**	5,230
Trade receivables	21	**29,019**	20,042
Other receivables, deposits and prepayments		**9,244**	6,429
Financial assets at fair value through profit or loss	19	**–**	1,672
Amount due from an associate		**–**	103
Pledged bank deposits		**10,484**	11,622
Bank balances and cash		**14,464**	20,196
		71,446	72,330
Current liabilities			
Short-term bank loans – secured		**7,170**	5,358
Trade payables	23	**14,828**	10,362
Other payables and accrued charges		**10,789**	6,090
Deferred income	20	**13,214**	14,084
		46,001	35,894
Net current assets		**25,445**	36,436
Net assets		**87,233**	104,450
Capital and reserves			
Share capital	24	**98,505**	98,505
Reserves	25(a)	**(14,772)**	3,309
Equity attributable to equity holders of the parent		**83,733**	101,814
Minority interests		**3,500**	2,636
Total equity		**87,233**	104,450

The financial statements on pages 35 to 81 were approved and authorised for issue by the Board of Directors on 29 March 2006 and are signed on its behalf by:

Zee Chan Mei Chu, Peggy
Director

Fung Din Chung, Rickie
Director

Balance Sheet

At 31 December 2005

	Notes	2005	2004
		HK$'000	HK$'000
Non-current assets			
Investments in subsidiaries	15	**–**	–
Current assets			
Prepayments		**157**	150
Amounts due from subsidiaries	22	**134,524**	135,768
Bank balances		**242**	210
		134,923	136,128
Current liabilities			
Other payables and accrued charges		**350**	662
Amounts due to subsidiaries	22	**64,740**	64,740
		65,090	65,402
Net current assets		**69,833**	70,726
Net assets		**69,833**	70,726
Capital and reserves			
Share capital	24	**98,505**	98,505
Reserves	25(b)	**(28,672)**	(27,779)
Total equity		**69,833**	70,726

The financial statements on pages 35 to 81 were approved and authorised for issue by the Board of Directors on 29 March 2006 and are signed on its behalf by:

Zee Chan Mei Chu, Peggy
Director

Fung Din Chung, Rickie
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2005

	Attributable to equity holders of the parent						
	Share capital	Share premium	Investment revaluation reserve	Accumulated losses	Total	Minority interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2004	98,505	179,650	–	(155,379)	122,776	4,724	127,500
Loss for the year	–	–	–	(20,962)	(20,962)	(2,088)	(23,050)
At 31 December 2004	98,505	179,650	–	(176,341)	101,814	2,636	104,450
At 1 January 2005	98,505	179,650	–	(176,341)	101,814	2,636	104,450
Opening balance adjustment arising from the adoption of HKAS 39 *(note 13)*	–	–	(1,305)	–	(1,305)	–	(1,305)
As restated	98,505	179,650	(1,305)	(176,341)	100,509	2,636	103,145
Net loss directly recognised in equity							
Changes in fair value of available-for-sale financial assets	–	–	(210)	–	(210)	–	(210)
Capital contributed by a minority shareholder of a subsidiary	–	–	–	–	–	4	4
(Loss) Profit for the year	–	–	–	(16,566)	(16,566)	860	(15,706)
At 31 December 2005	**98,505**	**179,650**	**(1,515)**	**(192,907)**	**83,733**	**3,500**	**87,233**

Consolidated Cash Flow Statement

Year ended 31 December 2005

	2005 HK$'000	2004 HK$'000
OPERATING ACTIVITIES		
Loss before taxation	**(15,567)**	(22,500)
Adjustments for:		
Share of results of associates	**(4,517)**	(4,727)
Dividend income	**(24)**	(34)
Interest income	**(449)**	(191)
Interest expense	**316**	382
Realised gain on available-for-sale financial assets	**–**	(418)
Net loss (gain) on financial assets at fair value through profit or loss	**210**	(66)
Depreciation and amortisation of property, plant and equipment	**3,584**	4,461
Amortisation of development costs	**4,754**	3,189
Amortisation of goodwill	**–**	1,096
Impairment loss recognised in respect of goodwill	**4,162**	–
Loss on disposal of property, plant and equipment	**45**	–
Reversal of impairment loss on property, plant and equipment	**(816)**	–
Changes in working capital		
Inventories	**6,757**	(421)
Unbilled revenue	**(2,726)**	1,855
Trade receivables	**(8,977)**	15,101
Other receivables, deposits and prepayments	**(2,815)**	5,332
Amount due from an associate	**103**	(103)
Trade payables	**4,466**	2,655
Other payables and accrued charges	**4,699**	(962)
Deferred income	**(870)**	4,774
Government grants	**–**	(470)
Cash (used in) generated from operations	**(7,665)**	8,953
Taxation in other jurisdictions paid	**(139)**	(113)
Net cash (used in) generated from operating activities	**(7,804)**	8,840

Consolidated Cash Flow Statement

Year ended 31 December 2005

	2005	2004
	HK$'000	HK$'000
INVESTING ACTIVITIES		
Interest received	449	191
Dividend received	24	34
Development costs capitalised	–	(5,050)
Purchase of property, plant and equipment	(2,504)	(3,929)
Decrease (Increase) in pledged bank deposits	1,138	(2,422)
Investment in associates	–	(1,944)
Purchase of available-for-sale financial assets	–	(942)
Proceeds from disposal of financial assets at fair value through profit or loss	1,462	–
Proceeds from disposal of property, plant and equipment	3	–
Net cash generated from (used in) investing activities	572	(14,062)
FINANCING ACTIVITIES		
New bank loans raised	8,298	1,410
Interest paid	(316)	(382)
Capital contributed by a minority shareholder of a subsidiary	4	–
Repayment of bank loans	(6,486)	–
Net cash generated from financing activities	1,500	1,028
Net decrease in cash and cash equivalents	(5,732)	(4,194)
Cash and cash equivalents at beginning of the year	20,196	24,390
Cash and cash equivalents at end of the year, representing bank balances and cash	14,464	20,196

Notes to the Financial Statements

Year ended 31 December 2005

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability. Its shares are listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited. Its ultimate holding company is Passion Investment (BVI) Limited, a company which is incorporated in the British Virgin Islands.

The Company is an investment holding company. Its principal subsidiaries are engaged in the development, sale and implementation of enterprise software and the provision of systems integration, professional services and ASP services.

2. PRINCIPAL ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("FRS") and Hong Kong Accounting Standards ("HKAS") (collectively referred to as "HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. In this year, the Group adopted the new/revised HKFRS pertinent to its operations. Major changes in accounting policies following the adoption of these HKFRS are summarised in note 13 to the financial statements. A summary of the principal accounting policies adopted by the Group is set out below.

The measurement basis used in the preparation of these financial statements is historical cost, except for certain available-for-sale financial assets and financial assets at fair value through profit or loss, which have been measured at fair value.

Basis of consolidation

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

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All inter-company transactions and balances within the Group have been eliminated on consolidation.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance expenses are charged to the income statement during the year in which they are incurred.

Notes to the Financial Statements

Year ended 31 December 2005

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

Depreciation is provided to write off the cost less accumulated impairment losses of property, plant and equipment over their estimated useful lives from the date on which they are available for use and after taking into account of their estimated residual values, using the straight-line method, at the following rates per annum:

Leasehold land	Over the unexpired terms of leases *
Buildings	2.5%
Leasehold improvements	25%
Computer and office equipment	20% to $33^1/_3$%
ASP software	20%
Furniture and fixtures	25%
Motor vehicles	30%

* *As the lease payments for the leasehold land and buildings cannot be allocated reliably between the land and buildings elements in accordance with HKAS 17, the entire lease payments are classified as a finance lease. The carrying amount is allocated on a reasonable basis and depreciated separately.*

Research and development costs

Research costs are expensed as incurred. Costs incurred on development activities, which involve the application of research findings to a plan or design for the production of new or substantially improved products and processes, are capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources to complete the development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the income statement as an expense as incurred. The capitalised development costs are amortised on a straight-line basis over a period of three years, from the date on which they are available for use.

Subsidiaries

A subsidiary is an entity, in which the Company, directly or indirectly, has the power to govern the financial and operating policies so as to obtain benefits from its activities.

In the Company's balance sheet, investments in subsidiaries are stated at cost less accumulated impairment losses. The carrying amount of the investment is reduced to its recoverable amount on an individual basis. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Associates

An associate is an entity, in which the Group has significant influence and which is neither a subsidiary nor a joint venture.

The Group's investment in associate is accounted for under the equity method of accounting. The income statement includes the Group's share of the post-acquisition results of the associate for the year. The balance sheet includes the Group's share of the net assets of the associates and also goodwill. Unless the Group has incurred obligations or guaranteed obligations in respect of the associates, equity accounting is discontinued when the Group's share of losses of associates equals or exceeds the carrying amount.

Goodwill

Goodwill on acquisition is initially measured at cost, being the excess of the cost of the acquisition over the Group's share of the fair value of the identifiable assets, liabilities and contingent liabilities. Goodwill on acquisitions is recognised as a separate asset. Goodwill on acquisitions of associates or jointly controlled entities is included in interests in associates or jointly controlled entities. Goodwill is carried at cost less accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Goodwill is allocated to cash-generating units for the purpose of impairment test and determination of gain or loss on disposal. An impairment loss on goodwill is not reversed.

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in the income statement.

Financial instruments

Financial assets and financial liabilities are recognised on the trade date basis, and when the Group becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at cost, being the fair value of the consideration given and except for financial assets or financial liabilities at fair value through profit or loss, including transaction costs directly attributable to the acquisition. The derecognition of a financial asset takes place when the Group's contractual rights to future cash flows from the financial asset expire or the Group transfers the contractual rights to future cash flows to third party. The Group derecognises financial liability when, and only when the liability is extinguished. The Group classifies its financial assets and financial liabilities in the following categories.

Financial assets at fair value through profit or loss

Financial instruments classified as financial assets at fair value through profit or loss include financial assets that are held for trading or derivatives that are not qualified for hedge accounting, and those designated at fair value through profit or loss at inception. They are measured at fair value and changes in fair value are recognised in the income statement.

Notes to the Financial Statements

Year ended 31 December 2005

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated at this category or not classified in any of the other categories. They are measured at fair value with changes in value recognised as a separate component of equity until the investments are sold, collected or otherwise disposed of, or until the investments are determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement. Available-for-sale financial assets that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are stated at cost less any accumulated impairment losses.

Bank borrowings

Bank borrowings are initially recognised at cost, being the fair value of the consideration received, net of transaction costs incurred and are subsequently measured at amortised cost using effective interest method.

Trade receivables and payables

Trade receivables and payables are recognised at cost which approximates their fair values, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all the amounts due according to the original terms of receivables. The amount of the provision is the difference between the assets' carrying amount and the present value of estimated future cash flow, discounted at the effective interest rate. The amount of provision is recognised in the income statement.

Cash equivalents

For the purpose of consolidated cash flow statement, cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, net of bank overdrafts.

Notes to the Financial Statements

Year ended 31 December 2005

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Revenue recognition

Revenue is recognised when it is probable that economic benefits will flow to the Group and when the revenue and costs, if applicable, can be measured reliably and on the following bases.

Income from enterprise software products includes the sale of enterprise software products, custom development and the provision of maintenance services. Income from systems integration includes the provision of systems integration services and the resale of complementary hardware and software products.

The Group enters into contracts with customers whereby a number of elements are bundled together in one contract – for example, resale of complementary hardware and software products, sale of software licences and the development of customised software including completion of services provided for post-delivery service support. The contract price is fixed prior to the commencement of the contract and the Group refers to these as "fixed price contracts".

In circumstances where the contract price can be allocated on a reasonable basis to the elements of resale of hardware and software products, sale of software licences and development of customised software, revenue is recognised as described below:

(a) Revenue from resale of complementary hardware and software products is recognised when the goods are delivered and title has been passed.

(b) Revenue from sale of software licences is recognised upon delivery of the software products to the customer when there are no post-delivery obligations.

(c) Revenue from the development of customised software is recognised by reference to the stage of completion of the customisation work (including post-delivery service support) at the balance sheet date.

Where the contract price cannot be allocated into individual elements of the sale of enterprise software products and custom development, revenue from sale of enterprise software products and custom development is recognised by reference to the stage of completion of the sale of enterprise software products and custom development (including post-delivery service support) at the balance sheet date.

Maintenance service income is recognised on a straight line basis over the terms of the relevant maintenance service contracts. Where maintenance service income is not separately invoiced, it is unbundled from licence fees and deferred and recognised on a straight line basis over the period of the relevant maintenance service contracts.

Systems integration service income is recognised when the services are provided.

Professional service income is recognised when the services are provided.

Notes to the Financial Statements

Year ended 31 December 2005

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

Application Service Provider ("ASP") service income is recognised when the services are provided.

Management fee income is recognised when the management services are provided.

Service income is recognised when the services are provided.

Interest income is accrued on a time basis by reference to the principal outstanding and at the interest rate applicable.

Dividend income from investments is recognised when the Group's rights to receive payment have been established.

Foreign currency translation

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 ("functional currency"). The consolidated financial statements are presented in the currency of Hong Kong dollars, which is the Company's functional and presentation currency.

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 income statement.

Translation differences on non-monetary items, such as equity investments held that are classified as financial assets at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items such as equity instruments classified as available-for-sale financial assets are included in the investment revaluation reserve in equity.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items, including goodwill arising on consolidation of foreign operations acquired on or after 1 January 2005, are translated into Hong Kong dollars at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised directly in a separate component of equity. Goodwill arising on consolidation of a foreign operation acquired before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

On disposal of a foreign operation, the cumulative amount of the exchange differences recognised in equity which relate to that foreign operation is included in the calculation of the profit or loss on disposal.

Notes to the Financial Statements

Year ended 31 December 2005

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Impairment loss

At each balance sheet date, the Group reviews internal and external sources of information to determine whether the carrying amounts of its property, plant and equipment and intangible assets have suffered an impairment loss or impairment loss previously recognised no longer exists or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its fair value less costs to sell and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. cash-generating unit).

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately, except where the relevant asset is carried at valuation in which case the impairment loss is treated as a revaluation decrease.

A reversal of impairment loss is limited to the carrying amount of the asset or cash-generating unit that would have been determined had no impairment loss been recognised in prior years. Reversal of impairment loss is recognised as income immediately, except where the relevant asset is carried at valuation, in which case the reversal of impairment loss is treated as a revaluation increase.

Inventories

Inventories, which represent merchandise held for resale, are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the first in, first out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Leases

Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases. Rentals payable under operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease.

Defined contribution plans

The obligations for contributions to defined contribution retirement scheme are recognised as an expense in the income statement as incurred. The assets of the scheme are held separately from those of the Group in an independently administered fund.

Notes to the Financial Statements

Year ended 31 December 2005

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Taxation

The charge for current income tax is based on the results for the year as adjusted for items that are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting profit nor taxable profit or loss, it is not accounted for.

The deferred tax liabilities and assets are measured at the tax rates that are expected to apply to the period when the asset is recovered or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, tax losses and credits can be utilised.

Related parties

A party is related to the Group if (a) directly, or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the Group; or has an interest in the Group that gives it significant influence over the Group; or has joint control over the Group; (b) the party is an associate of the Group; (c) the party is a joint venture in which the Group is a venturer; (d) the party is a member of the key management personnel of the Group or its parent; (e) the party is a close member of the family of any individual referred to in (a) or (d); (f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or (g) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

Critical accounting estimates and judgements

Estimates and judgements are currently evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Apart from information disclosed elsewhere in these financial statements, the following summarise estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Notes to the Financial Statements

Year ended 31 December 2005

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Critical accounting estimates and judgements *(Continued)*

Allowance for bad and doubtful debts

The provisioning policy for bad and doubtful debts of the Group is based on the evaluation of collectability and ageing analysis of the accounts receivables and on management's judgement. At the balance sheet date, the accounts receivables, net of provision, amounted to HK$29,019,000 (2004: HK$20,042,000). A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of these customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance will be required.

Impairment of assets

There were several impairment indicators which trigger the requirement to estimate the recoverable amounts of property, plant and equipment. In accordance with HKAS 36 "Impairment of assets", the Group completed its impairment test by comparing their recoverable amounts to their carrying amounts as at balance sheet date.

The recoverable amounts of the property, plant and equipment are estimated by reference to cash flows projections based on financial estimates covering the year ending 31 December 2006. The estimated turnover of the Group for 2006 was largely made on the basis of signed contracts, together with quotations which are very likely to materialise. Gross profit percentage was estimated by reference to historical information and management's expectation of market development. Management believes that any reasonably foreseeable change in the above key assumptions would not cause the aggregate carrying amounts of property, plant and equipment to exceed their aggregate recoverable amounts.

Fair value of available-for-sale financial assets

The available-for-sale financial assets as recorded in the consolidated balance sheet included an investment in an unlisted private equity fund (the "Fund") amounting to HK$6,287,000, which are stated at fair value.

The Fund's assets mainly represent investments in unlisted companies in high growth technology industries (the "Investments"). According to the audited financial statements of the Fund for the year ended 31 December 2004 and a written confirmation from the Fund's management, the fair value of the Investments are reviewed semi-annually on 30 June and 31 December, which estimation involves judgements of management of the Fund.

The fair value of the Fund as at the balance sheet date represented the Group's share of net assets of the Fund by reference to its unaudited management accounts for the year ended 31 December 2005.

Notes to the Financial Statements

Year ended 31 December 2005

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Future changes in HKFRS

At the date of authorisation of these financial statements, the HKICPA has issued a number of accounting standards and interpretations that are not yet effective. The Group has not early adopted these new HKFRS and the directors anticipate that the adoption of these new HKFRS in the future periods will have no material impact on the results of the Group.

3. TURNOVER

	2005	2004
	HK$'000	*HK$'000*
An analysis of the Group's turnover is as follows:		
Enterprise software products	**68,166**	50,748
Systems integration	**121,922**	94,824
Professional services	**29,044**	12,450
ASP services	**5,110**	4,866
	224,242	162,888

Notes to the Financial Statements

Year ended 31 December 2005

4. SEGMENT INFORMATION

(a) Geographical segments

Geographical segments based on the location of assets are chosen as the primary segment reporting format because management considers that they are more relevant to the Group in making operating and financial decisions. The Group's business can be subdivided into Hong Kong, other regions in the People's Republic of China (the "PRC") and other markets.

(i) An analysis of the Group's turnover and results by geographical segments is as follows:

	Hong Kong		PRC		Others		Elimination		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)						(Restated)
Turnover	**86,190**	75,924	**145,303**	89,587	**11,901**	4,109	**(19,152)**	(6,732)	**224,242**	162,888
Segment results	**(16,922)**	(11,209)	**(5,551)**	(14,590)	**2,705**	(1,046)	**–**	–	**(19,768)**	(26,845)
Finance costs	**(14)**	–	**(302)**	(381)	**–**	(1)	**–**	–	**(316)**	(382)
Share of results of associates	**–**	–	**4,517**	4,290	**–**	–	**–**	–	**4,517**	4,290
Loss before taxation	**(16,936)**	(11,209)	**(1,336)**	(10,681)	**2,705**	(1,047)	**–**	–	**(15,567)**	(22,937)
Taxation	**–**	–	**(139)**	(113)	**–**	–	**–**	–	**(139)**	(113)
Loss for the year	**(16,936)**	(11,209)	**(1,475)**	(10,794)	**2,705**	(1,047)	**–**	–	**(15,706)**	(23,050)

(ii) Other information:

	Hong Kong		PRC		Others		Elimination		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
Capital additions	**433**	6,332	**2,071**	2,470	**–**	177	**–**	–	**2,504**	8,979
Depreciation and amortisation	**3,428**	4,572	**4,847**	4,092	**63**	82	**–**	–	**8,338**	8,746
Impairment loss reversed	**(816)**	–	**–**	–	**–**	–	**–**	–	**(816)**	–
Impairment loss recognised	**4,162**	–	**–**	–	**–**	–	**–**	–	**4,162**	–
Revenue from external customers by the location of customers	**73,971**	69,784	**154,105**	94,046	**15,318**	5,790	**(19,152)**	(6,732)	**224,242**	162,888

Inter-segment sales are charged at similar terms as outsiders.

Notes to the Financial Statements

Year ended 31 December 2005

4. SEGMENT INFORMATION *(Continued)*

(a) Geographical segments *(Continued)*

(iii) An analysis of the Group's balance sheet by geographical segments is as follows:

	Hong Kong		PRC		Others		Elimination		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*
Assets										
Segment assets	**113,907**	132,106	**39,769**	33,814	**6,119**	4,676	**(62,926)**	(62,100)	**96,869**	108,496
Interests in associates	**–**	–	**36,365**	31,848	**–**	–	**–**	–	**36,365**	31,848
Consolidated total assets	**113,907**	132,106	**76,134**	65,662	**6,119**	4,676	**(62,926)**	(62,100)	**133,234**	140,344
Liabilities										
Segment liabilities	**(18,431)**	(18,492)	**(73,177)**	(62,734)	**(10,149)**	(11,410)	**62,926**	62,100	**(38,831)**	(30,536)
Bank loans	**(2,000)**	–	**(5,170)**	(5,358)	**–**	–	**–**	–	**(7,170)**	(5,358)
Consolidated total liabilities	**(20,431)**	(18,492)	**(78,347)**	(68,092)	**(10,149)**	(11,410)	**62,926**	62,100	**(46,001)**	(35,894)

(b) Business segments

The Group is organised into four operating divisions, namely enterprise software products, systems integration, professional services and ASP services.

Principal activities of the operating divisions are as follows:

Enterprise software products	–	sale of enterprise software products and provision of maintenance services
Systems integration	–	provision of systems integration services and resale of complementary hardware and software products
Professional services	–	provision of consultancy services
ASP services	–	provision of services in respect of ASP business

Notes to the Financial Statements

Year ended 31 December 2005

4. SEGMENT INFORMATION *(Continued)*

(b) Business segments *(Continued)*

An analysis of the revenue from external customers, the carrying amount of segment assets and capital additions by business segments is as follows:

	Enterprise software products		Systems integration		Professional services		ASP services		Unallocated assets		Total	
	2005	2004	**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*	***HK$'000***	*HK$'000*
Revenue from external customers	**68,166**	50,748	**121,922**	94,824	**29,044**	12,450	**5,110**	4,866	**–**	–	**224,242**	162,888
Segment assets	**39,418**	35,747	**17,115**	17,327	**41,541**	37,061	**582**	5,454	**34,578**	44,755	**133,234**	140,344
Capital additions	**2,287**	8,011	**–**	–	**180**	960	**37**	8	**–**	–	**2,504**	8,979

5. OTHER NET OPERATING INCOME

	2005	2004
	HK$'000	*HK$'000*
Dividend income from listed securities	**24**	34
Income from government grants	**–**	470
Interest income	**449**	191
Management fee and service income	**50**	120
Realised gain on available-for-sale financial assets	**–**	418
Net (loss) gain on financial assets at fair value through profit or loss	**(210)**	66
Others	**375**	1,034
	688	2,333

Notes to the Financial Statements

Year ended 31 December 2005

6. LOSS BEFORE TAXATION

	2005	2004
	HK$'000	*HK$'000*
		(Restated)
Loss before taxation has been arrived at after charging:		
Directors' remuneration, excluding benefit-in-kind *(Note 7)*	**4,879**	4,882
Other staff costs	**73,761**	64,225
Contributions to defined contribution plan	**3,398**	2,942
Total staff costs	**82,038**	72,049
Less: Staff costs capitalised in development costs	**–**	(5,050)
	82,038	66,999
Depreciation and amortisation of property, plant and equipment	**3,584**	4,461
Amortisation of development costs	**4,754**	3,189
Amortisation of goodwill	**–**	1,096
Total depreciation and amortisation	**8,338**	8,746
Share of associates' taxation	**95**	437
Cost of inventories sold	**115,278**	90,006
Cost of services rendered	**75,842**	52,216
Auditors' remuneration	**651**	793
Loss on disposal of property, plant and equipment	**45**	–
Minimum lease payments in respect of land and buildings	**4,603**	4,391
Research and development expenditures (including staff costs of HK$Nil; 2004: HK$16,894,000)	**–**	17,797
Less: Amount capitalised in development costs	**–**	(5,050)
	–	12,747

Notes to the Financial Statements

Year ended 31 December 2005

7. DIRECTORS' REMUNERATION

The aggregate amounts of remuneration received and receivable by the Company's directors are as follows:

	Directors' fees	Salaries and other benefits	Retirement benefit	Benefit-in-kind *(Note)*	Contributions to defined contribution plan	2005 Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors						
Zee Chan Mei Chu, Peggy	–	1,000	–	324	9	1,333
Fung Din Chung, Rickie	–	1,000	–	–	11	1,011
Leung Lucy, Michele	–	1,000	–	125	12	1,137
Wen Pei Sung (resigned on 31 December 2005)	–	1,450	85	–	12	1,547
Ng Wai King, Steve (appointed on 31 December 2005)	–	–	–	–	–	–
Non-executive director						
Ip Tak Chuen, Edmond	–	–	–	–	–	–
Independent non-executive directors						
Cheong Ying Chew, Henry	100	–	–	–	–	100
Chang Ka Mun	100	–	–	–	–	100
Wong Mee Chun	100	–	–	–	–	100
	300	4,450	85	449	44	5,328

Notes to the Financial Statements

Year ended 31 December 2005

7. DIRECTORS' REMUNERATION *(Continued)*

	Directors' fees HK$'000	Salaries and other benefits HK$'000	Retirement benefit HK$'000	Benefit-in-kind *(Note)* HK$'000	Contributions to defined contribution plan HK$'000	2004 Total HK$'000 (Restated)
Executive directors						
Zee Chan Mei Chu, Peggy	–	1,000	–	282	12	1,294
Fung Din Chung, Rickie	–	1,000	–	–	12	1,012
Leung Lucy, Michele	–	1,000	–	122	12	1,134
Wen Pei Sung	–	1,450	–	–	12	1,462
Ip Kim Kuen (resigned on 31 January 2004)	–	83	–	–	1	84
Non-executive directors						
Ip Tak Chuen, Edmond	–	–	–	–	–	–
Quek Cher Teck (resigned on 13 July 2004)	–	–	–	–	–	–
Independent non-executive directors						
Cheong Ying Chew, Henry	100	–	–	–	–	100
Chang Ka Mun	100	–	–	–	–	100
Wong Mee Chun	100	–	–	–	–	100
	300	4,533	–	404	49	5,286

Note: The amount represented the estimated rateable value of residential accommodation in respect of properties owned by the Group and occupied by two executive directors of the Company.

No directors waived any emoluments during both years.

Notes to the Financial Statements

Year ended 31 December 2005

8. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, four (2004: three) are directors of the Company whose emoluments are disclosed in note 7 above. The emoluments of the remaining highest paid individual (2004: two individuals) are as follows:

	2005	2004
	HK$'000	*HK$'000*
Salaries and other benefits	**1,200**	2,200
Retirement benefit costs	**12**	24
	1,212	2,224

The emoluments of the individual (2004: two individuals) was within the following bands:

	Number of employees	
	2005	2004
HK$1,000,000 to HK$1,500,000	**1**	2

No emoluments were paid by the Group to the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office.

9. FINANCE COSTS

	2005	2004
	HK$'000	*HK$'000*
Interest on borrowings wholly repayable within five years:		
Bank loans	**316**	304
Other borrowings	**–**	78
	316	382

Notes to the Financial Statements

Year ended 31 December 2005

10. TAXATION

The tax charge for the years ended 31 December 2005 and 2004 represents taxation in other jurisdictions, which is calculated at the rates prevailing in the respective jurisdictions.

No provision for Hong Kong Profits Tax has been made in the financial statements as the Company and its subsidiaries either incurred tax losses during both years or their estimated assessable profits for the years are wholly absorbed by unrelieved tax losses brought forward from previous years.

The tax charge for the year can be reconciled to the loss before taxation as follows:

	2005	2004
	HK$'000	*HK$'000*
		(Restated)
Loss before taxation	**(15,567)**	(22,937)
Tax at the Hong Kong Profits Tax rate of 17.5% (2004: 17.5%)	**(2,724)**	(4,014)
Tax effect of income not taxable for tax purposes	**(146)**	(200)
Tax effect of expenses not deductible for tax purposes	**2,281**	2,279
Tax effect of unrecognised tax losses not recognised/ utilisation of unrecognised tax losses	**1,798**	2,964
Tax effect of share of results of associates	**(790)**	(751)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(280)**	(165)
Tax charge for the year	**139**	113

11. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The consolidated loss attributable to equity holders of the parent includes a loss of HK$893,000 (2004: HK$10,370,000) which has been dealt with in the financial statements of the Company.

12. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss attributable to equity holders of the parent of HK$16,566,000 (2004: HK$20,962,000) and the 985,050,000 (2004: 985,050,000) shares in issue during the year.

No diluted loss per share has been presented because all the share options granted as at 31 December 2005 and 2004 were anti-dilutive.

Notes to the Financial Statements

Year ended 31 December 2005

13. CHANGES IN ACCOUNTING POLICIES

In this year, the Group adopted the following new/revised HKFRS issued by the HKICPA, which are effective for accounting periods beginning on or after 1 January 2005. The comparatives have been amended in accordance with the relevant requirements. Major effects on the changes in accounting policies are summarised below:

HKAS 1 "Presentation of financial statements"

HKAS 1 has affected the presentation of minority interests, share of net post-tax results of associates and other related disclosures. Comparative figures have been restated accordingly.

HKAS 17 "Leases"

In prior year, leasehold land and buildings held for own use were stated at cost less accumulated depreciation and accumulated impairment losses. Under HKAS 17, when the lease payment cannot be allocated reliably between the land and building elements, the entire lease payment is accounted for as a finance lease.

Since the lease payment of the Group cannot be allocated reliably between the land and building elements, the entire lease continues to be accounted for as finance lease in property, plant and equipment. The change in accounting policy has had no effect on the Group.

HKAS 24 "Related party disclosures"

HKAS 24 has affected the identification of related parties and some other related-party disclosures. Details of the new definition of related parties are set out in note 2 to the financial statements.

HKAS 32 "Financial instruments: Disclosure and presentation" and HKAS 39 "Financial instruments: Recognition and measurement"

The adoption of HKAS 32 and HKAS 39 has resulted in a change in accounting policy for recognition, measurement, derecognition and disclosure of financial instruments. Until 31 December 2004, the Group classified investments into investment securities and other investments. Investment securities were stated at cost less provision for impairment losses that is expected to be other than temporary. Other investments were stated at their fair value. Changes in fair value were recognised in income statement as they arise.

In accordance with the provisions of HKAS 39, financial assets are classified into financial assets at fair value through profit or loss, and available-for-sale financial assets, loans and receivables and held-to-maturity investments.

Notes to the Financial Statements

Year ended 31 December 2005

13. CHANGES IN ACCOUNTING POLICIES *(Continued)*

HKAS 32 "Financial instruments: Disclosure and presentation" and HKAS 39 "Financial instruments: Recognition and measurement" *(Continued)*

Upon the adoption of HKAS 32 and HKAS 39, the Group's investment securities and other investments were re-designated as available-for-sale financial assets and financial assets at fair value through profit or loss respectively. They have been re-measured in accordance with HKAS 39 as appropriate. There are no adjustments arising from the adoption of HKAS 39 for financial assets at fair value through profit or loss but the adjustment related to the available-for-sale financial assets is recognised as an opening balance adjustment on the investment revaluation reserve at the beginning of the year as required by the transitional provisions of HKAS 39. Details of the new accounting policies adopted are set out in note 2 to the financial statements.

FRS 2 "Share-based payment"

The adoption of FRS 2 has resulted in a change in the accounting policy for employee share options. Prior to the application of FRS 2, the Group did not recognise the financial effect of those share options until they were exercised. Following the adoption of FRS 2, the fair value of share options determined at the grant date is recognised as expenses over the relevant vesting periods to the income statement. The Group has taken advantage of the transitional provisions of FRS 2 in respect of equity-settled share-based payments since all the share options of the Group were granted before 7 November 2002. As a result, there are no adjustments required for the share options of the Group.

FRS 3 "Business combination" and HKAS 36 "Impairment of assets"

The adoption of FRS 3 and HKAS 36 results in a change in the accounting policy for business combinations on a prospective basis. The Group ceased amortisation of goodwill from 1 January 2005 and the accumulated amortisation of goodwill as at 1 January 2005 has been eliminated against the cost of goodwill at that date in accordance with the transitional provisions of FRS 3. Following the adoption of FRS 3 and HKAS 36, goodwill is no longer amortised but is tested for impairment annually.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings	Leasehold improve-ments	Computer and office equipment	ASP software	Furniture and fixtures	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
The Group							
Reconciliation of carrying amount – year ended 31 December 2004							
At beginning of year	5,861	1,637	4,718	1,810	299	206	14,531
Additions	–	218	3,695	–	16	–	3,929
Depreciation	(75)	(810)	(2,595)	(737)	(187)	(57)	(4,461)
At balance sheet date	5,786	1,045	5,818	1,073	128	149	13,999
Reconciliation of carrying amount – year ended 31 December 2005							
At beginning of year	5,786	1,045	5,818	1,073	128	149	13,999
Additions	–	185	2,300	–	19	–	2,504
Impairment loss reversed	816	–	–	–	–	–	816
Disposals	–	(31)	–	–	(17)	–	(48)
Depreciation	(75)	(468)	(2,182)	(737)	(65)	(57)	(3,584)
At balance sheet date	**6,527**	**731**	**5,936**	**336**	**65**	**92**	**13,687**
At 1 January 2005							
Cost	7,856	2,624	30,913	7,187	1,631	717	50,928
Accumulated depreciation, amortisation and impairment loss	(2,070)	(1,579)	(25,095)	(6,114)	(1,503)	(568)	(36,929)
	5,786	1,045	5,818	1,073	128	149	13,999
At 31 December 2005							
Cost	7,856	2,773	33,214	7,187	1,631	717	53,378
Accumulated depreciation, amortisation and impairment loss	(1,329)	(2,042)	(27,278)	(6,851)	(1,566)	(625)	(39,691)
	6,527	**731**	**5,936**	**336**	**65**	**92**	**13,687**

The Group's leasehold land and buildings are situated in Hong Kong and are held under long leases.

Notes to the Financial Statements

Year ended 31 December 2005

15. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2005	2004
	HK$'000	*HK$'000*
Unlisted shares, at cost of US$1	**–**	–

Details of the Company's principal subsidiaries as at 31 December 2005 are set out in note 34.

16. INTERESTS IN ASSOCIATES

	The Group	
	2005	2004
	HK$'000	*HK$'000*
Share of net assets	**29,748**	25,231
Goodwill	**6,617**	6,617
	36,365	31,848

As at 31 December 2005, the Group had interests in the following associates:

Name of associate	**Place of incorporation/ registration**	**Principal place of operation**	**Proportion of nominal value of issued share capital/registered capital attributable to the Group**	**Principal activities**
Camelot Information Systems Inc. ("Camelot")	British Virgin Islands	PRC	21.5%	Provision of IT consultancy and support services
深圳志鴻中科科技有限公司	PRC	PRC	45.0%	Development of computer software services and provision of sale and marketing support
錢引信息科技(上海)有限公司	PRC	PRC	38.0%	Inactive

Notes to the Financial Statements

Year ended 31 December 2005

16. INTERESTS IN ASSOCIATES *(Continued)*

As explained in note 13 to the financial statements, the Group ceased amortisation of goodwill from 1 January 2005. Amortisation charge for the year ended 31 December 2004 amounted to HK$567,000, which was included in the amount reported as share of results of associates in the consolidated income statement.

At 31 December 2005, the accumulated losses of the Group include profits of HK$14,645,000 (2004: HK$10,128,000) retained by the Group's associates.

On 28 August 2001, the Group acquired a 21.5% interest in Camelot for a consideration of HK$21,668,000. Camelot is a company engaged in the provision of IT consultancy and support service.

Camelot has been making positive contributions to the Group. The table below provides a breakdown of its contribution since acquisition.

Year	**Profit Contribution** (in HK$)
2001 (4 months)	$381,000
2002	$2,086,000
2003	$2,692,000
2004	$4,953,000
2005	$6,154,000
	$16,266,000

The share of profit in Camelot and share of net assets of Camelot on the Group's consolidated income statement and balance sheet have been based on Camelot's audited accounts, and the Group's previous auditors (KPMG for financial years 2001 and 2002, Deloitte Touche Tohmatsu for financial years 2003 and 2004) performed reviews on Camelot's audited accounts each year.

As part of normal audit procedures, the Group's auditors, Moores Rowland Mazars, have requested Camelot's auditors for further information regarding the audit of Camelot for the year ended 31 December 2005. However, they have yet to receive all such information from Camelot's auditors to enable them to form a conclusion on the adequacy of the work of Camelot's auditors and, hence, whether additional audit procedures are required.

The Directors are of the opinion that timely publication of the Group's financial statements outweighs the full resolution of the above matter.

Notes to the Financial Statements

Year ended 31 December 2005

16. INTERESTS IN ASSOCIATES *(Continued)*

Summary of financial information of associates are as follows:

	2005	2004
	HK$'000	*HK$'000*
Share of associates' assets and liabilities		
Non-current assets	**4,746**	6,062
Current assets	**29,163**	21,816
Non-current liabilities	**454**	565
Current liabilities	**3,707**	2,082
Share of associates' revenue and profit		
Revenue	**30,960**	22,485
Profit	**4,517**	4,290

17. GOODWILL

	The Group	
	2005	2004
	HK$'000	*HK$'000*
Cost		
At beginning of year	**51,696**	51,696
Opening balance adjustment to eliminate accumulated amortisation	**(36,394)**	–
At balance sheet date	**15,302**	51,696
Amortisation and impairment		
At beginning of year	**46,394**	45,298
Amortisation	**–**	1,096
Eliminated against cost at 1 January 2005	**(36,394)**	–
Impairment loss	**4,162**	–
At balance sheet date	**14,162**	46,394
Carrying amount		
At balance sheet date	**1,140**	5,302

In 2004, the goodwill was amortised on a straight line basis over its estimated useful life of five to ten years. As explained further in note 13, with effect from 1 January 2005 the Group no longer amortise goodwill. In accordance with the transitional provisions set out in FRS 3, the accumulated amortisation of goodwill as at 1 January 2005 has been eliminated against the cost of goodwill as at that date.

17. GOODWILL *(Continued)*

Estimates used to measure recoverable amounts of cash-generating units containing goodwill

Goodwill acquired through business combination has been allocated to the cash-generating units for impairment test:

	2005	2004
	HK$'000	*HK$'000*
Provision of ASP services in Hong Kong	**–**	4,162
Provision of professional services in the PRC	**1,140**	1,140
	1,140	5,302

The provision of ASP services in Hong Kong incurred continuing losses in the past several years and management is of the view that the carrying amount of the related goodwill amounting to HK$4,162,000 would not be recoverable. Therefore, a full provision for impairment loss was made in current year.

The recoverable amount of the goodwill relating to the provision of professional services in the PRC has been determined by a value in use calculation. Cash flow projections are based on approved financial budgets for the year ending 31 December 2006.

Key assumptions used in value in use calculation

– Gross margin	19%
– Discount rate	9%

Management determined the budgeted gross margin on the basis of past performance and its expectation for market development. Management believes that any reasonably foreseeable change in any of the above key assumptions would not cause the aggregate carrying amount of the goodwill to exceed its aggregate recoverable amount.

Notes to the Financial Statements

Year ended 31 December 2005

18. DEVELOPMENT COSTS

	The Group	
	2005	2004
	HK$'000	*HK$'000*
Cost		
At beginning of year	**31,085**	26,035
Additions	**–**	5,050
At balance sheet date	**31,085**	31,085
Amortisation and impairment		
At beginning of year	**22,964**	19,775
Amortisation	**4,754**	3,189
At balance sheet date	**27,718**	22,964
Carrying amount		
At balance sheet date	**3,367**	8,121

The development costs represented all direct costs incurred in the development of enterprise software products. This asset is tested for impairment where an indication on impairment arises.

Notes to the Financial Statements

Year ended 31 December 2005

19. INVESTMENTS IN SECURITIES

	The Group	
	2005	2004
	HK$'000	*HK$'000*
Available-for-sale financial assets		
– unlisted private equity fund, at fair value	**6,287**	7,802
– unlisted equity investments, at cost	**942**	942
	7,229	8,744
Financial assets at fair value through profit or loss		
– equity securities listed in Hong Kong	**–**	1,672
	7,229	10,416
Analysed for reporting purposes as:		
Non-current	**7,229**	8,744
Current	**–**	1,672
	7,229	10,416

The unlisted private equity fund principally invests in unlisted companies in high growth technology industries and is held for identified long-term strategic purposes. One of the director of the Company is an executive director of the unlisted private equity fund up to 17 June 2005.

20. UNBILLED REVENUE/DEFERRED INCOME

The Group

Unbilled revenue represents the excess of the value of work performed over the amount of billing issued to customers. Deferred income represents the excess of billing over the value of work performed and the amounts received from customers before the related services have been rendered.

All the amounts included in unbilled revenue/deferred income are expected to be billed and recovered/credited to the income statement within one year.

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21. TRADE RECEIVABLES

Trade receivables are due within 30 days from the date of billing. Debtors with balances that are more than 3 months overdue are requested to settle all outstanding balances before any further credit is granted.

The following is an ageing analysis of the trade receivables at the balance sheet date:

	The Group	
	2005	2004
	HK$'000	*HK$'000*
Within 1 month	**22,197**	10,088
1 to 3 months	**5,085**	8,165
Over 3 months	**1,737**	1,789
	29,019	20,042

22. AMOUNTS DUE FROM/TO SUBSIDIARIES

The Company

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

23. TRADE PAYABLES

The following is an ageing analysis of the trade payables at the balance sheet date:

	The Group	
	2005	2004
	HK$'000	*HK$'000*
Within 1 month	**10,827**	6,033
1 to 2 months	**599**	1,750
2 to 3 months	**1,517**	11
Over 3 months	**1,885**	2,568
	14,828	10,362

Notes to the Financial Statements

Year ended 31 December 2005

24. SHARE CAPITAL

	2005 & 2004	
	Number of shares	*Amount HK$'000*
Authorised:		
Shares of HK$0.10 each	**5,000,000,000**	500,000
Issued and fully paid:		
Shares of HK$0.10 each	**985,050,000**	98,505

There were no changes in the Company's authorised, issued and fully paid share capital in both years.

25. RESERVES

(a) The Group

	Share premium	Investment revaluation reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2004	179,650	–	(155,379)	24,271
Loss for the year	–	–	(20,962)	(20,962)
At 31 December 2004	179,650	–	(176,341)	3,309
At 1 January 2005	179,650	–	(176,341)	3,309
Opening balance adjustment arising from the adoption of HKAS 39 *(Note 13)*	–	(1,305)	–	(1,305)
As restated	179,650	(1,305)	(176,341)	2,004
Net loss directly recognised in equity				
Changes in fair value of available-for-sale financial assets	–	(210)	–	(210)
Loss for the year	–	–	(16,566)	(16,566)
At 31 December 2005	**179,650**	**(1,515)**	**(192,907)**	**(14,772)**

Notes to the Financial Statements

Year ended 31 December 2005

25. RESERVES *(Continued)*

(b) The Company

	Share premium *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1 January 2004	179,650	(197,059)	(17,409)
Loss for the year	–	(10,370)	(10,370)
At 31 December 2004	179,650	(207,429)	(27,779)
At 1 January 2005	179,650	(207,429)	(27,779)
Loss for the year	–	(893)	(893)
At 31 December 2005	**179,650**	**(208,322)**	**(28,672)**

At 31 December 2005, there were no reserves available for distribution to the Company's shareholders (2004: Nil).

The application of the share premium account is governed by section 42A of The Companies Act of Bermuda.

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Year ended 31 December 2005

26. DEFERRED TAXATION

The following are the major deferred tax liabilities (assets) recognised by the Group and movements thereon during the current and prior reporting periods:

	Accelerated tax depreciation	Development costs	Tax losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
The Group				
At 1 January 2004	(141)	194	(53)	–
Income statement (credit) charge for the year	(60)	690	(630)	–
At 31 December 2004	(201)	884	(683)	–
At 1 January 2005	(201)	884	(683)	–
Income statement (credit) charge for the year	238	(295)	57	–
At 31 December 2005	**37**	**589**	**(626)**	**–**

For the purpose of balance sheet presentation, certain deferred tax assets and liabilities have been offset in accordance with the HKAS 12 "Income taxes" issued by the HKICPA.

At 31 December 2005, the Group has unused tax losses of approximately HK$145,993,000 (2004 (restated): HK$137,967,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK$3,577,000 (2004: HK$3,903,000) of such losses. No deferred tax asset has been recognised in respect of the remaining losses of approximately HK$142,416,000 (2004 (restated): HK$134,064,000) due to the unpredictability of future profit streams. Two subsidiaries of the Company were deregistered during the year and their tax losses bought forward totalling HK$1,924,000 was forfeited. The unrecognised tax losses may be carried forward indefinitely except losses of approximately HK$18,073,000 (2004: HK$13,747,000) which will expire as follows:

	The Group	
	2005	2004
	HK$'000	*HK$'000*
Year of expiry		
2006	**1,089**	1,089
2007	**4,028**	4,582
2008	**2,683**	3,669
2009	**4,407**	4,407
2010	**5,866**	–
	18,073	13,747

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Year ended 31 December 2005

27. SHARE OPTION SCHEMES

On 16 June 2000, the Company adopted a share option scheme (the "Old Scheme") and this scheme was substituted by a new share option scheme (the "New Scheme") pursuant to the shareholders' resolution in a special general meeting on 23 April 2002 for complying with the terms of the Rules Governing the Listing of Securities on the GEM. Under the Old Scheme, the directors may at their discretion grant options to eligible employees of the Group, including executive directors of the Company or its subsidiaries, to subscribe for shares in the Company. An option may be exercised within an option period, which shall not be less than three years and not be more than ten years from the date of grant where the acceptance date should not be later than 28 days after the date of offer. A nominal consideration of HK$1 was payable on acceptance of the grant of the options. The subscription price of the options was the highest of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the Company's shares for the five trading days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares. The maximum number of shares in respect of which options may be granted under the Old Scheme may not exceed 30% of the issued shares capital of the Company from time to time. Options granted under the Old Scheme prior to its cessation which have not been fully exercised remain valid until such time that such options are fully exercised or have lapsed.

The New Scheme adopted on 23 April 2002 will expire on 22 April 2012. The purpose of the New Scheme is to provide the participants with an opportunity to acquire equity interests in the Company and with an incentive to continue contributing to the success of the Company. Under the New Scheme, the directors may grant options at their discretion to any eligible employees of the Group, including executive directors of the Company and its subsidiaries to subscribe for shares in the Company. The exercisable period of the options granted commences after a certain vesting period and ends on a date which is not later than 10 years from the date of the grant where the acceptance date should not be later than 14 days after the date of offer. A nominal consideration of HK$1 is payable on acceptance of the grant of the options. The subscription price of the options shall not be less than the highest of (i) the closing price of the Company's shares on the date of the grant; (ii) the average closing price of the Company's shares for the five trading days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares. The maximum number of shares in respect of which options may be granted under the New Scheme may not exceed the nominal amount of 10% of the issued share capital of the Company. However, the total maximum number of shares which may be issued upon exercise of all outstanding options must not exceed 30% of the issued share capital from time to time. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue from time to time, without prior approval of the Company's shareholders.

No share options were granted under the New Scheme since its adoption.

27. SHARE OPTION SCHEMES *(Continued)*

A summary of the movements of the outstanding options during each of the two years ended 31 December 2005 under the Old Scheme is as follows:

		Number of options		
Date of grant	**Exercise price** *HK$*	**Outstanding at 1.1.2005**	**Lapsed during the year**	**Outstanding at 31.12.2005**
1 September 2000 *(Note a)*	0.90	32,928,000	(32,928,000)	–
11 October 2001 *(Note b)*	0.70	14,644,000	(3,060,000)	11,584,000
		47,572,000	(35,988,000)	11,584,000

		Number of options		
Date of grant	Exercise price *HK$*	Outstanding at 1.1.2004	Lapsed during the year	Outstanding at 31.12.2004
1 September 2000 *(Note a)*	0.90	42,467,500	(9,539,500)	32,928,000
11 October 2001 *(Note b)*	0.70	16,382,000	(1,738,000)	14,644,000
		58,849,500	(11,277,500)	47,572,000

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Year ended 31 December 2005

27. SHARE OPTION SCHEMES *(Continued)*

Details of the share options held by the directors and chief executive included in the above table are as follows:

		Number of options		
Date of grant	**Exercise price** *HK$*	**Outstanding at 1.1.2005**	**Lapsed during the year**	**Outstanding at 31.12.2005**
1 September 2000 *(Note a)*	0.90	16,000,000	(16,000,000)	–
11 October 2001 *(Note b)*	0.70	2,000,000	–	2,000,000
		18,000,000	(16,000,000)	2,000,000

		Number of options		
Date of grant	Exercise price *HK$*	Outstanding at 1.1.2004	Lapsed during the year	Outstanding at 31.12.2004
1 September 2000 *(Note a)*	0.90	24,000,000	(8,000,000)	16,000,000
11 October 2001 *(Note b)*	0.70	2,000,000	–	2,000,000
		26,000,000	(8,000,000)	18,000,000

Notes:

(a) The exercisable period is from 1 September 2000 to 31 August 2005 (both dates inclusive) (vesting period with 1st tranche of 20% from 1 March 2001, 2nd tranche of 20% from 1 September 2001, 3rd tranche of 15% from 1 March 2002, 4th tranche of 15% from 1 September 2002, 5th tranche of 15% from 1 March 2003 and the remaining tranche of 15% from 1 September 2003).

(b) The exercisable period is from 11 October 2001 to 10 October 2006 (both dates inclusive) (vesting period with 1st tranche of 20% is from 11 April 2002, 2nd tranche of 20% from 11 October 2002, 3rd tranche of 15% from 11 April 2003, 4th tranche of 15% from 11 October 2003, 5th tranche of 15% from 11 April 2004 and the remaining tranche of 15% from 11 October 2004).

No share options were exercised under the Old Scheme during both years.

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Year ended 31 December 2005

28. RETIREMENT BENEFITS PLANS

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") for all qualifying employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of a trustee. Under the MPF Scheme, the employees are required to contribute 5% of their monthly salaries up to a maximum of HK$1,000 and they can choose to make additional contributions. The employer's monthly contributions are calculated at 5% of the employee's monthly salaries up to a maximum of HK$1,000.

The employees of the Group's subsidiaries in the PRC and Singapore are members of the state-managed retirement benefits scheme operated by the relevant governments. The subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes is to make the required contributions under the schemes.

29. RELATED PARTY TRANSACTIONS

During the year, the Group had the following significant transactions with related parties:

	2005	2004
	HK$'000	*HK$'000*
Revenue:		
Sale of complementary hardware and software to a minority shareholder	**–**	1,909
Sale of enterprise software products to a minority shareholder	**8,924**	–
Sale of enterprise software products to a related company	**627**	–
Sale of enterprise software products to an associate	**–**	1,415
Professional service fee from an associate	**338**	395
Professional service fee from a minority shareholder	**–**	367
Management fee and service income from a related company	**100**	240
Purchases and expenses:		
Purchase of complementary hardware and software from a minority shareholder	**22,063**	10,017
Purchase of complementary hardware and software from an associate	**160**	–
Professional fee paid to an associate	**–**	367
Design fee paid to a related company	**100**	240
Interest paid to a minority shareholder	**–**	78
Rental paid to a minority shareholder	**68**	56
Compensation paid to key management personnel, excluding directors:		
– Salaries and other benefits	**2,980**	2,940
– Contribution to defined contribution plan	**36**	36

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Year ended 31 December 2005

29. RELATED PARTY TRANSACTIONS *(Continued)*

Note:

Ms. Zee Chan Mei Chu, Peggy, a director of the Company, has beneficial interest in the related company.

The sales and purchase transactions were conducted at mutually agreed prices and terms.

The professional service fee, management fee and service income are calculated with reference to the estimated staff costs and overheads incurred by the Group.

The design fee is calculated in accordance with an agreement entered into between the related company and the Group on 1 January 2005.

The professional service fee is calculated in accordance with an agreement entered into between the associate and the Group on 1 January 2005.

The interest expense was charged quarterly at 2%.

The rental expense is based on an agreement entered into between the minority shareholder and the Group in August 2005.

30. OPERATING LEASES COMMITMENTS

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of land and buildings which fall due as follows:

	The Group	
	2005	2004
	HK$'000	*HK$'000*
Within one year	**3,274**	3,225
In the second to fifth years inclusive	**1,711**	633
	4,985	3,858

The lease payments are fixed for a term of one to two years and no arrangements have been entered into for contingent rental payments.

The Company did not have any operating lease commitments at the balance sheet date.

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Year ended 31 December 2005

31. CONTINGENT LIABILITIES

The Company

At 31 December 2005, the Company had given corporate guarantees of HK$30,450,000 (2004: HK$21,450,000) to suppliers and a bank to secure the credit facilities granted to its subsidiaries. At 31 December 2005, the amount of facilities utilised by the subsidiaries amounted to HK$2,461,000 (2004: HK$2,402,000).

At 31 December 2005, the Company had also given corporate guarantees to customers in respect of the performance of obligations and liabilities under the service contracts entered into by the subsidiaries to the extent of HK$16,124,000 (2004: Nil).

32. PLEDGE OF ASSETS

The Group

At 31 December 2005, bank deposits and leasehold land and buildings of HK$10,484,000 (2004: HK$11,622,000) and HK$6,527,000 (2004: Nil) respectively were pledged to a bank to secure credit facilities granted to the Group.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank loans and cash and short-term deposits. The main purpose of these financial instruments is to raise and maintain finance for the Group's operations. The Group has various other financial instruments such as trade receivables and trade payables, which arise directly from its business activities.

The main risks arising from the Group's financial instruments are credit risk, foreign currency risk, and liquidity risk. The Group does not have any written risk management policies and guidelines. However, the board of directors generally adopts conservative strategies on its risk management and limit the Group's exposure to these risks to a minimum. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below. The Group also monitors the market price risk arising from all financial instruments.

Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. The Group trades only with recognised and creditworthy third parties. The credit policy on granting credit terms to customers includes assessing and valuing of customers' creditworthiness and financial standing. Management also closely monitors all outstanding debts and reviews the collectability of trade receivables periodically, with the result that the Group's exposure to bad debts is not significant. As at the balance sheet date, there was no significant concentration of credit risk.

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Year ended 31 December 2005

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Foreign exchange risk

The Group's foreign currency exposures arise mainly from the exchange rate movements of Renminbi. The Group did not incur substantial foreign currency gain or loss during the year as the relevant exchange rates have remained relatively stable.

Liquidity risk

Liquidity risk refers to the risk in which the Group is unable to meet its short-term liabilities. Liquidity risk is minimal and is managed by matching the payments and receipt cycles, short term investment of cash surpluses and the raising of loans to cover expected cash demands. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

34. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 31 December 2005 are as follows:

Name of subsidiary	Place of incorporation/ registration	Nominal value of issued capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital			Principal activities
			Attributable to the Group	Held by the Company	Held by subsidiaries	
Excel (BVI) Limited	British Virgin Islands*	5,000 shares of US$1 each	100%	100%	–	Investment holding
Excel China Investment (BVI) Limited	British Virgin Islands*	5,000 shares of US$1 each	100%	–	100%	Investment holding
Excel Consulting and Solutions Sdn. Bhd.	Malaysia*	2 shares of RM1 each	100%	–	100%	Development of computer software and provision of sale and marketing services
Excel Global IT Services Holdings Limited	British Virgin Islands*	1,000 shares of US$1 each	51%	–	51%	Investment holding
Excel Global IT Services (HK) Limited	Hong Kong*	10,000 shares of HK$1 each	51%	–	51%	Provision of professional services
Excel Technology International (BVI) Limited	British Virgin Islands*	1 share of US$1	100%	–	100%	Investment holding
Excel Technology International (Hong Kong) Limited	Hong Kong*	1,000 shares of HK$1 each	100%	–	100%	Development of computer software, systems integration and provision of maintenance services
Excelink Development Corporation	British Virgin Islands*	10,000 shares of US$1 each	100%	–	100%	Investment holding
Excelink Technology Pte Ltd.	Singapore*	714,286 shares of S$1 each	100%	–	100%	Development of computer software and provision of sale and marketing services

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Year ended 31 December 2005

34. PRINCIPAL SUBSIDIARIES *(Continued)*

Details of the Company's principal subsidiaries at 31 December 2005 are as follows:

Name of subsidiary	Place of incorporation/ registration	Nominal value of issued capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital: Attributable to the Group	Held by the Company	Held by subsidiaries	Principal activities
Grandful Star Ltd.	British Virgin Islands*	1 share of US$1	100%	–	100%	Investment holding
HR21 Holdings Limited	British Virgin Islands*	50,000 shares of US$1 each	93%	–	93%	Investment holding
HR21 Limited	Hong Kong*	2 shares of HK$1 each	93%	–	93%	Development of computer software and provision of maintenance services
i21 Limited	Hong Kong*	14,000 shares of HK$1 each	80.1%	–	80.1%	ASP services provider
Infostar Ltd.	British Virgin Islands*	1 share of US$1	100%	–	100%	Investment holding
Six Dimensions Information Technology and Services (Dalian) Limited	PRC**	US$150,000	51%	–	51%	Provision of professional services
Wise Success Ltd.	British Virgin Islands*	5,000 shares of US$1 each	100%	–	100%	Investment holding
北京志鴻英華科技有限公司	PRC***	US$1,230,000	65%	–	65%	Systems integration
深圳志鴻聯匯計算機系統有限公司	PRC***	RMB6,000,000	66%	–	66%	Development of computer software and provision of sale and marketing services

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Year ended 31 December 2005

34. PRINCIPAL SUBSIDIARIES *(Continued)*

Details of the Company's principal subsidiaries at 31 December 2005 are as follows:

Name of subsidiary	Place of incorporation/ registration	Nominal value of issued capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital: Attributable to the Group	Held by the Company	Held by subsidiaries	Principal activities
志鴻軟件(深圳)有限公司	PRC**	HK$3,000,000	100%	–	100%	Development of computer software and provision of maintenance services
安利科技(上海)有限公司	PRC**	US$200,000	100%	–	100%	Provision of professional services
志鴻六維科技(杭州)有限公司	PRC**	US$70,000	51%	–	51%	Provision of professional services

* *Limited liability company*

** *Wholly-owned foreign enterprise*

*** *Sino-foreign equity joint venture enterprise*

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results or assets or liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had any loan capital subsisting at 31 December 2005 or at any time during the year.

35. COMPARATIVE FIGURES

As further explained in note 13 to the financial statements, because of the adoption of HKFRS during the year, the accounting treatment and the presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, opening balance adjustment has been made and certain comparative amounts have been restated.

In addition, the "Work in progress" as previously stated in the consolidated balance sheet has been reclassified as "Unbilled revenue" while "Cost of sales" as presented in the consolidated income statement for the year ended 31 December 2004 has been reclassified as "Change in inventories of hardware and software", "Purchase of hardware and software" and "Professional fee" according to the nature of the expenses.

Financial Summary

	2001 *HK$'000* (Restated)	2002 *HK$'000* (Restated)	2003 *HK$'000* (Restated)	2004 *HK$'000* (Restated)	**2005** ***HK$'000***
RESULTS					
Turnover	173,111	193,398	184,713	162,888	**224,242**
Loss before taxation	(85,669)	(69,372)	(25,716)	(22,937)	**(15,567)**
Taxation	(131)	(112)	650	(113)	**(139)**
Loss for the year	(85,800)	(69,484)	(25,066)	(23,050)	**(15,706)**

	2001 *HK$'000*	2002 *HK$'000*	2003 *HK$'000*	2004 *HK$'000*	**2005** ***HK$'000***
ASSETS AND LIABILITIES					
Total assets	321,355	217,216	155,987	140,344	**133,234**
Total liabilities	(101,991)	(64,720)	(28,487)	(35,894)	**(46,001)**
Total equity	219,364	152,496	127,500	104,450	**87,233**