







## BUSINESS REVIEW FOR THE 6 MONTHS ENDED JUNE 2000

During the period under review, the profit attributable to shareholders is HK\$9.3 million or 61 percent increase over the same period last year and the turnover is HK\$168.0 million or increase by 1.9 percent over the same period in 1999. Basic earning per share increased from 2.62 cents to 3.70 cents or 41percent increase.

The Group is an early mover in transforming from a traditional network and systems integrator into a full-range technology service provider dedicated to capture the e-business opportunities. During the first half of the year, the Group has institutionalized its transformation progress by incorporating a number of new subsidiaries including:

- Global e-Business Enabler Limited (“Ge-BE”), for provision of e-Business enabling services and internet security consulting services;
- Global e-Business Services Limited (“GO-Business”), for provision of B2B and enterprise e-Business application services;
- HutchTech Resources Limited (“HutchTech”), a 50-50 joint-venture with Hutchison Whampoa Limited for provision in outsourcing services for information technology (“IT”) software development and systems implementation.

Complementing the existing subsidiaries, namely Computer And Technologies Integration Limited (“C&T Integration”, for provision of systems and network integration services and industry specific IT application solutions), Computer And Technologies Software Limited (“C&T Software”, for research and development, as well as implementation of C&T branded software products) and Maxfair Technology Limited (“Maxfair Technology”, for distribution of multi-media digital processing and related products), the Group is now operating a synergetic portfolio of business units each of which has dedicated and experience management team to excel in the targeted area.

Computer And Technologies Integration Limited	Computer And Technologies Software Limited	Global e-Business Enabler Limited	Global e-Business Services Limited	Maxfair Technologies Limited	HutchTech Resources Limited
				 萬豐科技有限公司	
<ul style="list-style-type: none"> <li>• Provision of systems and network integration service and industry specific IT application solutions</li> </ul>	<ul style="list-style-type: none"> <li>• Research &amp; Development, as well as Implementation of C&amp;T branded software products</li> </ul>	<ul style="list-style-type: none"> <li>• Provision of e-Business enabling services and Internet security consulting</li> </ul>	<ul style="list-style-type: none"> <li>• Provision of B2B and enterprise e-business application services</li> </ul>	<ul style="list-style-type: none"> <li>• Distribution of multi-media digital processing products and networking products</li> </ul>	<ul style="list-style-type: none"> <li>• Provision in outsourcing service for IT software development and systems implementation</li> </ul>

The systems integration business in China continues to be the major revenue and operating profit contributor to the Group. While the competition is keen, the Group has managed to expand the business volume healthily building on top of a strong installation base from which the Group has consistently been generating repeated businesses with a relatively low selling cost. In addition, the Group had been able to secure some meaningful contracts from a number of new customers.

The e-commerce business units of the Group are rapidly establishing business infrastructure and building up momentum. Leveraging the reputable project in building the application infrastructure for the Electronic Service Delivery (“ESD”) of the Hong Kong SAR Government, the e-Business enabling business has been growing rapidly and starts to contribute healthy revenue and profit to the Group. The Electronic Tendering System (“ETS”) rolled out in April for the Government Supplies Department (“GSD”) of the Hong Kong SAR and the supplier community has not only been generating subscription incomes from suppliers using the service but also creating business opportunities for service revenue from other corporate procurers both in public and commercial sectors. The increasing subscription base will also become a strong foundation upon which the Group will introduce additional electronic services for incremental revenue.

The Group has been continuously investing in research and development (“R&D”) and developing its branded software products. Successful installation reference for such products have been established both in Mainland China and in Hong Kong.

The Group’s value-added multi-media product distribution business continues to operate profitably.

## **NETWORK AND APPLICATION SOLUTIONS**

The anticipated WTO entrance and the e-commerce opportunities have created additional competitions among enterprises in different sectors in Mainland China, especially the telecom services industry in which the Group has traditionally been strong. New business licenses are being issued to the new and existing players who increase their demands for more network infrastructure services from the Group. In addition, to prepare themselves for new competitive environment, enterprises are aggressively upgrading their business and operation support applications, which in terms has provided the Group with tremendous opportunities.

Based on the earlier success with China Telecom and various cable TV companies, the Group continued breaking into other large-scale IP-network solution projects, as well as billing and customer care support systems within telecommunications industry in Mainland China.

For financial services sector, customers like China Pacific Insurance and Xinan Securities are investing heavily in establishing and deploying broadband and VPN-based applications to lower their operating costs and to provide more value-added services to their customers.

The Group is also strengthening the presence among the enterprise accounts. The existing installation base of the Group such as Shanghai Volkswagen, Shanghai Container Terminals etc. are also continuously engaging our solutions and services. The Group’s ability to generate continuous repeated business from existing customer base also helps to reduce the sales and marketing costs of the Group.

In May, the Group has become the first Hong Kong company to obtain the Gold Partner Certification for China from Cisco Systems Inc. Such a prestigious status opens up more opportunities for the Group to provide systems integration services for both telecom services providers and enterprise customers in Mainland China. More importantly, it will create more opportunities for the Group to provide complex and specialized value-added services on Cisco related network solutions which would be resulting in higher service revenue.

## **SOFTWARE PRODUCT RESEARCH AND DEVELOPMENT**

The Group has been investing extensively in R&D to develop its branded software including the Smart-Series and the e-Series product suites.

Among the Smart-Series, SmartBill is the Group's billing and customer care application software designed for the telecommunication service providers. It has been qualified by the China Telecom Group as one of the certified fixed line network billing and business support solutions. Such a qualification has opened up more business opportunities for the Group within the China Telecom Group. Moreover, our installation in Jiangsu Mobile has been extended to cover new cities and new services such as pre-paid card and banking payment gateway integration. The Group is continuously enhancing SmartBill to meet and exceed market expectation by incorporating new features for value-added services billing and IP billing.

Besides, the Group is developing SmartCRM to provide customer information systems solutions to telecom services providers to improve customer services as a competitive advantage. SmartCRM will inter-operate with SmartBill to provide customers with an integrated total solution.

For the e-Series, e-Services Enabling Platform("e-SEP") is being actively productized into an e-business enabling and deployment platform for enterprises in the global market. e-SEP will become the platform upon which the Group will deploy robust e-business solutions for customers through its enabling project services. Also, s-SEP will function as the foundation upon which other e-Series products will be built. Currently, e-SEP has been or is being deployed for various large-scale projects among customers.

Leveraging extensive expertise in electronic procurement arena, the Group is developing electronic tendering and electronic procurement solution products to capture such a promising market.

## **e-BUSINESS ENABLING SERVICES**

With successful government project references and proven track records, the Group has quickly established itself as a leading solution provider for large scale e-business enabling application in Hong Kong.

The Group has successfully completed the development stage for the ESD project which is progressing into the final testing stage before its completion for launching to the public in the 4<sup>th</sup> quarter of this year. Being the largest G2C e-commerce project in Asia, ESD has created tremendous marketing effect for the Group in capturing other major e-business enabling opportunities. Apart from the government sector projects, the Group has also expanded its customer base to other prestigious commercial organizations such as the Hong Kong Jockey Club, Prudential Assurance and Modern Terminal Limited etc.

Besides, the Group has also successfully concluded a number of significant e-Business enabling pilot contracts with enterprise customers in China. Those contracts, though small in absolute contract amount, indicated the improving acceptance and appreciation in the China market for high-quality e-business enabling services from technology service companies with proven records like the Group.

## **ENTERPRISE e-BUSINESS APPLICATION SERVICES PROVISION**

The Group is an early mover in providing transaction-based B2B electronic services in Hong Kong and China. Currently, the Group is managing the operations of the ETS for the Hong Kong SAR Government at [www.ets.com.hk](http://www.ets.com.hk) and many other non-government organizations at [www.e-tendering.com](http://www.e-tendering.com). Since the launch of the ETS in April, the platform has proven to be a secured means for the GSD to conduct robust tendering procedures over the Internet. As of June, there had been more than 260 tenders processed by ETS with more than 160 tender proposal submissions. With more and more tenders are being processed electronically through ETS, the subscription base has increased rapidly by more than 280% from April to June.

Apart from the partnership with the Hong Kong Trade Development Council, the Group is expanding channel strategy through strategic alliance to promote electronic tendering services to the supplier communities both in Hong Kong and overseas countries.

Besides, the Group has entered into an alliance with Ariba Incorporated and Hewlett Packard to introduce an electronic procurement ASP service to business corporations in Hong Kong and China. Such an alliance has strengthened the leadership position of the Group in providing enterprise e-business application services in the region. Moreover, the alliance also offers opportunities for the Group to provide services to Ariba's customers in the region.

### **OUTSOURCING SERVICES**

The Group has established HutchTech, a 50-50 joint-venture with Hutchison Whampoa Limited ("Hutchison"). For near to medium term, leveraging the internal demand from Hutchison and the technical strength of the Group, HutchTech would like to take the staff cost advantage in China to build high-quality IT resources centre to support the software development and systems implementation projects of both Hutchison and the Group. The business model of HutchTech will gradually scale up to provide outsourcing services to other customers both in China/Hong Kong and overseas countries.

### **DISTRIBUTION BUSINESS**

The Group, through Maxfair Technology, a consistent profit contributor, continues to concentrate our value-added distribution business on the niche but expanding digital video and multi-media products. The Group is actively exploring opportunities to establish strategic partnership with world leading product vendors to further strengthen the market dominance and increase service-based revenue.

### **PROSPECT**

The Management believes that the Group is well positioned to capture the huge opportunities in the new economy and is optimistic on prospect of the Group for the second half of the year and beyond. Both the SI and e-business enabling businesses are building up promising pipelines. There are also increasing acceptance and endorsement from customers on our branded software products. Besides, through launching ETS, the Group is gradually building up a loyal subscriber community upon which the Group will introduce more value-added services to widen the revenue base.

On the other hand, there are continuously strong repeated businesses from our existing customer base in China. Not only will the network and application solutions business provide a healthy cash flow to finance the Group, but it also provides a strong customer base for the Group's e-business enabling services and application service provision in Mainland China, a country with 1.3 billion population and GDP of more than US\$950 billion growing at 7% per annum.

The Management is confident that the synergy among business units, combining strong and growing customer base in network and application solutions, proven enabling technology and methodology, application development and deployment resources, successful application service provider business reference established within the Group, will differentiate itself from the competitions. It will then ensure a sustainable development in a relatively higher profit margin knowledge-based business and thus achieve remarkable financial return to our investors in the near to medium term.

## COMPUTER AND TECHNOLOGIES HOLDINGS LIMITED 2000 INTERIM REPORT

### RESULTS

The Board of Directors (the "Board") of Computer And Technologies Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months period ended 30 June 2000 as follows:

		Unaudited Six months ended 2000		Unaudited Six months ended 1999
	<i>Notes</i>	HK\$'000		HK\$'000
TURNOVER		168,013		165,416
Costs of sales		<u>(131,806)</u>		<u>(132,232)</u>
Gross profit		36,207		33,184
Other revenue		4,550		482
Selling and distribution expenses		(14,886)		(12,992)
Administrative expenses		<u>(14,816)</u>		<u>(13,686)</u>
PROFIT FROM OPERATING ACTIVITIES		11,055		6,988
Finance costs		<u>(154)</u>		<u>(384)</u>
PROFIT BEFORE TAX		10,901		6,604
Tax	1	<u>(1,084)</u>		<u>(662)</u>
PROFIT BEFORE MINORITY INTERESTS		9,817		5,942
Minority interests		<u>(542)</u>		<u>(177)</u>
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		<u>9,275</u>		<u>5,765</u>
Dividends	2	<u>-</u>		<u>-</u>
EARNINGS PER SHARE	3			
-Basic		<u>3.70 cents</u>		<u>2.62 cents</u>
-Diluted		<u>3.59 cents</u>		<u>2.61 cents</u>

Notes:

1. Tax

	Unaudited Six months ended 2000	Unaudited Six months ended 1999
	Consolidated HK\$'000	Consolidated HK\$'000
Provision for taxation in respect of profits for the period:		
Hong Kong	874	396
Mainland China	210	377
Hong Kong tax rebate	-	(111)
Tax charge for the period	<u>1,084</u>	<u>662</u>

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 period. Provision has been made for tax in Mainland China based on existing legislation, interpretations and practices at the prevailing rates of tax.

2. Dividend

	Unaudited Six months ended 2000	Unaudited Six months ended 1999
	Consolidated HK\$'000	Consolidated HK\$'000
	<u>-</u>	<u>-</u>

[The Board does not recommend the payment of any interim dividend for the period (1999:nil).]

3. Earnings per share

	Unaudited Six months ended 2000	Unaudited Six months ended 1999
	HK\$'000	HK\$'000
Earnings for the purpose of basic and diluted earnings per share	<u>9,275</u>	<u>5,765</u>
Number of shares:	'000	'000
Weighted average number of shares in issue for the purpose of basic earnings per share	250,441	220,000
Effects of dilutive potential ordinary shares	<u>7,892</u>	<u>1,222</u>
Weighted average number of shares for the purpose of diluted earnings per share	<u>258,334</u>	<u>221,222</u>

## DIRECTORS' INTERESTS IN SECURITIES

As at 30 June 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:

### (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 (Note 1)
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 (Note 2)	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 deferred shares were held by Chao Lien.

### (B) Interests in share options

As at 31 December 1999, 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 held on 30.06.2000
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.

Save as disclosed above, as at 30 June 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 OPTION 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 scheme of the Company, 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 30 June 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	41.9%
C.S. (BVI) Limited ( <i>Note 1</i> )	110,000,000	41.9%
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.

*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") is holding 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 or HWL.

Li Ka Shing Unity Holdings Limited (in which 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 TU1 as trustee of the Li Ka-Shing Unity Trust and its related companies, the interest of CKH in the HWL and the interest of Hutchison International Limited in the shares of the Company as described above, 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 30 June 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.

### **THE CODE OF BEST PRACTICE**

None of the Directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part of accounting period covered by this interim report, in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

### **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

There has been no purchase, sale or redemption by the Company or any of its subsidiaries of the listed securities of the Company during the period under review.

On Behalf of the Board  
**Ng Cheung Shing**  
Chairman  
Hong Kong, 28 August 2000