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Corporate Information

EXECUTIVE DIRECTORS

Ng Cheung Shing (*Chairman*)
Leung King San, Sunny
Ma Mok Hoi

NON-EXECUTIVE DIRECTORS

Ha Shu Tong
Lai Kai Ming, Dominic
Lee Kwok On, Matthew Ph.D.

COMPANY SECRETARY

Auyeung Shiu Kau, Peter AHKSA

AUDITORS

Ernst & Young
Certified Public Accountants
15th Floor, Hutchison House
10 Harcourt Road
Central
Hong Kong

PRINCIPAL BANKERS

The Hong Kong and Shanghai Banking
Corporation Limited
9th Floor, Wayfoong House
82-84 Nathan Road
Tsimshatsui
Kowloon
Hong Kong

REGISTRATION OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

30/F, CEF Lend Lease Plaza
663 King's Road
North Point
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

The Bank of Bermuda Limited
Bank of Bermuda Building
6 Front Street
Hamilton HM11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tengis Limited
4th Floor, Hutchison House
10 Harcourt Road
Central
Hong Kong



Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 2000 Annual General Meeting of the Company will be held at 30th Floor, CEF Lend Lease Plaza, 663 King's Road, North Point, Hong Kong on Friday, 18 May 2001 at 11:00 a.m. for the following purposes:

1. To receive and consider the audited Financial Statements and the Reports of the Directors and of the Auditors for the year ended 31 December 2000;
2. To declare a final dividend and special dividend;
3. To elect Directors, to authorise the Board to fix the Directors' remuneration and to set a maximum number of Directors;
4. To appoint Messrs Ernst & Young as Auditors and to authorise the Board to fix their remuneration;
5. To consider and, if thought fit, pass with or without amendments, the following resolution as an Ordinary Resolution:

" THAT

- (a) the exercise by the Directors during the Relevant Period of all the powers of the Company to purchase its shares, subject to and in accordance with the applicable laws, be and is hereby generally and unconditionally approved;
- (b) the total nominal amount of the shares to be purchased pursuant to the approval in paragraph (a) above shall not exceed 10% of the total nominal amount of the share capital of the Company in issue on the date of this Resolution, and the said approval shall be limited accordingly; and
- (c) for the purpose of this Resolution, " Relevant Period " means the period from the passing of this Resolution until whichever is the earlier of:
 - (i) the conclusion of the next Annual General Meeting of the Company;
 - (ii) the revocation or variation of the authority given under this Resolution by ordinary resolution of the shareholders in general meeting; and
 - (iii) the expiration of the period within which the next Annual General Meeting of the Company is required by the bye-laws of the Company or the laws of Bermuda to be held." ;



Notice of Annual General Meeting *(continued)*

6. To consider and, if thought fit, pass with or without amendments, the following resolution as an Ordinary Resolution:

“ THAT

- (a) the exercise by the Directors during the Relevant Period of all the powers of the Company to issue, allot and dispose of additional shares of the Company and to make or grant offers, agreements and options which would or might require shares to be allotted, issued or disposed of during or after the end of the Relevant Period, be and is hereby generally and unconditionally approved, provided that, otherwise than pursuant to a rights issue where shares are offered to shareholders on a fixed record date in proportion to their then holdings of shares (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in any territory outside Hong Kong) or any option scheme or similar arrangement 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, the total nominal amount of additional shares issued, allotted, disposed of or agreed conditionally or unconditionally to be issued, allotted or disposed of (whether pursuant to an option or otherwise) shall not in total exceed 20% of the total nominal amount of the share capital of the Company in issue on the date of this Resolution and the said approval shall be limited accordingly; and
- (b) for the purpose of this Resolution, “ Relevant Period ” means the period from the passing of this Resolution until whichever is the earlier of:
- (i) the conclusion of the next Annual General Meeting of the Company;
 - (ii) the revocation or variation of the authority given under this Resolution by ordinary resolution of the shareholders in general meeting; and
 - (iii) the expiration of the period within which the next Annual General Meeting of the Company is required by the Bye-laws of the Company or the laws of Bermuda to be held.” ;



Notice of Annual General Meeting *(continued)*

7. To consider and, if thought fit, pass with or without amendments, the following resolution as an Ordinary Resolution:

“THAT the general mandate granted to the Directors of the Company pursuant to Resolution 6 above and for the time being in force to exercise the powers of the Company to issue, allot or dispose of additional shares and to make or grant offers, agreements and options which might require the exercise of such powers be and is hereby extended by the total nominal amount of shares in the capital of the Company repurchased by the Company since the granting of such general mandate referred to in the above Resolution 5 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% of the total nominal amount of the share capital of the Company in issue on the date of this Resolution.

On Behalf of the Board

Ng Cheung Shing

Chairman

Hong Kong, 3 April 2001

Notes:

1. The Register of Members of the Company will be closed from Tuesday, 15 May 2001 to Friday, 18 May 2001 (both days inclusive) during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend and attending the Annual General Meeting, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's Share Registrar in Hong Kong, Tengis Limited, 4/F, Hutchison House, 10 Harcourt Road, Central, Hong Kong for registration not later than 4:00 p.m. on Monday, 14 May 2001.
2. A Member entitled to attend and vote at the Meeting 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. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy so appointed.
3. The instrument appointing a 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 lodged with the Company's Share Registrar in Hong Kong, Tengis Limited, 4/F, Hutchison House, 10 Harcourt Road, Central, Hong Kong not less than 48 hours before the time appointed for holding the Meeting.
4. An explanatory statement containing further details regarding Resolutions Nos. 5 to 7 above will be despatched to shareholders together with the 2000 Annual Report.

Chairman's Statement



As the Group enters its 10th anniversary year, I am pleased to present to shareholders the Group's annual report for the year ended 31 December 2000.

HIGHLIGHTS OF THE YEAR

For the year ended 31 December 2000, the Group reported total revenues of HK\$420.7 million, an increase of 19.0% over the previous year. Profits from operation increased to HK\$24.2 million. Profit attributable to shareholders also increased by 43.5% to HK\$19.8 million. Earnings per share amounted to 7.7 HK cents, an increase of 23.2% compared with the same period in 1999.

The Board of Directors (the "Board") has proposed a final dividend of 2 HK cents per share, representing approximately 25.9% of earnings per share, an increase of 33.3% compared with the same period in 1999. Entering the 10th anniversary year of the Group, the Board has also proposed a special dividend of 1 HK cent per share.

BUSINESS OPERATIONS REVIEW AND OPPORTUNITIES

During the period under review, the Group's core and proven business in network and application solutions continued to grow healthily and to be the major contributor to revenues. In addition to solid growth in revenues, a substantial order backlog has been carried forward to the year 2001, laying a strong foundation on which the Group can build a consistent level of high growth.

While competition remains keen in network and application solutions in China, the Group has managed to achieve stable growth and has consistently generated repeat orders with relatively shorter selling cycles and lower costs of sales. This has been achieved from a strong and ever-increasing customer base cultivated by the Group over the years. With the rapid pace of economic development in China, there is now a wealth of opportunities which will enable the Group to consolidate its gains and grow even further.



Chairman's Statement *(continued)*

Building on its core systems integration business, the Group has matured into an all-round information technology ("IT") services provider. The Group now manages a synergistic portfolio of subsidiaries offering systems and network integration services, business and operations support applications software packages, e-Business enabling services, and enterprise B2B ASP services. The Group also provides software development outsourcing services through a 50-50 joint venture with Hutchison Whampoa Limited ("Hutchison").

The Group's e-Business enabling service is now generating considerable revenues. In particular, the Group successfully delivered the software for the e-Business service platform for the Hong Kong SAR Government's high-profile Electronic Service Delivery ("ESD") project. In addition, the Group has also secured additional e-Business enabling contracts from other prestigious commercial customers.

The Electronic Tendering System ("ETS"), which the Group was contracted by the Hong Kong SAR Government to build and operate, was also launched in April 2000. This track record helped the Group secure further major corporate procurers and more than 2,000 suppliers worldwide subscribing to the Group's electronic tendering services. Building on this existing platform, additional application services and subscriptions will help grow this ASP business into a high margin contributor to the Group going forward.

Located in Shenzhen, the first software development center of the Group's 50-50 joint venture with Hutchison, HutchTech Resources Limited ("HutchTech"), has been commissioned and is now providing cost-competitive software development services. From the outset, HutchTech will play a major role in supporting the software development and systems implementation of both Hutchison and Group projects. Leveraging Hutchison's strong international network and branding, HutchTech will gradually scale up to provide a wide range of development and support outsourcing services to customers in overseas markets.

The Group's continuous investment in research and development ("R&D") as well as the development of the Group's branded software packages have created additional high-margin revenue sources from among the Group's existing loyal customer base and also brought in prestigious new customers in both Hong Kong and China.



Chairman's Statement *(continued)*

The Group's multi-media products distribution business has maintained its consistent profitable record. Having established a proven business model in the Hong Kong market, the Group is now initiating the expansion of this business into other countries of the region.

In addition, the Group's achievements have also been recognized by prestigious publications and industry organizations on several occasions:

- Listed in the Forbes Best 300 Small Companies by Forbes Magazine;
- Named one of the 20 fastest-growing Chinese enterprises by Yazhou Zhoukan;
- Corporate website www.hk46.com (or www.ctil.com) named one of the Best Asian Corporate Websites among listed companies in Asia as polled by FIA Magazine;
- ETS awarded the Hong Kong e-Award for Design & Innovation in the category of e-Public Services, and named Best Public Sector Site in the UUNET/HKET Business Web Sites of the Year Awards 2000.

Such recognition helps to enhance the Group's corporate profile and facilitate further business development with major organizations in the region.

NETWORK AND APPLICATION SOLUTIONS

Deregulation of key industries in China has led to unprecedented competition among enterprises in different sectors in China, including the telecommunications and financial services industries in which the Group has traditionally played an important role.

In view of this fierce competition and the swiftly increasing domestic demand for new telecommunications services, operators are investing heavily in establishing large-scale IP-based broadband network infrastructure, metropolitan networks, and Internet data centers ("IDC"), as well as the necessary business and operations support systems.

Besides, due to China's forthcoming accession to the World Trade Organization ("WTO"), potential market entry by overseas operators has also created additional time-to-market pressures compelling local service providers to shorten their decision process and investment cycle.



Chairman's Statement *(continued)*

It is also worth noting that, with more than 90 million subscribers in China, and due to the central government's plan to separate the cable-TV network infrastructure from broadcast TV operations, cable-TV network operators are emerging as a substantial and rapidly growing segment of the telecommunications industry. These cable-TV network operators are now aggressively upgrading existing networks and systems infrastructure to capture emerging business opportunities in the provision of value-added telecommunication services.

During 2000, through one of its subsidiary Computer And Technologies Integration Limited ("C&T Integration"), the Group has continued its breakthrough into large-scale IP-based broadband network projects for existing telecom service providers and a large number of cable-TV network operators in China. In particular, C&T Integration has been short-listed as the qualified service provider for IP-backbone projects for China Telecom and IDC projects for China Unicom, among others. These qualifications will create significant business opportunities for the Group over the next few years.

Leveraging the Group's proven track record and installed base in the telecommunications service industry, Management is optimistic that the market will continue to develop rapidly and generate a major demand for additional Group services.

In addition, C&T Integration continues to receive substantial repeat orders from existing customers in the financial services sector and the large-scale enterprises rapidly expanding their operations in China. These sustainable businesses have generated stable revenue for the Group, with higher margins in general and a reduced sales cycle. At the same time, the Group has been fruitfully breaking new ground with several high-profile customers in China. Management believes that its substantial and expanding customer base in those sectors showing promising growth will assure steady revenues for the Group.

In a further development, C&T Integration has also raised its profile by achieving the status of the first Hong Kong systems integrator to obtain Gold Partner Certification for China from Cisco Systems. This prestigious status has immeasurably helped the Group in tendering successfully for large-scale projects, and in increasing its service revenues with higher gross margins by providing complex, specialized and high-added-value services on Cisco-related network solutions.

SOFTWARE PRODUCT RESEARCH AND DEVELOPMENT

During this reporting year, both the Smart-Series and the e-Series product suites, developed by Group subsidiary Computer And Technologies Software Limited ("C&T Software"), were expanded in both range of functionalities as well as installed customer base.

C&T Software successfully extended installation of the Group' SmartBill solution at China Mobile to cover new cities as well as new services such as pre-paid card businesses and payment gateway integration. The proven success of SmartBill, a billing and business support solution for telecommunications services providers, also resulted in additional successful referrals to new customers last year.

At the same time, the e-Series began strengthening its footprint in the market by virtue of its product maturity. The Group has received several contracts for e-Series products from a number of large enterprises in China and Hong Kong enabling them to deploy large-scale business-to-business e-commerce projects.

The Group will continue to dedicate additional R&D effort to extend the scope and functionality of these software packages. Management believes that software licensing and related implementation revenue will increasingly become a steady source of higher margin income and enable the Group to effectively differentiate itself from the competition.

E-BUSINESS ENABLING SERVICES

Through its subsidiary Global e-Business Enabler Limited ("Ge-BE"), the Group has successfully delivered a wide range of e-Business solutions for corporate customers, including the e-Business service platform for the ESD project, the largest government-to-citizen e-commerce project ever undertaken in the Hong Kong SAR. Ge-BE has leveraged its strong government references to secure additional major orders from commercial customers for e-Business projects to extend and integrate their existing business models through e-commerce.

In addition, the Group has also concluded a number of significant e-Business enabling pilot contracts with customers in the Mainland. The improved acceptance and appreciation of effective e-Business enabling services in China will certainly facilitate replication of many Group successes in the Mainland market.

ENTERPRISE E-BUSINESS APPLICATION SERVICES

As a pioneer in transaction-based B2B electronic services in the region, the Group has rapidly established market leadership in electronic tendering and procurement services with a strong corporate customer base. Operating through subsidiary Global e-Business Services Limited ("GO-Business"), the Group has built up expertise not only in operating as a top-flight e-Business ASP, but also in providing a full range of related business and operations support, as well as customer relationship management services. This unique value proposition clearly differentiates GO-Business as the ideal business implementation partner for corporations needing to outsource their e-Business applications and operations.

GO-Business now maintains and operates electronic tendering systems for the Hong Kong SAR Government (ets.com.hk) and Shui On Construction (socam.com). The e-Tendering.com tendering service platform has also attracted a cluster of corporate purchasers among quasi-government and commercial organizations, as well as a global network of more than 2,000 suppliers.

The Group's procurer and supplier network will become the springboard from which GO-Business will introduce additional electronic services to generate incremental revenue. The established business infrastructure of GO-Business will also allow the Group to readily capture more of the emerging IT operation outsourcing opportunities from both governmental and non-government organizations.

Current government spending on IT in Hong Kong exceeds HK\$2 billion per annum. As part of the Hong Kong SAR Government's Digital 21 IT Strategy, about two-thirds of all new government IT development and maintenance projects will be outsourced with the specific intent of creating a market of sufficient size to stimulate the development of the IT industry in Hong Kong. Possessing the technical skills and proven track record in both enabling and operating large-scale, multi-year government IT projects, the Group is well positioned to capture these opportunities.

SOFTWARE OUTSOURCING SERVICES

The Group founded HutchTech to establish software development centers in Mainland China providing professional and cost-effective IT services. The first HutchTech center was officially incorporated in Shenzhen in February 2001, with a plan for further expansion to take advantage of lower staff costs and the good supply of well-educated young people in Chinese cities. HutchTech's cost-competitive development resources



Chairman's Statement *(continued)*

will immediately support internal demand from both Hutchison and the Group in supporting IT development projects and related operations.

Given the constant worldwide shortage of high-quality software developers, Management anticipates that by leveraging the Group's shareholder network and technical competence, HutchTech is on track to become a major provider in software development outsourcing business.

DISTRIBUTION

Through its subsidiary Maxfair Technology Limited ("Maxfair"), the Group continued to focus on the value-added distribution of niche products related to multi-media applications which has a constantly growing demand. During this reporting year, Maxfair performed consistently and enjoyed both stable revenue and profit growth.

Maxfair is currently implementing the initial phase of its regional expansion plan by establishing a new venture in Taiwan. Management believes that this will provide medium-term growth opportunities while creating a regional distribution network generating higher volumes and even better gross margins for the Group.

OUTLOOK

The Group remains highly optimistic about economic development in China over the next few years. Internal deregulation, China's accession to the WTO, rapidly increasing domestic demand and the likely entry of large numbers of foreign companies into the China market are all factors contributing to an overall increase in business opportunities for IT service providers such as the Group. Moreover, to further improve business effectiveness and reduce time-to-market, government organizations and enterprises are also showing an increasing demand for high quality e-Business solutions and services.

Management believes that the Group's proven technical strength and robust customer base, as it grows and prospers, will continue to generate the stable revenue stream the Group requires to sustain vigorous growth. Management is also optimistic that, by leveraging long-term customer relationships, the Group can gradually generate more high-profit software and services business where it has already established strong competence and project references.



Chairman's Statement *(continued)*

At the same time, the global trend towards IT outsourcing by major corporations as well as government organizations is also creating an increasing number of opportunities for the Group. These opportunities include the provision of one-stop, high-quality outsourcing services including e-Business enabling services, enterprise e-Business applications with related business and operations support, as well as remote applications development services. The combined strengths of the Group's world-class business units, including Ge-BE, GO-Business and HutchTech, have made the Group unique in the region that the collective expertise and business structures radically differentiate the Group from competitors in capturing these huge opportunities.

In addition, the continuous commitment to R&D on the Group's branded software packages will position the Group well for generating high profit and repeatable income in the long-term. The Group will also sustain and even accelerate its aggressive expansion plan by acquisitions as well as establishing additional software development centers in China.

To maximize synergies between Group business units, the Group has recently formed an Executive Committee to look at the Group's overall development and to strengthen intra-company communications.

In view of the strategic value of talented employees to the Group's long-term growth, Management has also assigned dedicated resources to the development and retention of valued members of staff through stock option plans, technology and management development programs, and internal communications programs.

APPRECIATION

Ten-year is a brief history for any enterprise. For the Group, however, this decade has been an exciting journey continuously offering great opportunities, challenges and rewards. Without the wholehearted dedication and support of the Group's shareholders, business partners and employees, the Group would not have achieved the many significant milestones in this last decade.

On behalf of the Board and Management, I would like to express the sincere thanks to all of their contribution and to reassure them of our deep commitment to delivering our vision of becoming a major IT service provider in the region.

Ng Cheung Shing

Chairman and Chief Executive Officer

Hong Kong, 3 April 2001

Directors' and Senior Management's Biographies



Board of Directors

*Left: Dr. Lee Kwok On, Leung King San, Ha Shu Tong, Ma Mok Hoi,
Ng Cheung Shing, Lai Kai Ming*

EXECUTIVE DIRECTORS

Mr. Ng Cheung Shing, aged 39, the founder, chairman and chief executive officer of the Company, is responsible for business development, corporate strategies, company policies and overall management of the Group. Mr. Ng has over 17 years of IT experience. Before establishing the Company, Mr. Ng held senior positions in companies such as Hewlett-Packard Asia Pacific Ltd. and Sun Hung Kai (China) Ltd. He is also the founding chairman of the Hong Kong Information and Software Industry Association, honorable chairman of the Research Center of Shanghai Jiao Tong University Digital Library, director of the Applied Research Council and vetting member of Innovation & Technology Fund (I. T. Project), and also Year 2000 Legislative Council Election Committee (IT Subsector) of the Hong Kong SAR Government. Mr. Ng graduated from University of Manchester in the United Kingdom with a bachelor's degree in computer science (Hons) in 1984. He received the "HK Top Ten Business Maker Award" organized by Hong Kong Productivity Council, the "Young Industrialist Awards of Hongkong" from Federation of Hong Kong Industries, the "Ten Outstanding Young Persons" from the Hong Kong Junior Chamber and the "Ten Outstanding Young Digi Persons" from the Hong Kong Productivity Council in 2000.



Directors' and Senior Management's Biographies *(continued)*

Mr. Leung King San, Sunny, aged 40, is the chief financial officer of the Company. Mr. Leung joined the Group in 1997. He has over 16 years of experience in finance, administration and planning in the IT industry. Before joining the Group, Mr. Leung held senior management positions in IBM and its associated company in Asia Pacific. Mr. Leung graduated from Simon Fraser University in Canada with a bachelor's degree in business administration in 1983.

Mr. Ma Mok Hoi, Tony, aged 44, joined the Group in 1994, is the managing director of Maxfair Technology Limited, the Group's multi-media products distribution business. Mr. Ma has over 18 years of experience in distribution and customer service businesses in the IT field. He graduated from the Hong Kong Polytechnic with a higher diploma and an associateship in electronic engineering in 1980 and 1981, respectively, and he also obtained a diploma in management studies from the Hong Kong Management Association in 1989.

NON-EXECUTIVE DIRECTOR

Mr. Lai Kai Ming, Dominic, aged 47, joined the Board in February 2000. Mr. Lai is an executive director of Hutchison Whampoa Limited. He is also a director of ICG Asia Limited, and Vanda Systems and Communications Holdings Limited. He has over 20 years of management experience in different industries. He holds a bachelor of science (Hons) degree and a master's degree in business administration.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ha Shu Tong, aged 52, has been involved in the financial industry for many years and has substantial experience in corporate finance matters. Mr. Ha is currently an executive director of Capital Consultant Limited, a financial consultancy company in Hong Kong, and an independent non-executive director of Netalone.com Limited, a listed company in Hong Kong.



Directors' and Senior Management's Biographies *(continued)*

Dr. Matthew K. O. Lee, aged 41, is an associate professor and head of the Department of Information Systems at the City University of Hong Kong. He is a member of the Innovation and Technology Fund (IT Projects) vetting committee of the Industry & Technology Development Council and he serves as a member on the IT Training and Development Committee of the Vocational Training Council. Dr. Lee is a vice-chairman of the Hong Kong Computer Society's special interest group on e-business. Prior to his current appointment at the City University of Hong Kong, Dr. Lee was a university lecturer at University College London and a computer scientist at the British Petroleum Research International in the United Kingdom. He has over 15 years of professional experience in the IT field, including 6 years of senior IT and education management experience in his role as Head of the largest university information systems academic department in Hong Kong. Dr. Lee holds a first class honours degree in electronic engineering and a MBA degree from the University of Sheffield, an MSc degree in software engineering from Oxford University, a PhD degree in computer science from the University of Manchester, and two law degrees from London University. He is qualified as a barrister-at-law (England and Wales), a Chartered Engineer and is a professional member of both the Hong Kong Computer Society and the British Computer Society. Dr. Lee's publications in the information systems area include a book as well as over 50 articles in international journals and conference proceeding. He is on the editorial board of the Information Systems Journal.

ADVISER

Professor Xie Shengwu, aged 58, is the president of Shanghai Jiao Tong University in the PRC, a member of the Chinese People's Political Consultative Conference (CPPCC) of Shanghai, and is the honorable deputy chairman of the Company. Professor Xie has more than thirty-three years of lecturing and research experience. His expertise is in physics and applied physics and he specializes in laser and optical technologies. Professor Xie also serves on various national and university technological committees. He has published twenty-nine theses and undertakes in exchanges with other universities in the world. Professor Xie has received the Great Scientific Achievement Award on Underwater Laser Television granted by the National Science Conference of the PRC in 1978; and an Excellent Scientific Achievement Award on Flying Point Scanned Underwater Laser Television granted by the National Education Committee of the PRC in 1986. He has also been honored by the National Educational Committee and Academic Committee of the State Council of the PRC in 1991 as the "Obtainer of China Outstanding Achievement in Master of Science".

SENIOR MANAGEMENT

Mr. Fang Fer Hoc, Walter, aged 53, is the chief executive officer of C&T Software. Mr. Fang joined the Group in 2000. Mr. Fang has over 26 years of IT experience working for large multinational IT companies like IBM. He is an expert in object oriented technology and development methodology. He graduated from Cheng Kung University in Taiwan with a bachelor's degree in Electrical Engineering. Mr. Fang also held a master's degree in computer science from National Taiwan University.

Mr. So Cheung Ping, Andrew, aged 46, is the chief technology officer and senior vice president of the Group taking charge of the software and services businesses including Ge-BE, C&T Software and HutchTech. Besides, he is also responsible for the long-term human resources development and continuous business processes improvement of the Group. Mr. So joined the Group in 1998. He has over 20 years of IT experience gained from multinational companies including IBM and SPL WorldGroup and he is specialized in applying IT for business solutions. Mr. So graduated from the University of London and has worked extensively in North America and Asia.



Executive Committee

Front left: Ma Mok Hoi, Leung King San, Ng Cheung Shing, Yeung Sai Cheong

Back left: Wu Shun On, Tam Chin Pang, Yan King Shun, Fang Fer Hoc, So Cheung Ping



Directors' and Senior Management's Biographies *(continued)*

SENIOR MANAGEMENT *(continued)*

Mr. Tam Chin Pang, Stephen, aged 37, CEO of Global e-Business Enabler Limited ("Ge-BE"), has over 16 years of experience in IT and consulting business ranging from software development to e-Business enablement. Before joining the group in 1998, he was the Practice Director for a multinational delivering large-scale implementation service to his clients worldwide. Mr. Tam graduated from University of New South Wales in Australia with a bachelor's degree in computer science and a master's degree in commerce. He has worked extensively in North America and South East Asia before returning to Hong Kong in 1992.

Mr. Wu Shun On, Lewis, aged 47, is the chief executive officer of C&T Integration. Mr. Wu joined the Group in December 2000. Mr. Wu has more than 20 years of experience in technology industry with senior management positions previously held with large corporations like Nortel, CSSL, Vanda Systems and Comtech etc. He has extensive experience in developing and managing large-scale business operations in Asia particularly China and ASEAN countries. Mr. Wu graduated from the University of Toronto in 1979 with a bachelor's degree in computer science.

Mr. Yan King Shun, Peter, aged 39, is the chief executive officer of Global e-Business Services Limited ("GO-Business"). He has over 16 years of experience in the IT industry. Before joining the Group in 2000, Mr. Yan was the chief operation officer of Tradelink, one of the largest EDI service providers in the region. He also held senior management positions in large IT and electronic services companies including Andersen Consulting. Mr. Yan graduated from the Chinese University of Hong Kong with a bachelor's degree in Business Administration in 1985 and received executive education for global leadership from the Harvard Business School in 1988.

Mr. Yeung Sai Cheong, Steve, aged 35, is the vice president of corporate development and communications of the Group. Mr. Yeung joined the Group in 1998. Mr. Yeung has 13 years of IT experience in sales, marketing and business development in multinational companies. He graduated from the University of Hong Kong with a bachelor's degree in computer studies in 1988 and received a master's degree in business administration from the Hong Kong University of Science and Technology in 1999.

Report of the Directors

The directors have pleasure in presenting their report together with the audited financial statements of the Company and the Group for the year ended 31 December 2000.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The activities of its principal subsidiaries are set out in note 18 to the financial statements. Apart from the commencement of the provision of e-business related services during the year, there were no changes in the nature of the Group's principal activities.

SEGMENTAL INFORMATION

An analysis of the Group's turnover and contribution to profit from operating activities by principal activity and geographical area of operations is as follows:

	Turnover		Contribution to profit from operating activities	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
By activity:				
Sale of goods:				
Computer hardware and software (including installation and systems design)	344,562	316,978	18,859	11,793
Computer hardware, software and related accessories	34,620	33,174	3,694	2,194
Provision of e-business related services	33,908	-	199	-
Maintenance services, software development services and training courses	7,558	3,328	1,440	1,787
	420,648	353,480	24,192	15,774
By geographical area:				
The People's Republic of China (the "PRC"):				
Mainland China	335,201	306,906	14,284	14,633
Hong Kong Special Administrative Region ("Hong Kong")	85,447	46,574	9,908	1,141
	420,648	353,480	24,192	15,774

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2000 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 33 to 70.

The directors recommend the payment of a final dividend of 2 HK cents per share in respect of the year and a special dividend of 1 HK cent per share, to the shareholders on the register of members of the Company on 18 May 2001. This recommendation has been incorporated in the financial statements.

FINANCIAL SUMMARY

The Company was incorporated in Bermuda on 31 March 1998 and became the ultimate holding company of the companies now comprising the Group as a result of the reorganisation which became effective on 29 April 1998. Accordingly, the published balance sheets of the Group are prepared as at 31 December 1998, 1999 and 2000, respectively.

To ensure consistency of presentation and for comparison purposes, the pro forma combined results for the three years ended 31 December 1998 are presented below on the basis that the current Group structure had been in existence throughout the said period.

Report of the Directors (continued)

RESULTS

	Consolidated		Pro forma combined results		
	2000	1999	Year ended 31 December		
	HK\$'000	HK\$'000	1998	1997	1996
			HK\$'000	HK\$'000	HK\$'000
TURNOVER	420,648	353,480	181,405	247,689	203,635
PROFIT FROM OPERATING					
ACTIVITIES	24,192	15,774	4,046	31,408	23,813
Finance costs	(1,259)	(823)	(463)	-	-
Share of losses of:					
Jointly-controlled entity	(441)	-	-	-	-
Associate	(32)	-	-	-	-
PROFIT BEFORE TAX	22,460	14,951	3,583	31,408	23,813
Tax	(1,946)	(783)	(615)	(1,537)	(1,614)
PROFIT BEFORE MINORITY					
INTERESTS	20,514	14,168	2,968	29,871	22,199
Minority interests	(747)	(366)	(54)	(315)	(407)
NET PROFIT FROM ORDINARY					
ACTIVITIES ATTRIBUTABLE					
TO SHAREHOLDERS	19,767	13,802	2,914	29,556	21,792

ASSETS AND LIABILITIES

	Consolidated		
	Year ended 31 December		
	2000	1999	1998
	HK\$'000	HK\$'000	HK\$'000
Total assets	501,219	212,161	147,908
Total liabilities	(109,894)	(61,977)	(62,141)
Minority interests	(656)	(1,583)	(1,217)
Net assets	390,669	148,601	84,550

FIXED ASSETS

Details of movements in the Group's fixed assets during the year are set out in note 12 to the financial statements.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 18 to the financial statements.

OPTION SCHEMES FOR SUBSIDIARIES

On 1 July 2000, share option schemes for certain subsidiaries (the "Subsidiaries") were approved and adopted, which will expire on 30 June 2010. Under the schemes, the directors may, at their discretion, grant the options to any executive and/or employee of the Subsidiaries to subscribe for shares in the Subsidiaries. The maximum number of shares to be granted under each scheme may not exceed 10% of the issued share capital of the relevant Subsidiary at the time of granting the options. The subscription prices of the option granted under the schemes are to be determined by the directors at their discretion, but being in no event less than (i) the nominal values of shares of the relevant Subsidiary or (ii) 80% of the net tangible assets per share of the relevant Subsidiary according to their latest audited accounts.

JOINTLY-CONTROLLED ENTITY AND ASSOCIATE

Details of the Group's interests in its jointly-controlled entity and associate are set out in notes 14 and 15 to the financial statements, respectively.

INTEREST-BEARING BANK AND OTHER BORROWINGS

Details of the interest-bearing bank and other borrowings of the Company and the Group are set out in note 23 to the financial statements.

As at 31 December 2000, the Group has committed short-term bank loans of RMB9.0 million (1999: Nil) as working capital for operations in Mainland China. The borrowings are on fixed interest rates and secured by bank deposits of HK\$12.0 million in Hong Kong. The Group has adopted the formula: "total non-current borrowings over shareholders' equity" as the basis for calculating the gearing ratio. Accordingly, the Group's gearing ratio at year end is zero (1999: zero).

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the authorised and issued shares and share options of the Company during the year, together with the reasons therefor, are set out in note 25 to the financial statements.

SHARE PREMIUM ACCOUNT AND RESERVES

Details of movements in the share premium account and reserves of the Company and the Group during the year are set out in note 26 to the financial statements.

DISTRIBUTABLE RESERVES

At 31 December 2000, the Company's reserves available for distribution, calculated in accordance with the Companies Act 1981 of Bermuda (as amended) amounted to HK\$47,411,000.

In addition, the Company's share premium may be distributed in the form of fully paid bonus shares.

PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

Details of the Group's pledge of assets and contingent liabilities are set out in notes 23 and 29 to the financial statements, respectively.

DIRECTORS

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

Executive directors:

Ng Cheung Shing
Leung King San, Sunny
Ma Mok Hoi

Non-executive directors:

Lai Kai Ming, Dominic	(appointed on 26 February 2000)
Ha Shu Tong*	
Lee Kwok On, Matthew, Ph.D.*	
Chui Tak Keung, Duncan	(resigned on 1 June 2000)

* *independent non-executive director*

In accordance with bye-laws 86(2) and 87 of the Company's bye-laws, Mr. Ha Shu Tong will retire at the forthcoming annual general meeting and, being eligible, offer himself for re-election.

The independent non-executive directors have not been appointed for a specific term, but are subject to retirement by rotation pursuant to the Company's bye-laws.

DIRECTORS' REMUNERATION AND SENIOR EXECUTIVES' EMOLUMENTS

Directors' remuneration and senior executives' emoluments disclosed pursuant to Section 161 of the Companies Ordinance and the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") are set out in notes 5 and 6 to the financial statements, respectively.

DIRECTORS' SERVICE CONTRACTS

Each of the executive directors entered into a service contract with the Company since 1 April 1998. These service contracts will continue until terminated by either party by serving to the other party a written notice of not less than three months prior to the effective date of termination. As of the date of report, no termination notice by either party had been received.

Save as disclosed above, none of the directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as detailed in note 30 to the financial statements, no director had a significant beneficial interest in any significant contract, whether directly or indirectly, to which the Company or any of its subsidiaries was a party during the year.

DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2000, the interests of the directors in the share capital of the Company and its associated corporations, as defined in the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") and as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance, were as follows:

Report of the Directors *(continued)*

DIRECTORS' INTERESTS IN SECURITIES *(continued)*

(A) Interests in shares

(i) *The Company*

Name of director	Nature of interest and number of shares	
	Personal interests	Corporate interests
Ng Cheung Shing	1,218,500	110,000,000 <i>(Note 1)</i>
Leung King San, Sunny	612,000	–

(ii) *Associated corporations*

Name of director	Name of associated corporation	Nature of interest and number of shares		
		Personal interests	Corporate interests	Class of shares
Ng Cheung Shing	Computer And Technologies International Limited	1,750,000	3,250,000 <i>(Note 2)</i>	Non-voting deferred
Ma Mok Hoi	Maxfair Technology Limited	625,000	–	Ordinary

Note 1: 110,000,000 shares were held by Chao Lien Technologies Limited ("Chao Lien"). Ng Cheung Shing was entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of C.S. (BVI) Limited which, in turn, was entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of Chao Lien. Accordingly, Ng Cheung Shing was deemed, under the SDI Ordinance, to be interested in all shares held by Chao Lien.

Note 2: 3,250,000 non-voting deferred shares were held by Chao Lien.

DIRECTORS' INTERESTS IN SECURITIES (continued)

(B) Interests in share options

As at 31 December 2000, the following directors had interests recorded in the register kept under Section 29 of the SDI Ordinance, being options granted by the Company to subscribe for shares of the Company, as follows:

Name of director	Number of options held on 1.1.2000	Period during which option is exercisable (Note)	Price per share to be paid on exercise of option HK\$	Number of options exercised during the year	Number of options held on 31.12.2000
Ng Cheung Shing	13,500	10.12.1999 to 29.11.2001	1.75	-	13,500
	800,000	3.12.2000 to 2.11.2004	1.80	-	800,000
Leung King San, Sunny	10,000	10.12.1999 to 29.11.2001	1.75	-	10,000
	188,000	3.12.2000 to 2.11.2004	1.80	-	188,000
Ma Mok Hoi	200,000	26.10.1999 to 25.10.2003	0.281	-	200,000
	9,000	10.12.1999 to 29.11.2001	1.75	-	9,000

Note: If the last day of any option period is not a business day in Hong Kong, the option period will end on the business day preceding that day.

Each of the grantees paid HK\$10 to the Company as consideration for options granted to them.

Except the options granted by the Company as shown above, there is no option granted to the directors by its subsidiaries under their respective share option schemes.

DIRECTORS' INTERESTS IN SECURITIES *(continued)*

(B) Interests in share options *(continued)*

Save as disclosed above, as at 31 December 2000, none of the directors or their associates had any interest (including personal, family, corporate or other interests) in the equity or debt securities of the Company or any of its associated corporations, as defined in the SDI Ordinance.

SHARE OPTIONS AND DIRECTORS' RIGHTS TO ACQUIRE SHARES

Details of share options of the Company held by the directors of the Company are set out in the section headed "Directors' interests in securities" above.

Other than the share option schemes adopted by the Company and by certain subsidiaries, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Company's directors, their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2000, the following interests of 10% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance:

Name of shareholder of the Company	Number of shares	Percentage of issued share capital
Chao Lien Technologies Limited <i>(Note 1)</i>	110,000,000	41.8%
C.S. (BVI) Limited <i>(Note 1)</i>	110,000,000	41.8%
Puttney Investments Limited <i>(Note 2)</i>	29,148,938	11.1%
Hutchison International Limited <i>(Note 2)</i>	29,148,938	11.1%

Note 1: The interest was also disclosed as an interest of Mr. Ng Cheung Shing in the section "Directors' interests in securities" of this report.

SUBSTANTIAL SHAREHOLDERS *(continued)*

Note 2: The two references to 29,148,938 shares related to the same block of shares in the Company. Hutchison International Limited, as a wholly owned subsidiary of Hutchison Whampoa Limited ("HWL"), holds the entire issued share capital of Puttney Investments Limited. Subsidiaries of Cheung Kong (Holdings) Limited ("CKH") are entitled to exercise or control the exercise of more than one-third of the voting power at the general meeting of HWL.

Li Ka-Shing Unity Holdings Limited (in which Mr. Li Ka-Shing owns its entire issued share capital) owns the entire issued share capital of Li Ka-Shing Unity Trustee Company Limited ("TUT1"). TUT1 as trustee of The Li Ka-Shing Unity Trust, together with certain companies which TUT1 as trustee of The Li Ka-Shing Unity Trust is entitled to exercise or control the exercise of more than one-third of the voting power at their general meetings (the "related companies"), holds more than one-third of the issued share capital of CKH.

In addition, Li Ka-Shing Unity Holdings Limited also owns the entire issued share capital of Li Ka-Shing Unity Trustee Corporation Limited ("TDT1"). TDT1 as trustee of the Li Ka-Shing Unity Discretionary Trust, holds a majority of units in The Li Ka-Shing Unity Trust.

By virtue of the interest in TDT1 and TUT1 through Li Ka-Shing Unity Holdings Limited, the interest in the shares of CKH held by TUT1 as trustee of the Li Ka-Shing Unity Trust and its related companies, the interest of CKH in HWL and the interest of Hutchison International Limited in the shares of the Company as described above, Mr. Li Ka-Shing is taken to have an interest in the shares of the Company held by Puttney Investments Limited under the SDI Ordinance.

Save as disclosed above, as at 31 December 2000, no person, other than the directors of the Company whose interests are set out above, had registered an interest in the share capital of the Company that was required to be recorded under Section 16(1) of the SDI Ordinance.

CONNECTED TRANSACTION

Details of the connected transaction for the year are set out in note 30 to the financial statements. The independent non-executive directors of the Company have reviewed the connected transaction set out in note 30, for which the Stock Exchange has granted a waiver from the relevant requirements of the Listing Rules, and confirmed that:

- (a) the transaction was entered into by the Group in the ordinary and usual course of its business;
- (b) the transaction was entered into on an arm's length basis, on normal commercial terms, and on terms that are fair and reasonable so far as the shareholders of the Company are concerned; and
- (c) the transaction was carried out in accordance with the terms of the agreement governing such transaction.

PURCHASE, SALE AND REDEMPTION OF 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 and there are no restrictions against such rights under the laws of Bermuda, being the jurisdiction in which the Company was incorporated.

MAJOR CUSTOMERS AND SUPPLIERS

**Year ended
31 December
2000**

Customers

Percentage of turnover attributable to the Group's
five largest customers 41%

Percentage of turnover attributable to the Group's
largest customer 15%

Suppliers

Percentage of purchases attributable to the Group's
five largest suppliers 67%

Percentage of purchases attributable to the Group's
largest supplier 55%

None of the directors, their respective associates or any shareholders of the Company, which to the knowledge of the directors own more than 5% of the Company's issued share capital, had any interest in the customers and suppliers mentioned above.

EMPLOYEE

As at 31 December 2000, the Group has hired approximately 295 employees (1999: 255) in Hong Kong and Mainland China and the geographic proportion is approximately 47% and 53% (1999: 36% and 64%), respectively. The total employees costs (excluding remuneration for directors) was approximately HK\$60.4 million (1999: HK\$35.3 million). The increase was primarily due to the increase in employees in the Hong Kong region.

Employee's remuneration is in accordance with individual's responsibility and performance and maintains competitive with the market. Other fringe benefits such as medical insurance, pension funds, education/training subsidies are offered to most employees.

Share options are granted at the directors' discretion and under the terms and conditions of employees share option schemes of the Company and certain subsidiaries that were approved and adopted on 29 April 1998 and 1 July 2000, respectively. As at 31 December 2000, only the Company's share options were granted. Details of the schemes are set out in note 25 to the financial statements and in the section headed "Option Schemes for Subsidiaries" above.

PENSION SCHEME

Details of the pension scheme of the Group and the employer's pension costs charged to the profit and loss account for the year are set out in notes 2 and 4 to the financial statements, respectively.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of the directors, the Company has complied with the Code of Best Practice, as set out in Appendix 14 of the Listing Rules, throughout the accounting period covered by the annual report, except that the non-executive directors of the Company are not appointed for specific terms as they are subject to retirement by rotation in accordance with the Company's bye-laws.

The Company established an audit committee in accordance with paragraph 14 of the Code of Best Practice. The audit committee meets regularly to consider the nature and scope of audit reviews, the effectiveness of the internal control systems and compliance with the relevant rules and regulations.



Report of the Directors *(continued)*

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

On Behalf of the Board

Ng Cheung Shing

Chairman

Hong Kong

3 April 2001

Report of the Auditors



To the members
Computer And Technologies Holdings Limited
(Incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 33 to 70 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 to you.

BASIS OF OPINION

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

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

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2000 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants

Hong Kong
3 April 2001

Consolidated Profit and Loss Account

Year ended 31 December 2000

	Notes	2000 HK\$'000	1999 HK\$'000
TURNOVER	3	420,648	353,480
Cost of sales		(330,467)	(283,575)
Gross profit		90,181	69,905
Other revenue	3	15,365	2,013
Selling and distribution expenses		(49,172)	(26,813)
Administrative expenses		(32,182)	(29,331)
PROFIT FROM OPERATING ACTIVITIES	4	24,192	15,774
Finance costs	7	(1,259)	(823)
Share of losses of:			
Jointly-controlled entity		(441)	–
Associate		(32)	–
PROFIT BEFORE TAX		22,460	14,951
Tax	8	(1,946)	(783)
PROFIT BEFORE MINORITY INTERESTS		20,514	14,168
Minority interests		(747)	(366)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	9	19,767	13,802
Dividends	10	(7,910)	(3,942)
EARNINGS PER SHARE	11		
– Basic		7.71 cents	6.26 cents
– Diluted		7.44 cents	6.14 cents

Consolidated Statement of Recognised Gains and Losses

Year ended 31 December 2000

	Note	2000 HK\$'000	1999 HK\$'000
Exchange differences on translation of the financial statements of foreign entities	26	14	(5)
Net gains/(losses) not recognised in the profit and loss account		14	(5)
Net profit from ordinary activities attributable to shareholders		19,767	13,802
Total recognised gains and losses		19,781	13,797

Consolidated Balance Sheet

31 December 2000

	Notes	2000 HK\$'000	1999 HK\$'000
NON-CURRENT ASSETS			
Fixed assets	12	45,019	35,042
Intangible assets	13	12,480	–
Interest in a jointly-controlled entity	14	5,484	–
Interest in an associate	15	2,046	–
Investment securities	16	1,460	1,460
Deferred development costs	17	18,847	14,727
		85,336	51,229
CURRENT ASSETS			
Inventories	19	41,576	12,466
Trade receivables	20	117,906	47,887
Amounts due from contract customers	21	4,387	–
Prepayments, deposits and other receivables		7,485	9,164
Pledged bank deposits		12,000	2,800
Cash and bank balances		232,529	88,615
		415,883	160,932
CURRENT LIABILITIES			
Trade payables, other payables and accruals	22	(89,340)	(48,971)
Tax payable		(2,971)	(2,582)
Proposed final dividend		(7,910)	(3,942)
Interest-bearing bank and other borrowings	23	(9,082)	(6,482)
		(109,303)	(61,977)
NET CURRENT ASSETS		306,580	98,955
TOTAL ASSETS LESS CURRENT LIABILITIES		391,916	150,184
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	23	(591)	–
Minority interests		(656)	(1,583)
		390,669	148,601
CAPITAL AND RESERVES			
Issued capital	25	26,330	23,319
Reserves	26	364,339	125,282
		390,669	148,601

Leung King San, Sunny
Director

Ng Cheung Shing
Director

Consolidated Cash Flow Statement

Year ended 31 December 2000

	Note	2000 HK\$'000	1999 HK\$'000
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	27(a)	(41,609)	29,475
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		13,144	1,324
Interest paid		(1,259)	(823)
Dividends paid		(3,942)	–
Net cash inflow from returns on investments and servicing of finance		7,943	501
TAXATION			
Hong Kong profits tax refunded/(paid)		(340)	128
Hong Kong profits tax rebate		–	111
Mainland China tax paid		(1,217)	(70)
Taxes refunded/(paid)		(1,557)	169
INVESTING ACTIVITIES			
Proceeds on disposal of fixed assets		151	145
Purchases of fixed assets		(15,827)	(5,387)
Purchase of listed investments		(180)	–
Proceeds on disposal of listed investments		498	–
Additions to deferred development costs		(9,191)	(11,468)
Increase in pledged bank deposits		(9,200)	(2,800)
Investment in an associate		(1,125)	–
Advance to an associate		(953)	–
Advance to a jointly-controlled entity		(5,925)	–
Purchase of intangible assets		(12,480)	–
Payment for subsidiaries acquired in prior period		–	(10,673)
Net cash outflow from investing activities		(54,232)	(30,183)
NET CASH OUTFLOW BEFORE FINANCING		(89,455)	(38)

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Consolidated Cash Flow Statement *(continued)*

Year ended 31 December 2000

	Note	2000 HK\$'000	1999 HK\$'000
NET CASH OUTFLOW BEFORE FINANCING			
– page 36		(89,455)	(38)
FINANCING	27(b)		
Proceeds from issue of shares		548	55,473
Proceeds from issue of convertible bonds		230,277	–
Share issue expenses		(628)	(1,277)
Drawdown of bank loans		8,491	–
Repayment of bank loans		(6,482)	(562)
Drawdown of other loan		1,330	–
Repayment of other loan		(148)	–
Net cash inflow from financing		233,388	53,634
INCREASE IN CASH AND CASH EQUIVALENTS		143,933	53,596
Cash and cash equivalents at beginning of year		88,615	35,019
Effect of foreign exchange rate changes, net		(19)	–
CASH AND CASH EQUIVALENTS AT END OF YEAR		232,529	88,615
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		232,529	88,615

Balance Sheet

31 December 2000

	Notes	2000 HK\$'000	1999 HK\$'000
NON-CURRENT ASSETS			
Interests in subsidiaries	18	354,136	128,072
CURRENT ASSETS			
Prepayments, deposits and other receivables		120	223
Cash and bank balances		35,420	24,747
		35,540	24,970
CURRENT LIABILITIES			
Other payables and accruals		(142)	(471)
Proposed final dividend		(7,910)	(3,942)
Other loan, unsecured	23	(591)	–
		(8,643)	(4,413)
NET CURRENT ASSETS		26,897	20,557
TOTAL ASSETS LESS CURRENT LIABILITIES		381,033	148,629
NON-CURRENT LIABILITY			
Other loan, unsecured	23	(591)	–
		380,442	148,629
CAPITAL AND RESERVES			
Issued capital	25	26,330	23,319
Reserves	26	354,112	125,310
		380,442	148,629

Leung King San, Sunny
Director

Ng Cheung Shing
Director



Notes to Financial Statements

31 December 2000

1. CORPORATE INFORMATION

During the year, the Group was engaged in the following principal activities:

- trading of computers and computer related products;
- provision of e-business related services; and
- provision of computer systems software installation, support and training services.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2000. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Subsidiaries

A subsidiary is a company in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors.

Interests in subsidiaries are stated at cost unless, in the opinion of the directors, there have been permanent diminutions in values, when they are written down to values determined by the directors.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

Joint venture arrangements which involve the establishment of a separate entity in which the Group and other parties have an interest are referred to as jointly-controlled entities.

The Group's share of the post acquisition results and reserves of the jointly-controlled entity is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interest in the jointly-controlled entity is stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting.

Associates

An associate is a company, not being a subsidiary or a joint venture, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of the associate is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interest in an associate is stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting.

Goodwill on consolidation

Goodwill arising on consolidation of subsidiaries represents the excess purchase consideration paid for subsidiaries over the fair values ascribed to the net underlying assets acquired at the date of acquisition and is eliminated against reserves in the year of acquisition.

Upon disposal of subsidiaries, the relevant portion of attributable goodwill previously eliminated against reserves is realised and taken into account in arriving at the gain or loss on disposal of the subsidiaries.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fixed assets and depreciation

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

The gains or loss on disposal or retirement of a fixed asset recognised in the profit and loss account is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Depreciation is calculated on the straight-line basis to write off the cost of each asset over its estimated useful life, after taking into account its estimated residual value. The principal annual rates used for this purpose are as follows:

Leasehold land	Over the lease terms
Buildings	2% – 4%
Leasehold improvements	Over the lease terms
Computer equipment and software	20% – 33%
Furniture, fixtures and office equipment	18% – 25%
Motor vehicles	20%

Intangible assets

Intangible assets represent acquisition cost to obtain non-exclusive rights to use a specific software product developed by a third party, and are stated at cost and amortised on a straight-line basis over the period of the license agreement.

Investment securities

Investment securities are securities which are intended to be held on a continuing basis, and which are held for an identified long term purpose documented at the time of acquisition or change of purpose and are clearly identifiable for the documented purpose. Investment securities are included in the balance sheet at cost less provisions for diminutions in values which are other than temporary, assessed by the directors on an individual investment basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investment securities *(continued)*

The profit or loss on disposal of investment securities is accounted for in the period in which the disposal occurs as the difference between the net sales proceeds and the carrying amount of the securities.

Deferred development costs

Expenditure incurred on projects to develop new products is capitalised and deferred only when the projects are clearly defined; the expenditure is separately identified and can be measured reliably; there is reasonable certainty that the projects are technically feasible; and the products have commercial value. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are amortised, using the straight-line method, over the expected useful life of the products subject to a maximum period of five years, commencing from the date when the products are put into commercial production.

The unamortised balance of development costs is reviewed at the end of each period and is written off to the extent that the unamortised balance, taken together with further development and directly related costs, is no longer likely to be recovered.

Inventories

Inventories are stated at the lower of cost and net realisable value after making due allowance for any obsolete or slow-moving items. Cost is determined on the weighted average basis and, in the case of finished goods and work in progress, comprises direct materials, direct labour and an appropriate proportion of overheads.

Net realisable value is based on estimated selling prices less any further costs expected to be incurred to completion and disposal.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Contracts for services

Contract revenue on the rendering of services comprises the agreed contract amount. Costs of rendering services comprise labour and other costs of personnel directly engaged in providing the services and attributable overheads.

Revenue on the rendering of services is recognised based on the percentage of completion of the transaction, provided that this and the costs incurred as well as the estimated costs to completion can be measured reliably. The percentage of completion is established by reference to the costs incurred to date as compared to the total costs to be incurred under the transaction.

Provision is made for foreseeable losses as soon as they are anticipated by management.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers.

Where progress billing exceed contract costs incurred to date, plus recognised profit less recognised losses, the surplus is treated as an amount due to contract customers.

Deferred tax

Deferred tax is provided, using the liability method, on all significant timing differences to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals applicable to such operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

Foreign currencies

Foreign currency transactions are recorded at the applicable rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable rates of exchange ruling at that date. Exchange differences are dealt with in the profit and loss account.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

On consolidation, the financial statements of overseas subsidiaries which are expressed in foreign currencies are translated into Hong Kong dollars at the applicable rates of exchange ruling at the balance sheet date. All exchange differences arising on consolidation are dealt with in the exchange fluctuation reserve.

Pension costs

The Group operates defined contribution retirement benefits schemes under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the schemes. The assets of the schemes are held separately from those of the Group in independently administered funds. When an employee leaves the Mandatory Provident Fund Exempted ORSO retirement benefits scheme prior to his/her interest in the Group's employer contributions vesting fully, the ongoing contributions payable by the Group may be reduced by the relevant amount of forfeited contributions. In respect to the Mandatory Provident Fund retirement benefits scheme, the Group's employer contributions vest fully with the employees when contributed into the Scheme except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the Scheme.

For certain subsidiaries of the Group in Mainland China, contributions to government retirement benefit schemes are charged to the profit and loss account as incurred.

Revenue recognition

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

- (a) the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;



Notes to Financial Statements *(continued)*

31 December 2000

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition *(continued)*

- (b) the rendering of software development services and e-business related services, on the basis as set out under "Contracts for services" above;
- (c) maintenance service income, on a time proportion basis over the period of the contract;
- (d) income from training courses, when the courses are presented;
- (e) proceeds from the sale of short term investments in listed shares, on the transaction dates when the relevant contract notes are exchanged; and
- (f) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable.

Convertible bonds

Convertible bonds are stated at cost. Interest on convertible bonds is recognised as an expense in the period in which it is incurred.

Related parties

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

Cash equivalents

Cash equivalents represent short term highly liquid investments which are readily convertible into known amounts of cash without notice and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance.

Notes to Financial Statements (continued)

31 December 2000

3. TURNOVER AND REVENUE

Turnover represents the aggregate of the invoiced value of goods sold, net of discounts, returns, value-added tax and business tax where applicable, and income earned from the provision of e-business related services, maintenance services, software development services and training courses, after elimination of all significant intra-group transactions.

An analysis of the Group's turnover and revenue is as follows:

	2000 HK\$'000	1999 HK\$'000
Sale of goods:		
Computer hardware and software (including installation and systems design)	344,562	316,978
Computer hardware, software and related accessories	34,620	33,174
	379,182	350,152
Provision of e-business related services	33,908	–
Maintenance services, software development services and training courses	7,558	3,328
Turnover	420,648	353,480
Interest income	13,984	1,324
Exchange gains, net	–	462
Other income	1,381	227
Other revenue	15,365	2,013
Total revenue for the year	436,013	355,493

Notes to Financial Statements *(continued)*

31 December 2000

4. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after charging/(crediting):

	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Cost of inventories sold and services provided	322,128	282,261
Depreciation	5,708	3,878
Less: Capitalised in deferred development costs	–	(151)
	5,708	3,727
Loss on disposal of fixed assets	–	225
Amortisation of deferred development costs	5,095	1,314
Operating lease rentals in respect of land and buildings	4,560	3,558
Auditors' remuneration	680	555
Staff costs (excluding directors' remuneration disclosed in note 5)*:		
Wages and salaries	58,258	33,923
Pension contributions	2,539	1,707
Less: Forfeited contributions	(412)	(299)
Net employer's pension contributions**	2,127	1,408
Less: Capitalised in deferred development costs	(8,197)	(9,432)
	52,188	25,899
Bad debts written off	–	5
Exchange losses/(gains), net	29	(462)
Interest income	(13,984)	(1,324)
Gain on disposal of listed investments	(318)	–

* Inclusive of an amount of HK\$23,350,000 (1999: HK\$2,709,000) classified under cost of inventories sold and services provided.

** The amount of forfeited contributions available at the year end to reduce contributions in future years was not material.

Notes to Financial Statements *(continued)*

31 December 2000

5. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to Section 161 of the Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") is as follows:

	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Fees:		
Executive	–	–
Non-executive	160	160
	160	160
Other emoluments:		
Salaries, allowances and benefits in kind	2,486	2,417
Bonuses paid and payable	512	235
Pension scheme contributions	114	113
	3,112	2,765
	3,272	2,925

The remuneration of the above directors fell within the following bands:

	2000 Number of directors	1999 Number of directors
Nil – HK\$1,000,000	5	5
HK\$1,000,001 – HK\$1,500,000	2	1
	7	6

Fees include HK\$160,000 (1999: HK\$160,000) payable to an independent non-executive director. There were no other emoluments payable to the independent non-executive directors during the year (1999: Nil).

During the year, options to acquire shares in the Company were granted to certain directors. No value is included in the remuneration of the directors in respect of share options granted during the year because, in the absence of a readily available market value for the options on the shares of the Company, the directors are unable to arrive at an accurate assessment of the value of the options granted.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

Notes to Financial Statements *(continued)*

31 December 2000

6. SENIOR EXECUTIVES' EMOLUMENTS

The five highest paid individuals of the Group included two (1999: three) directors, details of whose remuneration are set out in note 5 to the financial statements. The remuneration of the other three (1999: two) highest paid individuals, disclosed pursuant to the Listing Rules, is as follows:

	2000 HK\$'000	1999 HK\$'000
Salaries, allowances and benefits in kind	3,651	2,352
Bonuses paid and payable	304	94
Pension scheme contributions	161	118
	4,116	2,564

The remuneration of the three (1999: two) highest paid individuals fell within the following bands:

	2000 Number of individuals	1999 Number of individuals
Nil – HK\$1,000,000	–	1
HK\$1,000,001 – HK\$1,500,000	2	–
HK\$1,500,001 – HK\$2,000,000	1	1
	3	2

No value is included in the remuneration of the five highest paid employees in respect of share options granted during the year because, in the absence of a readily available market value for the options on the shares of the Company, the directors are unable to arrive at an accurate assessment of the value of the options granted.

7. FINANCE COSTS

	Group	
	2000 HK\$'000	1999 HK\$'000
Interest on bank loans	199	823
Interest on convertible bonds	1,060	–
	1,259	823

Notes to Financial Statements (continued)

31 December 2000

8. TAX

	2000	Group
	HK\$'000	1999
		HK\$'000
Provision for tax in respect of profits for the year:		
Hong Kong	504	365
Mainland China	1,487	549
	1,991	914
Overprovisions in prior years		
– Hong Kong	(45)	(20)
Hong Kong profits tax rebate	–	(111)
Tax charge for the year	1,946	783

Hong Kong profits tax has been provided at the rate of 16% (1999: 16%) on the estimated assessable profits arising in Hong Kong during the year. Provision has been made for tax in Mainland China based on existing legislation, interpretations and practices in respect thereof at the prevailing rates of tax.

No provision for tax is required for the associate or the jointly-controlled entity as no assessable profits were earned by the associate or the jointly-controlled entity during the year.

At the balance sheet date, the Group had no material unprovided deferred tax liabilities.

9. NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net profit from ordinary activities attributable to shareholders dealt with in the financial statements of the Company is HK\$9,526,000 (1999: HK\$4,437,000).

Notes to Financial Statements (continued)

31 December 2000

10. DIVIDENDS

	2000 HK\$'000	1999 HK\$'000
Proposed final dividend of 2 cents (1999: 1.5 cents) per share	5,273	3,942
Special dividend of 1 cent (1999: Nil) per share	2,637	–
	7,910	3,942

11. EARNINGS PER SHARE

The calculations of basic and diluted earnings per share are based on the following data:

	2000 HK\$'000	1999 HK\$'000
Earnings		
Net profit attributable to shareholders, used in the basic and diluted earnings per share calculations	19,767	13,802
Shares	'000	'000
Weighted average number of shares in issue during the year used in basic earnings per share calculation	256,455	220,431
Effect of dilutive potential ordinary shares	9,363	4,355
Weighted average number of shares used in diluted earnings per share calculation	265,818	224,786

Notes to Financial Statements (continued)

31 December 2000

12. FIXED ASSETS

Group

	Leasehold land and buildings <i>HK\$'000</i>	Leasehold improve- ments <i>HK\$'000</i>	Computer equipment and software <i>HK\$'000</i>	Furniture, fixtures and office equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost:						
At beginning of year	25,353	653	-	13,558	188	39,752
Reclassifications	-	-	10,563	(10,563)	-	-
Additions	-	3,955	8,502	3,140	230	15,827
Disposals	-	-	(2,116)	(1,517)	(188)	(3,821)
Exchange realignment	-	3	14	3	-	20
At 31 December 2000	25,353	4,611	16,963	4,621	230	51,778
Accumulated depreciation:						
At beginning of year	713	273	-	3,687	37	4,710
Reclassifications	-	-	2,309	(2,309)	-	-
Provided during the year	443	1,072	3,244	903	46	5,708
Disposals	-	-	(2,116)	(1,517)	(37)	(3,670)
Exchange realignment	-	1	8	2	-	11
At 31 December 2000	1,156	1,346	3,445	766	46	6,759
Net book value:						
At 31 December 2000	24,197	3,265	13,518	3,855	184	45,019
At 31 December 1999	24,640	380	-	9,871	151	35,042

Notes to Financial Statements (continued)

31 December 2000

12. FIXED ASSETS (continued)

The Group's leasehold land and buildings included above are held under the following lease terms:

	<i>HK\$'000</i>
Hong Kong:	
Long term leases	15,520
Mainland China:	
Long term leases	6,272
Medium term leases	2,405
	<hr/> 24,197

The Group's leasehold land and buildings in Hong Kong were pledged to secure banking facilities granted to the Group (note 23).

13. INTANGIBLE ASSETS

	2000	Group
	<i>HK\$'000</i>	1999 <i>HK\$'000</i>
License rights, at cost	12,480	–

The intangible assets represent the non-exclusive rights to use a specific software product developed by a third party. No amortisation is provided for the year as the license rights were acquired close to the balance sheet date.

14. INTEREST IN A JOINTLY-CONTROLLED ENTITY

	2000	Group
	<i>HK\$'000</i>	1999 <i>HK\$'000</i>
Share of net assets	(441)	–
Loan to the jointly-controlled entity	5,000	–
Amount due from the jointly-controlled entity	925	–
	5,484	–

Notes to Financial Statements *(continued)*

31 December 2000

14. INTEREST IN A JOINTLY-CONTROLLED ENTITY *(continued)*

The balances with the jointly-controlled entity are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the jointly-controlled entity are as follows:

Name	Business structure	Place of incorporation and operation	Percentage of equity interest attributable to the Group		Principal activity
			2000	1999	
HutchTech Resources Limited	Corporate	Hong Kong/ Mainland China	50%	-	Dormant

The jointly-controlled entity is indirectly held by the Company.

15. INTEREST IN AN ASSOCIATE

	Group	
	2000 HK\$'000	1999 HK\$'000
Share of net assets	1,093	-
Amount due from an associate	953	-
	2,046	-

The amount due from the associate is unsecured, interest-free and has no fixed terms of repayment.

Particulars of the associate are as follows:

Name	Business structure	Place of incorporation and operation	Percentage of equity interest attributable to the Group		Principal activity
			2000	1999	
StarDB.com Limited	Corporate	Hong Kong/ Mainland China	39.47%	-	Provision of web-casting services

The associate is indirectly held by the Company.

Notes to Financial Statements (continued)

31 December 2000

16. INVESTMENT SECURITIES

	Group	
	2000 HK\$'000	1999 HK\$'000
Club membership debenture, at cost	1,460	1,460

17. DEFERRED DEVELOPMENT COSTS

	Group	
	2000 HK\$'000	1999 HK\$'000
Cost:		
At beginning of the year	16,135	4,485
Exchange realignment	25	31
Additions	9,191	11,619
At 31 December	25,351	16,135
Amortisation:		
At beginning of the year	1,408	94
Exchange realignment	1	–
Provided during the year	5,095	1,314
At 31 December	6,504	1,408
Net deferred development costs	18,847	14,727

18. INTERESTS IN SUBSIDIARIES

	Company	
	2000 HK\$'000	1999 HK\$'000
Unlisted shares, at cost	45,633	45,633
Due from subsidiaries	308,503	82,704
Due to a subsidiary	–	(265)
	354,136	128,072

The balances with subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

Notes to Financial Statements *(continued)*

31 December 2000

18. INTERESTS IN SUBSIDIARIES *(continued)*

Particulars of the principal subsidiaries at the balance sheet date were as follows:

Company	Place of incorporation/ registration	Issued and fully paid share capital/ registered capital*	Percentage of equity interest attributable to the Company		Principal activities
			2000	1999	
Computer And Technologies (BVI) Limited	British Virgin Islands	US\$1,000	100%	100%	Investment holding
Computer And Technologies International Limited ("C&T International")	Hong Kong	Ordinary HK\$2 Non-voting deferred** HK\$5,000,000	100%	100%	Investment holding
Computer And Technologies Integration Limited	Hong Kong	Ordinary HK\$2	100%	100%	Trading of computers and computer related products
Computer & Technologies International Trading (Shanghai) Company Limited#	Mainland China	US\$200,000	100%	100%	Trading of computers and computer related products
Computer & Technologies Investment Limited	British Virgin Islands	US\$1	100%	100%	Investment holding
C&T (Guangzhou) Investment Limited	Hong Kong	HK\$2	100%	100%	Property holding
C&T (Hong Kong) Investment Limited	British Virgin Islands	US\$1	100%	100%	Property holding

Notes to Financial Statements (continued)

31 December 2000

18. INTERESTS IN SUBSIDIARIES (continued)

Company	Place of incorporation/ registration	Issued and fully paid share capital/ registered capital*	Percentage of equity interest attributable to the Company		Principal activities
			2000	1999	
C&T (Nanjing) Investment Limited	Hong Kong	HK\$2	100%	100%	Property holding
C&T (Shanghai) Investment Limited	Hong Kong	HK\$2	100%	100%	Property holding
Computer And Technologies Services Limited	Hong Kong	HK\$10,000	100%	100%	Provision of computer systems software installation, support and training services
Computer And Technologies Software Limited	Hong Kong	HK\$500,000	100%	100%	Investment holding
Computer & Technologies (Shanghai) Co., Ltd.#	Mainland China	US\$140,000	100%	100%	Development of software
Computer & Technologies Software (Beijing) Co., Ltd.#	Mainland China	US\$360,000	100%	100%	Trading of computers and computer related accessories, and provision of computer system related services
Computer & Technologies Solutions (Shenzhen) Co., Ltd.#	Mainland China	HK\$1,000,000	100%	100%	Development of software

Notes to Financial Statements *(continued)*

31 December 2000

18. INTERESTS IN SUBSIDIARIES *(continued)*

Company	Place of incorporation/ registration	Issued and fully paid share capital/ registered capital*	Percentage of equity interest attributable to the Company		Principal activities
			2000	1999	
ets.com.hk Limited	Hong Kong	HK\$2	100%	-	Provision of e-business hosting services
e-tendering.com Limited	British Virgin Islands	US\$1	100%	-	Provision of e-tendering business
Global e-Business Enabler Limited (formerly Computer And Technologies Solutions Limited)	Hong Kong	HK\$2	100%	100%	Provision of information technology solutions
Global e-Business Services Limited	Hong Kong	HK\$10,000	100%	-	Provision of B2B and enterprise e-business application services
Maxfair Technology Limited	Hong Kong	HK\$2,500,000	75%	75%	Trading of computers and computer related accessories

* *The concept of registered capital applies only to companies established in Mainland China.*

** *The non-voting deferred shares, which are not held by the Group, carry no rights to dividends or to receive notice of or to attend or vote at any general meeting. In the winding-up of C&T International, the deferred shareholders carry the right to receive a return of capital after the holders of the ordinary shares have received a sum of HK\$1,000,000,000 per ordinary share.*

The subsidiaries established in Mainland China are wholly foreign-owned enterprises.

Except for Computer And Technologies (BVI) Limited, all of the above subsidiaries are indirectly held by the Company.

Notes to Financial Statements (continued)

31 December 2000

18. INTERESTS IN SUBSIDIARIES (continued)

All of the above subsidiaries operate in the place of their incorporation/registration except for C&T (Hong Kong) Investment Limited, which is incorporated in the British Virgin Islands but operates in Hong Kong.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results of the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

19. INVENTORIES

	Group	
	2000 HK\$'000	1999 HK\$'000
Work in progress	38,095	8,624
Finished goods	3,481	3,842
	41,576	12,466

20. TRADE RECEIVABLES

The ageing analysis of trade receivables is as follows:

	Group	
	2000 HK\$'000	1999 HK\$'000
Outstanding balances with ages:		
Current	108,380	37,801
Overdue 1 to 3 months	8,033	5,537
Overdue 4 to 6 months	1,493	4,549
	117,906	47,887

Notes to Financial Statements (continued)

31 December 2000

20. TRADE RECEIVABLES (continued)

Credit terms

System integration projects, the provision of maintenance services and software development services have terms which vary from contract to contract and may include cash on delivery, advance payment and credit. For those customers who trade on credit, invoices are normally payable within 90 days of issuance. Trade receivables are recognised and carried at original invoiced amount less provision for doubtful debts which is recorded when collection of the full amount is no longer probable. Bad debts are written off as incurred.

21. AMOUNTS DUE FROM CONTRACT CUSTOMERS

	2000 HK\$'000	Group 1999 HK\$'000
Contract costs incurred plus recognised profits less recognised losses to date	27,403	–
Less: progress billings	(23,016)	–
Gross amount due from contract customers	4,387	–

22. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

Included in the balance is an amount of HK\$67,196,000 (1999: HK\$40,935,000) representing the trade payables of the Group. The ageing analysis of such payables is as follows:

	2000 HK\$'000	Group 1999 HK\$'000
Outstanding balances with ages:		
Current	62,990	26,852
Within 1 to 3 months	4,042	13,671
Between 4 to 6 months	164	412
	67,196	40,935

Notes to Financial Statements (continued)

31 December 2000

23. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Group		Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Bank loans, secured	8,491	6,482	–	–
Other loan wholly repayable within five years, unsecured	1,182	–	1,182	–
	9,673	6,482	1,182	–
The bank loans and other loan are repayable:				
Within one year	9,082	562	591	–
In the second year	591	624	591	–
In the third to fifth years, inclusive	–	2,246	–	–
Beyond five years	–	3,050	–	–
	9,673	6,482	1,182	–
Portion classified as current liabilities*	(9,082)	(6,482)	(591)	–
Long term portion	591	–	591	–

* During the year, the bank loan of HK\$6,482,000 as at 31 December 1999 was fully repaid. Accordingly, the bank loan was classified as current liabilities at the prior year balance sheet date.

The bank facilities are secured by fixed charges over leasehold land and buildings with a net book value of HK\$15,520,000 (1999: HK\$15,679,000) and bank deposits of HK\$12,000,000 (1999: HK\$2,800,000).

The other loan is unsecured, interest-free and is repayable by 27 monthly instalments commencing from October 2000.

Notes to Financial Statements (continued)

31 December 2000

24. CONVERTIBLE BONDS

	2000 HK\$'000	Group 1999 HK\$'000
At 1 January	-	-
Bond issue	230,277	-
Converted during the year	(230,277)	-
At 31 December	-	-

On 21 February 2000, the Company issued convertible bonds (the "Bonds") in the principal sum of HK\$230,276,610, and granted an option to subscribe for shares of the Company (the "Option") to an independent third party (the "Purchaser"), with the following principal terms:

- (i) the Bonds bore interest at 6% per annum and were convertible at the option of the bondholders into an aggregate of 29,148,938 fully paid shares (the "Shares") of HK\$0.10 each in the Company at an initial conversion price of HK\$7.90 per share (the "Conversion Price"), subject to adjustments;
- (ii) the Bonds were mandatorily convertible into the Shares if the closing price of the shares of the Company on the Stock Exchange in each of any 20 consecutive trading days during the two-year period commencing on the date of issue of the Bonds (i.e. the period from 21 February 2000 to 20 February 2002) was not less than 165% of the Conversion Price (i.e. HK\$13.04); and
- (iii) subject to completion of the issue of the Bonds, the Option was exercisable by the Purchaser at any time within two years from 21 February 2000 and exercisable in whole or in part. The exercise price was equal to the Conversion Price of the Bonds. Assuming that the Option was fully exercised, a total of 17,489,362 new shares of the Company would be issued upon exercise of the Option.

As condition (ii) above was fulfilled in March 2000, the Purchaser fully converted the Bonds into 29,148,938 shares of the Company on 21 March 2000 in accordance with the terms of the Bonds. Subsequent to the conversion, the Purchaser owned approximately 11% of the total enlarged issued share capital of the Company and, accordingly, became a substantial shareholder thereof under the Listing Rules.

Up to the date of this report, the Purchaser has not exercised any of the Option.

Notes to Financial Statements (continued)

31 December 2000

25. SHARE CAPITAL

	Company	
	2000 HK\$'000	1999 HK\$'000
Authorised:		
1,000,000,000 ordinary shares of HK\$0.10 each	100,000	100,000
Issued and fully paid:		
263,300,338 (1999: 233,191,500) ordinary shares of HK\$0.10 each	26,330	23,319

During the year, the following changes in the Company's issued ordinary share capital took place and, as a result, 30,108,838 ordinary shares were issued:

- (a) on 21 March 2000, convertible bonds with an aggregate principal amount of HK\$230,276,610 were fully converted into 29,148,938 new shares of HK\$0.10 each at the conversion price of HK\$7.90 per share (see note 24); and
- (b) 959,900 ordinary shares were allotted to the holders of share options who exercised the options under the share option scheme of the Company.

Share options

On 29 April 1998, a share option scheme was approved and adopted, which will expire on 28 April 2008. Under the scheme, the directors may, at their discretion, grant options to any executive and/or employee of the Company and its subsidiaries to subscribe for shares in the Company. The maximum number of shares to be granted under the scheme may not exceed 10% of the issued share capital of the Company at the time of granting the option. The subscription price of the option granted under the scheme is to be determined by the directors at their discretion, but being in no event less than the higher of 80% of the average of the closing prices of the Company's shares on the Stock Exchange for the five business days immediately preceding the date of grant of the option, and the nominal value of the shares.

Notes to Financial Statements (continued)

31 December 2000

25. SHARE CAPITAL (continued)

The movements in the number of share options to subscribe for shares in the Company during the year are as follows:

	Number of share options to subscribe for shares at an exercise price per share of												Total '000	
	HK\$0.281 '000	HK\$0.298 '000	HK\$0.316 '000	HK\$0.635 '000	HK\$0.675 '000	HK\$0.715 '000	HK\$0.753 '000	HK\$1.75 '000	HK\$1.8 '000	HK\$4.04 '000	HK\$4.14 '000	HK\$5.89 '000		HK\$13.10 '000
At beginning of year	200	1,956	504	520	752	816	128	2,873	988	-	-	-	-	8,737
Granted during the year*	-	-	-	-	-	-	-	-	-	1,241	1,252	1,300	595	4,388
Cancelled during the year	-	-	-	-	-	-	-	-	-	-	-	(1,300)	(595)	(1,895)
Exercised during the year	-	(500)	(156)	-	(50)	(108)	(16)	(130)	-	-	-	-	-	(960)
At 31 December 2000	200	1,456	348	520	702	708	112	2,743	988	1,241	1,252	-	-	10,270

* At a consideration of HK\$10 per grant.

The options outstanding at 31 December 2000 expire at various dates up to the close of business day on 2 November 2004, or if that day is not a business day, the expiry date will be the close of the business day proceeding 2 November 2004. The exercise in full of the outstanding options would, under the present capital structure of the Company, result in the issue of 10,270,000 additional shares and cash proceeds to the Company in the approximate amount of HK\$18,770,000 before the related share issue expenses.

(See note 24(iii) for details of share options granted to a third party.)

Notes to Financial Statements (continued)

31 December 2000

26. RESERVES

Group

	Share premium <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Goodwill reserve <i>HK\$'000</i>	Exchange fluctuation reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 1999	26,638	45,483	(11,117)	4	1,542	62,550
Issue of shares during the year	54,154	-	-	-	-	54,154
Share issue expenses	(1,277)	-	-	-	-	(1,277)
Net profit for the year	-	-	-	-	13,802	13,802
Dividend	-	-	-	-	(3,942)	(3,942)
Exchange adjustments	-	-	-	(5)	-	(5)
At 31 December 1999 and 1 January 2000	79,515	45,483	(11,117)	(1)	11,402	125,282
Issue of shares during the year	227,814	-	-	-	-	227,814
Share issue expenses	(628)	-	-	-	-	(628)
Net profit for the year	-	-	-	-	19,767	19,767
Dividend	-	-	-	-	(7,910)	(7,910)
Exchange adjustments	-	-	-	14	-	14
At 31 December 2000	306,701	45,483	(11,117)	13	23,259	364,339

Notes to Financial Statements (continued)

31 December 2000

26. RESERVES (continued)

Company

	Share premium <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Retained profits/ (accumulated losses) <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 1999	26,638	45,483	(183)	71,938
Issue of shares during the year	54,154	-	-	54,154
Share issue expenses	(1,277)	-	-	(1,277)
Net profit for the year	-	-	4,437	4,437
Dividend	-	-	(3,942)	(3,942)
At 31 December 1999 and 1 January 2000	79,515	45,483	312	125,310
Issue of shares during the year	227,814	-	-	227,814
Share issue expenses	(628)	-	-	(628)
Net profit for the year	-	-	9,526	9,526
Dividend	-	-	(7,910)	(7,910)
At 31 December 2000	306,701	45,483	1,928	354,112

	Group	
	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Profits retained/(losses accumulated) by:		
Company and subsidiaries	23,732	11,402
Jointly-controlled entity	(441)	-
Associate	(32)	-
At end of year	23,259	11,402

The contributed surplus of the Company and the Group represents the difference between the nominal value of the share capital issued by the Company and the aggregate net asset value of the subsidiaries acquired at the date of acquisition pursuant to the Group reorganisation on 29 April 1998.

Under the Companies Act 1981 of Bermuda (as amended), the Company may make distributions to its members out of the contributed surplus in certain circumstances.

Notes to Financial Statements (continued)

31 December 2000

27. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit from operating activities to net cash inflow/ (outflow) from operating activities

	2000 HK\$'000	1999 HK\$'000
Profit from operating activities	24,192	15,774
Interest income	(13,984)	(1,324)
Depreciation	5,708	3,727
Loss on disposal of fixed assets	–	225
Amortisation of deferred development costs	5,095	1,314
Gain on disposal of listed investments	(318)	–
Increase in trade receivables	(70,019)	(301)
Increase in amounts due from contract customers	(4,387)	–
Decrease in prepayments, deposits and other receivables	2,519	5,370
Increase in inventories	(29,110)	(1,444)
Decrease in bills payable	–	(177)
Increase in trade payables, other payables and accruals	38,695	6,311
Net cash inflow/(outflow) from operating activities	(41,609)	29,475

Notes to Financial Statements *(continued)*

31 December 2000

27. NOTES TO CONSOLIDATED CASH FLOW STATEMENT *(continued)*

(b) Analysis of changes in financing during the year

	Share capital and share premium account <i>HK\$'000</i>	Minority interests <i>HK\$'000</i>	Bank and other loans <i>HK\$'000</i>	Convertible bonds <i>HK\$'000</i>
Balance at 1 January 1999	48,638	1,217	7,044	-
Proceeds from issue of shares	55,473	-	-	-
Share issue expenses	(1,277)	-	-	-
Net cash outflow from financing	-	-	(562)	-
Share of profit for the year	-	366	-	-
Balance at 31 December 1999 and 1 January 2000	102,834	1,583	6,482	-
Proceeds from issue of convertible bonds	-	-	-	230,277
Conversion of convertible bonds	230,277	-	-	(230,277)
Proceeds from issue of shares	548	-	-	-
Share issue expenses	(628)	-	-	-
Net cash inflow from financing	-	-	3,191	-
Share of profit for the year	-	747	-	-
Dividend payable to minority shareholder of a subsidiary	-	(1,674)	-	-
Balance at 31 December 2000	333,031	656	9,673	-

(c) Major non-cash transaction

During the year, convertible bonds with an aggregate principal amount of HK\$230,276,610 were fully converted into 29,148,938 new shares of HK\$0.10 each in the Company at the conversion price of HK\$7.90 per share (note 24).

Notes to Financial Statements (continued)

31 December 2000

28. COMMITMENTS

	Group		Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
<i>Other capital commitments:</i>				
Authorised, but not contracted for	-	1,500	-	-
Annual commitments payable in the following year under non-cancellable operating leases in respect of land and buildings expiring:				
Within one year	1,492	456	531	-
In the second to fifth years, inclusive	461	1,954	-	-
After five years	1,674	-	1,674	-
	3,627	2,410	2,205	-

29. CONTINGENT LIABILITIES

	Group	
	2000 HK\$'000	1999 HK\$'000
Guarantees given to customers for compliance of service contracts	3,347	1,226

The Company had no significant contingent liabilities at the balance sheet date.

Notes to Financial Statements *(continued)*

31 December 2000

30. CONNECTED AND RELATED PARTY TRANSACTION

The Group's material related party transaction disclosed pursuant to Statement of Standard Accounting Practice 2.120 "Related Party Disclosures" and connected transaction disclosed pursuant to Chapter 14 of the Listing Rules were as follows:

	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Rental expenses paid to: Ng Cheung Shing ("Mr. Ng", a director of the Company)	531	1,062

On 25 April 1998, the Company entered into a rental agreement with Mr. Ng whereby the Company agreed to lease from Mr. Ng a property in Beijing, Mainland China (the "Property"), as office premises at a monthly rent of US\$11,350 (HK\$89,000 equivalent) for a term of two years from 1 January 1998 to 31 December 1999.

During the year, on 14 January 2000, the Company entered into a new rental agreement with Mr. Ng to rent the Property at a monthly rent of US\$5,675 (HK\$44,265 equivalent) for a term of two years commencing from 1 January 2000.

The rental was determined by reference to market rental for offices of similar qualities in the same district obtain from independent sources. In the opinion of the directors, the above transaction has been entered into by the Group in the normal course of business.

31. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 3 April 2001.