



## Chairman's Statement

*Dear Shareholders,*

For the passed few years, the Group has invested substantial efforts in business transformations and has turned itself from a traditional hardware oriented systems integrator to a software and service oriented solutions provider. Although the process for such business transformations has been lengthier and more challenging than expected, I am pleased to report that it has reached its final stage. The Group has managed to build up customer contracts and service platforms that will generate strong recurring income from its maintenance and outsourcing services ("Outsourcing Services") and electronic transaction services in the coming years.

Despite unforeseen additional project delivery costs, the Group has successfully completed the construction phase of the two existing large-scale solutions outsourcing contracts from the Land Registry (the "LR") and the Water Supplies Department (the "WSD") of the Hong Kong SAR Government (the "HKSAR"). The unforeseen additional project delivery costs together with the reduction of revenue have adversely impacted the overall results of the Solutions Services division. Nevertheless, the completion of the construction phase of the outsourcing contracts has not only resulted in strong cash inflow but also has activated the outsourcing services phase of the contracts.

The Group has launched its Government Electronic Trading Services ("GETS") in early 2004. During the year, the average daily transaction volume of such service has been constantly increasing and therefore the related e-Service incomes are also growing healthily. For the month of December 2004, GETS business has generated around HK\$1.4 million e-Service incomes for the Group.

The software license revenue and the related annual maintenance income that are generated from the Group's own branded Human Resource Management Software ("HRMS") have improved substantially during the reporting period. The software enhancement and new modules that are launched in the reporting year have been well received by the market and the Group has won several major HRMS related contracts from large multinational corporations in Hong Kong and Mainland China.

Meanwhile, the revenue from the Group's Integration Services division has also rebounded strongly in the second half of year 2004. The momentum is fueled up primarily by the strong repeating orders and increasing demands on service-oriented projects from the established customer base in Mainland China. In addition, the increasing service contents have also positively lifted up the overall gross profit margin for this division.

Besides, the Distribution business of the Group has widened its footprint by setting up a subsidiary in Mainland China during the reporting period. Such subsidiary will help to complete the Group's distribution coverage in the Greater China Region.

## PROSPECT

Since the construction phase of the two large-scale solutions outsourcing contracts have been completed, the Solutions Services division of the Group is expected to record lower revenue as well as operation costs in 2005. However, the commencement of the Outsourcing Services will help to improve its overall gross profit margin significantly. It is foreseen that these contracts will generate more than HK\$250 million Outsourcing Services income for the Group in the coming 10 years. In addition, with the long-term strategic relationships that have been established for the above-mentioned departments of the HKSAR Government, the Group is in a good position to capture additional businesses from their future system enhancements and service upgrades.

Entering into the second year of operations, the Group's GETS business will further expand its market share based on its enlarged customer base and stabilized operation platform and support structures. More management attention will be focused on accelerating the critical mass building through the introduction of new value-added services, and through exploring opportunities in the acquisition of and co-operation with GETS related entities.

Apart from expanding the offering of its existing HRMS, the Group will expand its software and solutions offerings in Customer Relationship Management and Enterprise Resource Management arena through partnerships with world class leading software vendors. It is anticipated that the enlarged offerings will position the Group well to capture the growing demands on cost-effective business management systems from foreign enterprises and their joint ventures in Mainland China.

For the traditional systems integration business, it is anticipated that on top of a stable growth in revenue, the trend in increasing the service proportion of the related projects will further improve the overall gross profit margin of such business.

To further improve the cost efficiency in application development and operation, the Group will continue its best efforts in leveraging its resource centres in Mainland China. The Group's challenges are to continuously improving the economy of scale of these centers and strengthening their quality control processes and methodologies. The success in building up a high quality and price competitive development and support team will allow the Group to capture the increasing business demands for high quality software development and outsourcing services.

## APPRECIATION

On behalf of the Board and the Management, I would like to thank for the supports to the Group from the staff and the shareholders. I am confident that our collective endeavors will result in encouraging returns for each of the stakeholders of the Group in long-term.

**Ng Cheung Shing**

*Chairman*

Hong Kong, April 19 2005