BUSINESS REVIEW

During the year, the Group reported a consolidated revenue of HK$515.87 million (2000: HK$420.65 million), an increase of 22.6% from the previous year. However, the Group recorded a loss from operation of HK$59.97 million (2000: HK$24.19 million profit). The results were consequences of the significant drop in the relatively high profit margin revenues from the Group's solutions services business. In addition, the increased revenue portion contributed by the Group's integration services business was hardware-intensive that suffered from a decreasing profit margin. Lastly, the Group had also made provisions for other operating expenses, such as write-off of goodwill, deficit on revaluation of investment properties, impairment of deferred development cost and fixed assets related to e-business activities, as well as write-off of bad debts. The net loss attributable to shareholders was HK$63.96 million (2000: net profit of HK$19.77 million) and the loss per share amounted to HK$0.2397 (2000: earnings per share of HK$0.077). The Board of Directors does not recommend any final dividend (2000: HK$0.02 per share) or any special dividend (2000: HK$0.01 per share) for the year.

The very disappointing results, the first time in the Group's history of incurring losses since its listing on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in 1998, were also consequences of the overexpansion of the Group's activities in the volatile e-business market, and a very weak business demand, especially in the commercial sector of Hong Kong, for IT services. Accordingly, the Group has made necessary efforts to reduce operating costs through reduction of headcount and consolidation of operation structure.

Restructuring

In year 2000, to scope up with the tremendous demand on e-business enabling and related IT solutions services, the Group had expanded rapidly with new headcount and subsidiaries establishment to timely capture the business opportunities. However, with the sharply shrunken e-business market in last year, the expanded Group became oversized.

To rectify, the Group launched a restructuring programme to downsize workforce together with voluntary salary reduction by senior management and general staff in the second half of 2001. In order to achieve greater cost efficiency and scale of economy, the Group has rearranged its business structure into four business divisions with respective focused areas reinforcing the Group's emphasis on businesses with more service content and recurring revenue.

Divisions	Integration Services	Solutions Services	Application Services		Distribution Business
Group's Major Operating Arm	Computer And Technologies Integration Limited "C&T Integration"	Computer And Technologies Solutions Limited "C&T Solutions"	IPL Research Limited "IPL"	Global e-Business Services Limited "GO-Business"	Maxfair Technology Limited "Maxfair"
	computer technologies	computer technologies solutions	IPL	G-Business Your Global e-Business Partner	maxfair technology
Business Nature	Provision of systems and network integration services and industry specific IT application implementation services	Provision of IT solutions implementation services and application development services	Provision of human resource management related application software	Provision of enterprise and application services and IT operation outsourcing services	Value-added distribution of multi-media digital video products

With the full support of the employees, the restructuring has been substantially completed. These actions are expected to enable the Group to achieve a relatively lower operating overhead in year 2002.

Integration Services Division

The Integration Services Division continued to be the major source of revenue of the Group in 2001. It contributed 86.6% of the Group's total revenue. However, due to the deterioration in hardware margin and write-off of bad debts, it only recorded a moderate profit.

The telecommunications sector contributed 55.5% of the revenue of the Division. The reorganisation of China Telecom, one of the largest customers of the Group, had led and would probably continue to cause some delay in deployment of their IT projects. Coupled with the market saturated with huge established telecommunications network infrastructure, the Group anticipates a slow-down in the infrastructure spending in the coming year. On the other hand, there will be increasing demand in more sophisticated business and operation support services and solutions.

The Group received steady and repeated businesses from enterprise customer base which typically contained higher service contents and incurred relatively short selling cycle. The Management anticipates the contribution from these enterprise customers to the Division will increase in the years to come.

The Group is effectively sharpening the Division's focus to pursue for a market shift from the high-volume, low-margin network infrastructure building to lower-volume but higher-margin, value-added services and solutions. While it may lead to a decline in revenue, it will improve the gross margin in the coming year.

Solutions Services Division

The Group's Solutions Services Division suffered from substantial fluctuation in market demand for e-business enabling and IT solutions services which resulted in an over-capacity of resources. The cut-throat competitions among rivals and the prolonged decision-making process by clients also caused further deterioration the performance of this Division.

During the year, the Group has integrated four subsidiaries providing IT solutions and implementation services into C&T Solutions which is now operating in Hong Kong, Singapore and Mainland China. The consolidation of C&T Solutions has enabled the Group to accelerate the blending of talents in the respective areas resulting in dynamic and cost-effective structure. The Group's expansion into Singapore through the acquisition of the Breakaway Solutions Asia Pacific Limited ("BSAP") has also established a more comprehensive regional footprint for serving multinationals.

The Division has now developed core capabilities and established successful references in billing and customer relationship management solutions for telecommunications service providers and utilities companies, as well as in large-scale government projects with sophisticated build-and-operate requirement. Such references will not only improve the Group's competitiveness for other large solutions outsourcing services opportunities, but also will provide the Group with a stable income in the coming years.

Application Services Division

After two years of investment in operation resource management ("ORM") related application services, the Group's subsidiary GO-Business has achieved a market leadership in e-procurement services in Hong Kong, especially in the government sector, and demonstrated a proven business model with stable recurring service income.

During the year, GO-Business secured contract from the Central Tender Board of the Hong Kong SAR Government to cover the high-value government tenders. It also successfully replicated the service model into the construction and property management industries as well as government organisations in Mainland China. It has also been introducing to enterprise customers and government departments other value-added services and IT outsourcing services.

In July 2001, the Group acquired IPL, a well-established provider of enterprise-class human resource management systems ("HRMS") solutions. The Management is expediting effort to integrate IPL into the Group particularly to foster the expansion of IPL into Mainland China. Besides, IPL will also collaborate with GO-Business to provide enhanced HRMS application services through existing platforms and channels of GO-Business.

Distribution Business Division

The Group's value-added distribution business, primarily through the Group's subsidiary Maxfair, was also affected by the weak consumer demand and slow-down of business activities. Despite the slight decline in revenue, it maintained a healthy gross margin and operating profit in 2001.

Having reached a dominant position in the mid-range multi-media digital video products distribution business in Hong Kong, the Group had been looking for expansion opportunities to extend the proven model and achieve a higher critical mass. Last year, Maxfair formed a subsidiary with a local partner in Taiwan who was engaged in similar distribution business and product mix. The Taiwan operation is growing rapidly and is anticipated to contribute profit in the coming year.

Leveraging the existing customer base and business setup, the Management is cautiously exploring opportunity to expand further the value-added distribution business of the Group with additional products and geographical markets in the region.

Corporate Development

The Group continued to explore opportunities to grow business through mergers and acquisitions with rigorous screening criteria. In 2001, through the acquisition of IPL and BSAP as well as the establishment of Maxfair's subsidiary in Taiwan, the Group has strengthened its application offerings and regional presence in Asia.

PROSPECT

With the economic uncertainties, the Group remains cautious over the business environment in the coming year. The business momentum in Mainland China continues to be strong and thus growth in IT investment would substain. On the other hand, while Hong Kong and Singapore share similar economy slow-down and hence weak business demand for IT services, especially in the commercial sector, it has become a practice for the government and public sectors to outsource large-scale, multi-year IT projects with increasing scale. The proven track records and strong references are positioning the Group to well capture those opportunities.

To continuously improve corporate efficiency, the Group will invest to strengthen the internal IT infrastructure to facilitate communications and foster synergy among business divisions. Besides, the Group would also invest in further enhancing service quality through standardization of processes and methodology.

The Management believes that the profitability prospect of the Group will improve in the coming years. This belief is based on the fact that the Group has restructured for improved efficiency and has secured more than HK$180 million worth of order backlogs including some large-scale build-and-operate IT outsourcing service contracts to be delivered over a period of seven years.

APPRECIATION

Finally, on behalf of the Board of Directors, I would like to thank all shareholders for their greatest trust and continuous support to the development of the Group. I would also like to take this opportunity to extend my sincerest gratitude to all employees for their hard work and dedication.

Ng Cheung Shing
Chairman and Chief Executive Officer

Hong Kong
9 April 2002