

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.



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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



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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.



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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