CHAIRMAN'S REPORT

The financial performance of the Group for the first six months of 2001 reflects a challenging operating environment and continuous investment in the development of application software and related services offerings. While the Group managed to increase revenue to HK$308.3 million (2000: HK$168.0 million) during the reporting period, the net profit attributable to shareholders decreased to HK$2.2 million (2000: HK$9.3 million).

The domestic demand in the Mainland China remains strong. The Group managed to grow its network and systems integration business steadily with continuous flow of repeat businesses from existing loyal customers across telecommunications and financial services industry sectors. However, the Group had to manage challenges in compressing the related sales and operation overheads and increasing value added services content in order to improve gross profit margin, while facing the continuing fierce competition in the market. On the other hand, the rapidly slow-down in e-commerce related IT expenditure among corporate customers in Hong Kong have resulted in lower-than-expected revenue for the Group's e-business enabling services.

On top of its core systems integration business, the Group continued its investments in new subsidiaries in expanding the application software and related services portfolio. As these investments typically take time to get materialized, their contributions remain small in the period under review. However, the Management is confident that, as reflected by the encouraging milestones achieved so far, these investments will start to make significant contribution to the Group's profit by year 2002.

Prospect

The second half of the financial year will continue to be challenging. While encouraged by the strong momentum in China and the increasing opportunities from the government sector, the Management remains cautious on the business environment, especially in the commercial sector in Hong Kong.

However, there are positive indications that the challenges would get to a lesser extent. For example, average staff cost of IT industry in Hong Kong is stabilized and dropping slightly when compared with last year; the cut-throat competition from dot-com companies who transformed themselves to offer software and other related services are gradually diminishing as many of them are running out of business; there are also increasing number of large-scale IT outsourcing projects being tendered by the Hong Kong SAR Government. In addition, many of the enterprise customers in China, especially those in the telecommunications and financial services sectors, are rapidly adopting a much higher appreciation in their service level commitment and willing to pay more for high-quality software and IT services.

The Management believes the Group is on its right track executing the strategy to transform into a full-service provider. Although the investments in new businesses are impacting the earnings for the period under review, they will create strong returns to our shareholders in long term.

Appreciation

The Board and the Management thank the staff and shareholders of the Group for their dedication and support to the Company.

Ng Cheung Shing
Chairman

Hong Kong, 5 September 2001

COMPUTER AND TECHNOLOGIES HOLDINGS LIMITED
INTERIM RESULTS FOR SIX MONTHS ENDED
30 JUNE 2001

UNAUDITED INTERIM 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 (collectively the "Group") for the six months ended 30 June 2001 together with the comparative figures. The interim results have been reviewed by the Company's Audit Committee.

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		Unaudited six months ended 30 June	
		2001	**2000**
	Notes	*HK$'000*	*HK$'000*
TURNOVER	*2*	308,341	168,013
Cost of sales		(262,160)	(131,806)
Gross profit		46,181	36,207
Other revenue		5,464	4,550
Selling and distribution expenses		(29,896)	(14,886)
Administrative expenses		(16,418)	(14,816)
PROFIT FROM OPERATING ACTIVITIES	*3*	5,331	11,055
Finance costs		(635)	(154)
Share of losses of:			
Jointly-controlled entity		(1,226)	–
Associate		–	–
PROFIT BEFORE TAX		3,470	10,901
Tax	*4*	(951)	(1,084)
PROFIT BEFORE MINORITY INTERESTS		2,519	9,817
Minority interests		(324)	(542)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		2,195	9,275
Dividend	*5*	–	–
EARNINGS PER SHARE	*6*		
– Basic		0.83 cents	3.70 cents
– Diluted		0.81 cents	3.59 cents

Other than the net profit from ordinary activities for the period, the Group had no recognised gains or losses. Accordingly, a statement of recognised gains and losses is not presented in this report.

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	Unaudited 30 June 2001 HK$'000	Audited 31 December 2000 HK$'000
NON-CURRENT ASSETS			
Fixed assets		44,975	45,019
Intangible assets	7	–	12,480
Interest in a jointly-controlled entity		2,963	5,484
Interest in an associate		2,046	2,046
Investment securities		1,460	1,460
Deferred development costs		15,249	18,847
		66,693	85,336
CURRENT ASSETS			
Inventories		15,791	41,576
Trade receivables	8	137,023	117,906
Amount due from contract customers		6,187	4,387
Prepayments, deposits and other receivables		18,175	7,485
Pledged bank deposits		12,744	12,000
Cash and bank balances		235,910	232,529
		425,830	415,883
CURRENT LIABILITIES			
Trade payables, other payables and accruals	9	86,220	89,340
Tax payable		3,054	2,971
Interest-bearing bank and other borrowings		6,921	9,082
		96,195	101,393
NET CURRENT ASSETS		329,635	314,490
TOTAL ASSETS LESS CURRENT LIABILITIES		396,328	399,826
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		–	(591)
Minority interests		(980)	(656)
		395,348	398,579
CAPITAL AND RESERVES			
Issued capital	10	26,519	26,330
Reserves	11	368,829	364,339
Proposed final dividend	1	–	7,910
		395,348	398,579

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited six months ended 30 June 2001 *HK$'000*
NET CASH INFLOW FROM OPERATING ACTIVITIES	10,270
NET CASH OUTFLOW FROM RETURNS ON INVESTMENT AND SERVICING OF FINANCE	(3,081)
TAX PAID	(868)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(2,672)
NET CASH INFLOW BEFORE FINANCING ACTIVITIES	3,649
FINANCING ACTIVITIES	(268)
INCREASE IN CASH AND CASH EQUIVALENTS	3,381
Cash and cash equivalents at beginning of period	232,529
CASH AND CASH EQUIVALENTS AT END OF PERIOD	235,910
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS	
Cash and bank balances	235,910

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Statement of Compliance and Principal Accounting Policies

These unaudited condensed consolidated interim financial statements comply with the disclosure requirements set out in Appendix 16 of the Rules Governing the Listing Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"), and Statement of Standard Accounting Practice ("SSAP") 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants, except that comparative figures for the cash flow statement have not been prepared as the Company has taken advantage of the transitional provisions set out in the Listing Rules.

These interim financial statements have been prepared in accordance with the principal accounting policies set out in the Company's annual report for the year ended 31 December 2000, except for changes in accounting policies as described below.

Several new accounting standards issued by the Hong Kong Society of Accountants are effective for this financial period. The changes to the Group is accounting policies arise from the adoption of SSAP9 (Revised) and SSAP30.

The adoption of SSAP9 (Revised) "Events after the balance sheet date" results in a change in accounting policy whereby dividends proposed after the balance sheet date are no longer recognised as a liability at the balance sheet date. This change has been applied retrospectively and comparatives have been restated. As a result, the 2000 proposed final dividend amounting to HK$7,910,000 previously recorded as a current liability as at 31 December 2000 has been restated and shown under "Capital and reserves".

Under SSAP30 "Business combinations", goodwill arising from business combinations after 1 January 2001 is capitalised and amortised over its useful life. The Group has taken advantage of the transitional provisions in SSAP30 and goodwill which has been previously written off to reserves has not been retroactively restated under the new accounting policy.

2. Segmental Information

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

	Turnover Unaudited six months ended 30 June		Contribution to profit/(loss) from operating activities Unaudited six months ended 30 June	
By activity:	**2001**	**2000**	**2001**	**2000**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Sale of goods:				
Systems integration business (including sales of computer hardware and software)	269,834	129,513	15,848	8,162
Distribution of multi-media hardware, software and related accessories	14,502	17,938	1,517	2,199
	284,336	147,451	17,365	10,361
Provision of e-business related services	10,401	17,919	(14,075)	119
Maintenance services and training courses	13,604	2,643	2,041	575
	308,341	168,013	5,331	11,055
By geographical area:				
The People's Republic of China (the "PRC")				
Mainland China	283,438	132,156	17,889	8,737
Hong Kong Special Administrative Region ("Hong Kong")	24,903	35,857	(12,558)	2,318
	308,341	168,013	5,331	11,055

3. Profits from Operating Activities

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

	Unaudited six months ended 30 June	
	2001	**2000**
	HK$'000	*HK$'000*
Depreciation	3,267	1,693
Amortisation of deferred development costs	3,598	1,362
Interest income	(5,464)	(4,550)

4. Tax

	Unaudited six months ended 30 June	
	2001	**2000**
	HK$'000	*HK$'000*
Provision for tax in respect of profits for the period:		
Hong Kong	275	874
Mainland China	676	210
Tax charge for the period	951	1,084

Hong Kong profits tax has been provided at the rate of 16% (2000: 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.

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 period.

5. Dividend

The Board does not recommend the payment of any interim dividend for the period (2000: nil).

6. Earnings Per Share

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

	Unaudited six months ended 30 June	
	2001	**2000**
	HK$'000	*HK$'000*
Earnings for the purpose of basic and diluted earnings per share	2,195	9,275
Number of shares:	*'000*	*'000*
Weighted average number of shares in issue for the purpose of basic earnings per share	264,105	250,442
Effects of dilutive potential ordinary shares	5,519	7,892
Weighted average number of shares for the purpose of diluted earnings per shares	269,624	258,334

7. Intangible Assets

	Unaudited 30 June 2001	**Audited 31 December 2000**
	HK$'000	*HK$'000*
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. The intangible assets were disposed of during the period.

8. Trade Receivables

The ageing analysis of the Group's trade receivables is as follows:

	Unaudited 30 June 2001 *HK$'000*	**Audited 31 December 2000** *HK$'000*
Current	116,160	108,380
Overdue 1 to 3 months	19,721	8,033
Overdue 4 to 6 months	1,142	1,493
	137,023	117,906

Credit terms

Systems 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.

9. Trade Payables, Other Payables and Accruals

Included in the balance is an amount of HK$48,156,000 (2000: HK$67,196,000) representing the trade payables of the Group. The ageing analysis of such payables is as follows:

	Unaudited 30 June 2001 *HK$'000*	**Audited 31 December 2000** *HK$'000*
Outstanding balances with ages:		
Current	43,783	62,990
Within 1 to 3 months	4,180	4,042
Between 4 to 6 months	193	164
Total	48,156	67,196

10. Share Capital

A summary of the movements in the issued share capital of the Company during the period is as follows:

	Number of ordinary shares *'000*	**Issued and fully paid (Unaudited)** *HK$'000*
At 1 January 2001	263,300	26,330
Shares issued on exercise of options	1,887	189
Balance as at 30 June 2001	265,187	26,519

11. Reserves

	Share premium Unaudited *HK$ 000*	Contributed surplus Unaudited *HK$ 000*	Goodwill reserve Unaudited *HK$ 000*	Exchange fluctuation reserve Unaudited *HK$ 000*	Retained profits Unaudited *HK$ 000*	Total Unaudited *HK$ 000*
At 1 January 2001	306,701	45,483	(11,117)	13	23,259	364,339
Issue of shares during the period	2,295	–	–	–	–	2,295
Net profit for the period	–	–	–	–	2,195	2,195
At 30 June 2001	308,996	45,483	(11,117)	13	25,454	368,829

12. Commitments and Contingent Liabilities

Other than the normal course of business, the Group has no significant commitments and contingent liabilities as at 30 June 2001.

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Operations

Group Financial Results

During the six months ended 30 June 2001, the Group turnover increased by 83.5% to HK$308.3 million (2000: HK$168.0 million) over the same period in 2000. The growth was mainly attributable to the contribution of the network and application solutions business in China which accounted for 91.9% of the Group's turnover.

Profit attributable to shareholders for the period under review is HK$2.2 million (2000: HK$9.3 million), a decrease of 76.3% over the same period last year. Basic earnings per share is 0.83 cents (2000: 3.70 cents), decreased by 77.6% when compared with last year.

The Board does not recommend payment of any interim dividend for the half-year ended 30 June 2001 (2000: Nil).

Liquidity and financial resources

Net cash increased from HK$232.5 million to HK$235.9 million, mainly as a result of the operating profit and an increase in share capital.

As of 30 June 2001, the Group's net asset value is HK$395.3 million (31 December 2000: HK$398.6 million) and there are no long-term debts commitment.

Network and Systems Integration Business

Operating through the subsidiary Computer And Technologies Integration Limited ("C&T Integration"), the Group's network and systems integration business in China remains the major revenue and operating profit contributor. The business volume of C&T Integration continues to grow healthily building on top of a solid customer base with substantial repeat businesses. Despite the strong competition, the Group managed to control the operating overheads and achieved a higher revenue and profit contribution within the subsidiary.

On top of the Cisco Gold Partner Certification obtained last year, C&T Integration is also chosen by Cisco China as one of the five Strategic Alliance partners, bringing to the Group additional cost advantage over rivalries and also increased sales opportunities through integrated collaboration with Cisco. In addition, the Group has also formed partnership with IBM. The new partnership will enable the Group to leverage the strong presence of IBM in China and to capture new business opportunities in systems integration and solutions services.

Distribution Business

While affected by the weakened consumer spending in Hong Kong, Maxfair Technology, the Group's subsidiary focusing on value-added distribution of niche products related to multi-media applications, is still maintaining a relatively healthy gross margin and making profit contribution to the Group.

In order to expand business coverage, the Group established a joint-venture in Taiwan which commenced operations in August. While the contribution from this new venture would not be significant in 2001, the management believes that it is a strategic move for Maxfair to gradually create a regional value-added distribution network.

Enterprise Applications & Operations Outsourcing Services Business

Operating through the subsidiary Global e-Business Services Limited ("GO-Business") providing high quality application and operations outsourcing services, the Group has established a strong leading position to become the partner of choice for enterprises e-business applications, in particular for e-procurement and e-tendering.

The state-of-the-art Internet-based electronic tendering services being operated by GO-Business have been providing services to a number of enterprise procurers and government organizations. In addition, it has recruited about 3,000 paid subscribers. The accumulated subscriber base is reaching a critical mass upon which the Group could leverage in generating additional revenue through cross-sales of other services.

Since its operations in April 2000, the Electronic Tendering System ("ETS") has processed more than 70% of government tenders for the Government Supplies Department of Hong Kong SAR. The Group also received a new contract from the Government to extend the services scope of ETS and to cover larger monetary-value tenders from the Government's Central Tender Board.

The management believes that GO-Business is well positioned to capture more applications and operations outsourcing opportunities from the government departments and commercial sector. Besides, with the solid business pipeline in Hong Kong and the territorial expansion into China through China-e-tendering.com, GO-Business should start to contribute profit to the Group from the last quarter of this financial year.

Software and Solutions Business

Throughout the last 18 months, the Group has been building up the core competency in providing large-scale IT solutions implementation services. Last year, in order to timely capture the strong market demands for high quality e-Business enabling and related IT solutions, the Group chartered two subsidiaries and a joint-venture company, namely Global e-Business Enabler Limited ("Ge-BE"), Computer And Technologies Software Limited ("C&T Software") and HutchTech Resources Limited ("HutchTech"), to focus on e-business enabling business, software product R&D and application development services, respectively.

The Group's focus in the e-Business enabling services has resulted in the Group's successes in achieving high-profile project wins such as the Electronic Service Delivery and Electronic Tendering System for the Hong Kong SAR Government. The Smart-Series and e-Series product suites from C&T Software also attracted sizeable customers like Jiangsu Mobile, Zhejiang Mobile, Changzhou Cable TV and e-seg.net. HutchTech, the 50-50 joint-venture with a substantial shareholder of the Group – Hutchison Whampoa Limited, also established in February its first software development centre in Shenzhen of Mainland China to provide cost-competitive IT services.

In addition, the Group secured new business from commercial customers like Wing Lung Bank, Bank of East Asia and MTR Corporation etc. Leveraging its shareholder, Hutchison Whampoa Group, the Group has also entered into new business opportunities in providing services to Logistics Information Network Enterprise (LINE), PetroChina-Hutchison Whampoa Information Technology Co. Ltd., Hutchison Properties and Hutchison CSFB Direct.

However, the business environment has been unfavourably challenging. Since the beginning of the year, the market demand for e-Business enabling services had rapidly vanished as a result of the global economic down turn and the increasingly cautious attitude in initiating e-commerce related projects. On the other hand, although most of the Group customers are large corporations with proven business model and were not directly hurt by the burst of the dot-com bubble, their IT budget had become conservative and their decisions in IT spending were delayed.

Facing the challenging market environment, the Management has been taking a positive attitude to re-deploy existing resources in developing reusable software framework and in pre-sales effort for a number of large-scale government IT outsourcing projects.

The Management is encouraged by the gradual improvement in business demand since the end of the second quarter, especially from the government sector. In particular, the Group-led consortia, supported by world-leading vendors and business partners, have been short-listed for in-depth evaluation by the Hong Kong SAR Government for multi-year build-and-operate tenders opportunities. If those contracts are materialized in the coming few months, although their contributions to the current financial year would not be substantial, the steady and sizeable revenue streams will provide excellent foundation for the Group to accelerate its solution and application services revenues in the coming years.

Besides, in order to streamline the organization and accelerate the blending of the Group's talents in Hong Kong and Mainland China, the Management plans to consolidate the resources within the solutions subsidiaries to create a better economy of scale and to lower operating overheads.

Acquisitions and New Development of the Group

In 21 June 2001, the Group entered into an agreement to acquire 100% of Accuasset Investments Limited for which its principal asset is 99% stake of IPL Research Limited ("IPL"), the well-established leader in enterprise-class human resources management systems ("HRMS") solutions in Asia. The acquisition was completed in July.

Energized with a professional team of around 50 talents, IPL has proven successes in providing software package solutions to more than 200 enterprise customers in Asia Pacific, as well as large-scale application service providers ("ASP").

The Management believes that the synergy effects between IPL and the rest of the Group are phenomenal. IPL offers a suite of proven HRMS solutions and comprehensive industry specified knowledge for which we can rapidly deploy and apply to the Group's existing customer base. IPL's successful record in developing software for ASP operations could also complement the business being operated by GO-Business. The combined strength will position C&T Group very well to meet the increasing demand from enterprise customers for high quality Operation Resources Management System ("ORMS") solutions. It will also widen sources of software and services revenue of the Group.

Looking forward, the Group will, on top of solid organic growth plan, continue to explore other opportunities to grow business through acquisition. However, the Management fully understands the complexity and risks in growing through merger and acquisition and will endeavour to ensure that any potential acquisition passes the Group's rigorous screening criteria in terms of integration requirements, price and synergy effect among other business units of the Group.

EMPLOYEE

As at 30 June 2001, the Group has about 300 employees. Employee's remuneration is in accordance with individual's responsibility and performance. Other fringe benefits such as medical insurance, pension funds, education/training subsidies are offered to most employees. Share options are granted at directors' discretion under the terms and conditions of employees share option schemes.

DIRECTORS' INTERESTS IN SECURITIES

As at 30 June 2001, 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

	Nature of interest and number of shares	
Name of director	**Personal interests**	**Corporate interests**
Ng Cheung Shing	1,232,000	110,000,000 *(Note 1)*
Leung King San, Sunny	622,000	–
Ma Mok Hoi	9,000	–

(ii) Associated corporations

		Nature of interest and number of shares		
Name of director	**Name of associated corporation**	**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 Holdings Limited	25 *(Note 3)*	–	Ordinary

Note 1: 110,000,000 shares were held by Chao Lien Technologies Limited ("Chao Lien"). Ng Cheung Shing is 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, is 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.

Note 3: Ma Mok Hoi ("Mr. Ma") originally held 625,000 shares of Maxfair Technology Limited ("Maxfair") and when Maxfair Technology Holdings Limited ("Maxholdings") is formed, Mr. Ma transferred his interests in Maxfair to the Maxholdings at par value and then subscribed 25 new shares in the Maxholdings which in effect maintaining the same minority interests in the Group's distribution business.

(B) Interests in share options

As at 30 June 2001, 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 1.1.2001**	**Period during which option is exercisable** *(Note)*	**Price per share to be paid on exercise of option** *HK$*	**Number of options held on 30.06.2001**
Ng Cheung Shing	800,000	3.12.2000 to 2.11.2004	1.80	800,000
Leung King San, Sunny	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

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 2001, 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 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 2001, 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 *(Note 1)*	110,000,000	41.5%
C.S. (BVI) Limited *(Note 1)*	110,000,000	41.5%
Puttney Investments Limited *(Note 2)*	29,148,938	11.0%
Hutchison International Limited *(note 2)*	29,148,938	11.0%

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"). TDT1as 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 2001 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.

EXPANSION OF THE DISTRIBUTION BUSINESS

For the purpose of expanding Maxfair Technology Limited ("Maxfair") business coverage to Taiwan, the Group's distribution business has reorganized its shareholding structure. On 8 February 2001, Maxfair Technology Holdings Limited ("Maxholdings"), a British Virgin Island company was incorporated. The shareholders of Maxfair transferred all their interests in Maxfair to Maxholdings at par value on 16 March 2001. Subsequent to the transfer, the shareholders subscribed shares of Maxholdings at the same ratio as they were holding Maxfair such that the Group's minority interests in distribution business remain unchanged. Maxholdings had subsequently formed a 70% owned joint venture with a local Taiwanese company on 24 May 2001.

POST BALANCE SHEET EVENT

Subsequent to the interim reporting date, the Group, through the subscription and acquisition of the shares of Accuasset Investments Limited, in effect, acquired 99% of the entire issued share capital and IPL Research Limited ("IPL") , a company engaged in providing human resources computer solutions. The consideration for the subscription is HK$12,548,250 payable in cash and the total consideration for acquisition will be determined by certain conditions subject to the upper limit of HK$60,000,000 payable in a mix of cash and share consideration of the Company. In addition, the Group has given a put option which can be exercised within two years should the threshold profit condition of IPL is not met. The transaction was completed on 26 July 2001 and the first tranche of payment of HK$10,000,000 and 5,007,360 consideration shares were paid and issued. The details of the transaction are set out in the Group's circular dated 10 July 2001.

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

During the period, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

REVIEW BY AUDIT COMMITTEE

The interim report has been reviewed by the Audit Committee which comprises two independent non-executive directors.

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 ("Listing Rules").

By Order of the Board
Ng Cheung Shing
Chairman

Hong Kong, 5 September 2001