1. CORPORATE INFORMATION

During the year, the Group was engaged in information technology services business and have the following principal activities:

- trading of hardware and software (including system design and implementation);
- provision of e-business related services; and
- provision of maintenance, consultancy and training services.

2. IMPACT OF NEW AND REVISED HONG KONG STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPS")

The following recently-issued and revised SSAPs and related Interpretations are effective for the first time for the current year's financial statements:

- SSAP 9 (Revised): "Events after the balance sheet date"
- SSAP 14 (Revised): "Leases"
- SSAP 18 (Revised): "Revenue"
- SSAP 26: "Segment reporting"
- SSAP 28: "Provisions, contingent liabilities and contingent assets"
- SSAP 29: "Intangible assets"
- SSAP 30: "Business combinations"
- SSAP 31: "Impairment of assets"
- SSAP 32: "Consolidated financial statements and accounting for investments in subsidiaries"
- Interpretation 12: "Business combinations – subsequent adjustment of fair values and goodwill initially reported"
- Interpretation 13: "Goodwill – continuing requirements for goodwill and negative goodwill previously eliminated against/credited to reserves"

These SSAPs prescribe new accounting measurement and disclosure practices. The major effects on the Group's accounting policies and on the amounts disclosed in these financial statements of those SSAPs and Interpretations which have had a significant effect on the financial statements, are summarised as follows:

SSAP 9 (Revised) prescribes which type of events occurring after the balance sheet date require adjustment to the financial statements, and which require disclosure, but no adjustment. Its principal impact on these financial statements is that proposed dividends which are not declared and approved until after the balance sheet date, are no longer recognised as a liability at the balance sheet date, but are disclosed as an allocation of retained earnings on a separate line within the capital and reserves section of the balance sheet. The prior year adjustment arising from the adoption of this new SSAP is detailed in note 12 to the financial statements.

2. IMPACT OF NEW AND REVISED HONG KONG STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPS") (continued)

SSAP 14 (Revised) prescribes the basis for lessor and lessee accounting for finance and operating leases, and the required disclosures in respect thereof. Certain amendments have been made to the previous accounting measurement treatments, which may be accounted for retrospectively or prospectively, in accordance with the requirements of the SSAP. The revised SSAP requirements do not have a material effect on the amounts previously recorded in the financial statements, therefore no prior year adjustment has been required. The disclosure changes under this SSAP have resulted in changes to the detailed information disclosed for operating leases, which have been accounted for retrospectively as permitted by the SSAP and are further detailed in note 33 to the financial statements.

SSAP 18 (Revised) prescribes the recognition of revenue and was revised as a consequence of the revision to SSAP 9 described above. Proposed final dividends from subsidiaries that are declared and approved by the subsidiaries after the balance sheet date are no longer recognised in the Company's own financial statements for the year. The adoption of the SSAP has resulted in a prior year adjustment, further details of which are included in notes 11, 17 and 31 to the financial statements.

SSAP 26 prescribes the principles to be applied for reporting financial information by segment. It requires that management assesses whether the Group's predominant risks or returns are based on business segments or geographical segments and determines one of these bases to be the primary segment information reporting format, with the other as the secondary segment information reporting format. The impact of this SSAP is the inclusion of significant additional segment reporting disclosures which are set out in note 4 to the financial statements.

SSAP 28 prescribes the recognition criteria and measurement bases to apply to provisions, contingent liabilities and contingent assets, together with the required disclosures in respect thereof. The SSAP requirements do not have a material effect on the amounts previously recorded in the financial statements, therefore no prior year adjustment has been required.

SSAP 29 prescribes the recognition and measurement criteria for intangible assets, together with the disclosure requirements. The adoption of this SSAP has resulted in no change to the previously adopted accounting treatment for intangible assets and the additional disclosures that it requires have not been significant for these financial statements. The SSAP does, however, require that impairment losses on intangible assets are aggregated with the accumulated amortisation (see note 15) whereas previously they would have been deducted from the cost of the relevant asset. This disclosure change has had no effect on the net carrying amount of intangible assets in the balance sheet.

2. IMPACT OF NEW AND REVISED HONG KONG STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPS") (continued)

SSAP 30 prescribes the accounting treatment for business combinations, including the determination of the date of acquisition, the method for determining the fair values of the assets and liabilities acquired, and the treatment of goodwill or negative goodwill arising on acquisition. The SSAP requires the disclosure of goodwill and negative goodwill in the non-current assets section of the balance sheet. It requires that goodwill is amortised to the consolidated profit and loss account over its estimated useful life. Negative goodwill is recognised in the consolidated profit and loss account depending on the circumstances from which it arose, as further described in the accounting policy for negative goodwill disclosed in note 3 to the financial statements. Interpretation 13 prescribes the application of SSAP 30 to goodwill arising from acquisitions in previous years which remains eliminated against consolidated reserves. The adoption of the SSAP and Interpretation has not resulted in a prior year adjustment, for the reasons detailed in note 16 to the financial statements. The required new additional disclosures are included in notes 16 and 31 to the financial statements.

SSAP 31 prescribes the recognition and measurement criteria for impairments of assets. The SSAP is required to be applied prospectively and therefore, has had no effect on amounts previously reported in prior year financial statements.

SSAP 32 prescribes the accounting treatment and disclosures for the preparation and presentation of consolidated financial statements, and has had no significant impact on the preparation of these financial statements.

In addition to the above new and revised SSAPs and related Interpretations, certain minor revisions to the following SSAPs are effective for the first time for the current year's financial statements:

- SSAP 10: "Accounting for investments in associates"
- SSAP 17: "Property, plant and equipment"
- SSAP 21: "Accounting for interests in joint ventures"

The only significant effect of these revisions is that SSAP 17 requires that impairment losses on fixed assets are aggregated with accumulated depreciation in note 14 to the financial statements, whereas previously they would have been deducted from the cost of the relevant asset. This disclosure change has had no effect on the net carrying amount of fixed assets in the balance sheet.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with SSAPs, 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, except for the periodic remeasurement of investment properties and certain equity investments, as further explained below.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2001. 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 whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The Company's interests in subsidiaries are stated at cost less any impairment losses.

Joint venture companies

A joint venture company is a company set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture company operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture company's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture company is treated as:

(a) a subsidiary, if the Company has unilateral control over the joint venture company;

(b) a jointly-controlled entity, if the Company does not have unilateral control, but has joint control over the joint venture company;

(c) an associate, if the Company does not have unilateral or joint control, but holds generally not less than 20% of the joint venture company's registered capital and is in a position to exercise significant influence over the joint venture company; or

(d) a long term investment, if the Company holds less than 20% of the joint venture company's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture company.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Jointly-controlled entities

A jointly-controlled entity is a joint venture company which is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

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, less any impairment losses.

Associates

An associate is a company, not being a subsidiary or a jointly-controlled entity, 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 the associate is stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses.

Goodwill

Goodwill arising on the acquisition of subsidiaries represents the excess of the cost of the acquisition over the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset and amortised on the straight-line basis over its estimated useful life of 10 years.

In prior years, goodwill arising on acquisitions was eliminated against consolidated reserves in the year of acquisition. The Group has adopted the transitional provision of SSAP 30 that permits goodwill on acquisitions which occurred prior to 1 January 2001, to remain eliminated against consolidated reserves. Goodwill on subsequent acquisitions is treated according to the new accounting policy above.

On disposal of subsidiaries, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill which remains unamortised and any relevant reserves, as appropriate. Any attributable goodwill previously eliminated against consolidated reserves at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

The carrying amount of goodwill, including goodwill remaining eliminated against consolidated reserves, is reviewed annually and written down for impairment when it is considered necessary. A previously recognised impairment loss for goodwill is not reversed unless the impairment loss was caused by a specific external event of an exceptional nature that was not expected to recur, and subsequent external events have occurred which have reversed the effect of that event.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Negative goodwill

Negative goodwill arising on the acquisition of subsidiaries represents the excess of the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition, over the cost of the acquisition.

To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the acquisition plan and that can be measured reliably, but which do not represent identifiable liabilities as at the date of acquisition, that portion of negative goodwill is recognised as income in the consolidated profit and loss account when the future losses and expenses are recognised.

To the extent that negative goodwill does not relate to identifiable expected future losses and expenses as at the date of acquisition, negative goodwill is recognised in the consolidated profit and loss account on a systematic basis over the remaining average useful life of the acquired depreciable/amortisable assets. The amount of any negative goodwill in excess of the fair values of the acquired non-monetary assets is recognised as income immediately.

On disposal of subsidiaries, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of negative goodwill which has not been recognised in the consolidated profit and loss account and any relevant reserves as appropriate.

Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fixed assets and depreciation

Fixed assets, other than investment properties, are stated at cost less accumulated depreciation and any impairment losses. 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 gain 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 leases 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%

Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are intended to be held on a long term basis for their investment potential, any rental income being negotiated at arm's length. Such properties are not depreciated except where the unexpired term of the lease is 20 years or less, in which case depreciation is provided on the carrying amount over the remaining term of the lease and are stated at their open market values on the basis of annual professional valuations performed at the end of each financial year. Changes in the values of investment properties are dealt with as movements in the investment property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on a portfolio basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged.

On disposal of an investment property, the relevant portion of the investment property revaluation reserve realised in respect of previous valuations is released to the profit and loss account.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets

Licences

Purchased licences are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of $3^1/_2$ years.

Research and development costs

All research costs are charged to the profit and loss account as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the projects are clearly defined; the expenditure is separately identifiable 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.

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 any impairment losses, on an individual investment basis.

When impairments in values have occurred, the carrying amounts of the securities are reduced to their fair values, as estimated by the directors, and the amounts of the impairments are charged to the profit and loss account for the period in which they arise. When the circumstances and events which led to the impairments in values cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future, the amounts of the impairments previously charged are credited to the profit and loss account to the extent of the amounts previously charged.

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.

Short term investments

Short term investments in listed equity securities are stated at their fair values at the balance sheet date, on an individual investment basis. The fair values of such listed securities are their quoted market prices at the balance sheet date. The gains or losses arising from changes in the fair values of such securities are credited or charged to the profit and loss account in the period in which they arise.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Contracts for services

Contract revenue from 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 from 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 billings 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. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets and rentals receivable under the operating leases are credited to the profit and loss account on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

Retirement benefits scheme

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 scheme 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) from 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;

(b) from the rendering of software development services and e-business related services, based on the percentage of completion basis, as further explained in the accounting policy for "Contracts for services" above;

(c) maintenance service income and consultancy service fee, on a time proportion basis over the period of the contract;

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

(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;

(f) rental income, in the period in which the properties are let and on a time proportion basis over the lease terms; and

(g) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable.

Deferred income

Deferred income represent maintenance service income and consultancy service fee received in advance. Revenue is recognised and deferred income is released to the profit and loss account when the corresponding services are rendered.

Dividends

Final and special dividends proposed by the directors are classified as a separate allocation of retained earnings within capital and reserves in the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

In previous years, the Company recognised its proposed final and special dividends to shareholders, which were declared and approved after the balance sheet date, as a liability in its balance sheet. The Company also recognised the proposed final dividends of subsidiaries, which were declared and approved after the balance sheet date, as income in its profit and loss account for the year. The revised accounting treatments for dividends resulting from the adoption of SSAP 9 (Revised) and SSAP 18 (Revised), have given rise to prior year adjustments in both the Group's and the Company's financial statements, further details of which are included in notes 11, 12 and 31 to the financial statements.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash equivalents

For the purpose of the consolidated cash flow statement, cash equivalents represent short term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance. For the purpose of balance sheet classification, cash equivalents represent assets similar in nature to cash, which are not restricted as to use.

4. SEGMENT INFORMATION

SSAP 26 was adopted during the year, as detailed in note 2 to the financial statements. Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments. Summary details of the business segments are as follows:

(a) the integration services segment is engaged in the provision of system and network integration service and industry specific IT application implementation service;

(b) the solutions services segment is engaged in the provision of IT solutions implementation and application development services;

(c) the application services segment is engaged in the provision of enterprise applications and IT operation outsourcing services;

(d) the distribution segment is engaged in the distribution of multi-media digital video products and other computer accessories;

(e) the property investment segment holds prime office space for rental income; and

(f) the corporate and other segment comprises mainly corporate expense items.

In determining the Group's geographical segments, revenues and results are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

There were no intersegment sales and transfers during the year.

4. SEGMENT INFORMATION (continued)

(a) Business segments

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's business segments.

Group

	Integration Services		Solutions Services		Application Services		Distribution		Property Investment		Corporate and Other		Consolidated	
	2001	2000	**2001**	2000	**2001**	2000	**2001**	2000	**2001**	2000	**2001**	2000	**2001**	2000
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue – sales to external customers	**446,815**	330,837	**22,941**	53,139	**15,804**	2,052	**30,308**	34,620	**–**	–	**–**	–	**515,868**	420,648
Other revenue	**–**	–	**–**	–	**–**	–	**–**	–	**917**	714	**–**	–	**917**	714
Total	**446,815**	330,837	**22,941**	53,139	**15,804**	2,052	**30,308**	34,620	**917**	714	**–**	–	**516,785**	421,362
Segment results before depreciation, amortisation and other operating expenses	**13,869**	24,615	**(26,330)**	(1,983)	**(5,502)**	(4,063)	**1,979**	3,658	**164**	(86)	**573**	(1,448)	**(15,247)**	20,693
Depreciation	**(2,178)**	(2,060)	**(1,456)**	(979)	**(2,167)**	(462)	**(459)**	(340)	**(456)**	(446)	**(1,635)**	(1,421)	**(8,351)**	(5,708)
Amortisation of intangible assets	**(1,079)**	(1,295)	**(3,837)**	(3,800)	**(2,466)**	–	**–**	–	**–**	–	**–**	–	**(7,382)**	(5,095)
Amortisation of goodwill	**–**	–	**–**	–	**(1,468)**	–	**–**	–	**–**	–	**–**	–	**(1,468)**	–
Impairment losses recognised in the profit and loss account*	**–**	–	**(2,788)**	–	**(2,510)**	–	**–**	–	**–**	–	**–**	–	**(5,298)**	–
Bad debts written off	**(9,105)**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(9,105)**	–
Impairment of deferred development costs	**–**	–	**(6,692)**	–	**(3,833)**	–	**–**	–	**–**	–	**–**	–	**(10,525)**	–
Deficit on revaluation of investment properties	**–**	–	**–**	–	**–**	–	**–**	–	**(8,052)**	–	**–**	–	**(8,052)**	–
Segment results	**1,507**	21,260	**(41,103)**	(6,762)	**(17,946)**	(4,525)	**1,520**	3,318	**(8,344)**	(532)	**(1,062)**	(2,869)	**(65,428)**	9,890
Interest income, dividend income and unallocated gains													**8,646**	14,302
Unallocated impairment losses**													**(3,190)**	–
Profit/(loss) from operating activities													**(59,972)**	24,192
Finance costs													**(352)**	(1,259)
Share of losses of:														
Jointly-controlled entity	**–**	–	**(2,344)**	(441)	**–**	–	**–**	–	**–**	–	**–**	–	**(2,344)**	(441)
Associate	**–**	–	**–**	–	**(26)**	(32)	**–**	–	**–**	–	**–**	–	**(26)**	(32)
Profit/(loss) before tax													**(62,694)**	22,460
Tax													**(953)**	(1,946)
Profit/(loss) before minority interests													**(63,647)**	20,514
Minority interests													**(312)**	(747)
Net profit/(loss) from ordinary activities attributable to shareholders													**(63,959)**	19,767

* The impairment losses recognised in the Solutions Services and Application Services segments relate to goodwill on acquisition and impairment of computer equipment, respectively (see notes 14 and 16 to the financial statements).

** The unallocated impairment losses related to the investment securities and unrealised holding loss on revaluation of short term listed investments.

4. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

Group

	Integration Services		Solutions Services		Application Services		Distribution		Property Investment		Corporate and Other		Consolidated	
	2001	2000	**2001**	2000	**2001**	2000	**2001**	2000	**2001**	2000	**2001**	2000	**2001**	2000
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**109,745**	178,100	**40,157**	66,205	**63,220**	37,042	**15,355**	12,776	**15,747**	24,312	**141,255**	173,794	**385,479**	492,229
Interest in an associate	**–**	–	**–**	–	**–**	2,046	**–**	–	**–**	–	**–**	–	**–**	2,046
Interest in a jointly-controlled entity	**–**	–	**–**	5,484	**–**	–	**–**	–	**–**	–	**–**	–	**–**	5,484
Unallocated assets													**15,464**	1,460
Total assets	**109,745**	178,100	**40,157**	71,689	**63,220**	39,088	**15,355**	12,776	**15,747**	24,312	**141,255**	173,794	**400,943**	501,219
Segment liabilities	**26,972**	86,714	**5,805**	6,458	**5,687**	1,105	**7,866**	3,576	**92**	165	**3,946**	2,292	**50,368**	100,310
Unallocated liabilities													**3,872**	–
Total liabilities	**26,972**	86,714	**5,805**	6,458	**5,687**	1,105	**7,866**	3,576	**92**	165	**3,946**	2,292	**54,240**	100,310
Other segment information:														
Capital expenditure	**2,672**	2,286	**5,423**	6,213	**3,235**	22,012	**1,495**	1,016	**–**	–	**708**	5,971	**13,533**	37,498

4. SEGMENT INFORMATION (continued)

(b) Geographical segments

The following table present revenue, profit/(loss) and certain asset and expenditure information for the Group's geographical segments.

Group

	Hong Kong		Mainland China		Other		Consolidated	
	2001	2000	**2001**	2000	**2001**	2000	**2001**	2000
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue – sales to external customers	**53,315**	85,457	**456,507**	335,191	**6,046**	–	**515,868**	420,648
Segment results	**(53,987)**	(2,905)	**(8,676)**	12,795	**(2,765)**	–	**(65,428)**	9,890
Other segment information: Segment assets	**234,211**	282,738	**140,294**	209,491	**10,974**	–	**385,479**	492,229
Capital expenditure	**4,352**	34,337	**4,870**	3,161	**4,311**	–	**13,533**	37,498

5. TURNOVER, REVENUE AND GAINS

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, other revenue and gains is as follows:

	2001	2000
	HK$'000	*HK$'000*
Turnover		
Sale of goods:		
Computer hardware and software (including systems design and implementation)	**452,779**	344,562
Computer hardware, software and related accessories	**30,308**	34,620
	483,087	379,182
Provision of e-business related services	**26,793**	33,908
Maintenance services, consultancy services and training courses	**5,988**	7,558
Turnover	**515,868**	420,648
Other revenue		
Interest income	**6,494**	13,984
Dividend income from listed investments	**522**	–
Gross rental income	**917**	714
Other	**1,890**	349
	9,823	15,047
Gains		
Gain on disposal of listed investments	**374**	318
Gain on disposal of intangible assets	**1,256**	–
Negative goodwill recognised	**108**	–
Exchange gains, net	**41**	–
	1,779	318
Other revenue and gains	**11,602**	15,365

6. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

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

	2001 HK$'000	2000 HK$'000
Cost of inventories sold	**408,471**	298,778
Cost of services provided	**14,217**	23,350
Depreciation	**8,351**	5,708
Write-off of fixed assets	**217**	–
Amortisation of licence rights*	**1,188**	–
Amortisation of deferred development costs*	**6,194**	5,095
Goodwill:		
Amortisation for the year**	**1,468**	–
Impairment arising during the year**	**2,788**	–
	4,256	–
Minimum lease payments under operating leases in respect of land and buildings	**6,365**	4,560
Auditors' remuneration	**960**	680
Staff costs (excluding directors' remuneration disclosed in note 7)#:		
Wages and salaries	**69,585**	58,258
Pension contributions	**3,524**	2,539
Less: Forfeited contributions	**(324)**	(412)
Net employer's pension contributions##	**3,200**	2,127
Less: Capitalised in deferred development costs	**–**	(8,197)
	72,785	52,188
Unrealised loss on revaluation of short term listed investments carried at fair value**	**2,730**	–
Bad debts written off**	**9,105**	–
Provisions for doubtful debts**	**754**	–
Impairment on investment securities**	**460**	–
Deficit on revaluation of investment properties**	**8,052**	–
Impairment of deferred development costs**	**10,525**	–
Impairment of fixed assets**	**2,510**	–
Exchange losses, net	**–**	29

* The amortisation of licence rights and deferred development costs for the year are included in "Cost of sales" on the face of the profit and loss account.

** These expenses are included in "Other operating expenses" on the face of the profit and loss account.

\# Inclusive of an amount of HK$14,217,000 (2000: HK$23,350,000) classified under cost of services provided.

\#\# The amounts of forfeited contributions available at the year end to reduce contributions in future years were not material.

7. DIRECTORS' REMUNERATION

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

	2001 HK$'000	2000 HK$'000
Fees:		
Executive directors	–	–
Non-executive directors	100	160
	100	160
Other emoluments (executive directors):		
Salaries, allowances and benefits in kind	3,123	2,486
Bonuses paid and payable	–	512
Pension scheme contributions	120	114
	3,243	3,112
	3,343	3,272

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

	2001 Number of directors	2000 Number of directors
Nil – HK$1,000,000	6	5
HK$1,000,001 – HK$1,500,000	1	2
	7	7

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

During the year, no share options were granted to the directors in respect of their services to the Group. Further details of the Group's share option scheme are set out under the heading "Share option scheme" in the Report of the Directors on page 13.

8. FIVE HIGHEST PAID EMPLOYEES

The five highest paid individuals of the Group included one (2000: two) director, details of whose remuneration are set out in note 7 to the financial statements. The remuneration of the other four (2000: three) non-director, highest paid individuals, disclosed pursuant to the Listing Rules, is as follows:

	2001	2000
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	**5,251**	3,651
Bonuses paid and payable	**–**	304
Pension scheme contributions	**159**	161
	5,410	4,116

The remuneration of the four (2000: three) non-director, highest paid individuals fell within the following bands:

	2001	2000
	Number of individuals	Number of individuals
HK$1,000,001 – HK$1,500,000	**3**	2
HK$1,500,001 – HK$2,000,000	**1**	1
	4	3

During the year, no share option were granted to the four non-director, highest paid employees in respect of their services to the Group. Further details of the Group's share option scheme are included in the disclosures set out under the heading "Share option scheme" in the Report of the Directors on page 13.

9. FINANCE COSTS

	Group	
	2001	2000
	HK$'000	*HK$'000*
Interest on bank loans	**352**	199
Interest on convertible bonds	**–**	1,060
	352	1,259

10. TAX

	Group	
	2001	2000
	HK$'000	*HK$'000*
Provision for tax in respect of profits for the year:		
Hong Kong	**370**	504
Mainland China	**601**	1,487
	971	1,991
Overprovisions in prior years – Hong Kong	**(18)**	(45)
Tax charge for the year	**953**	1,946

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 year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

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 and the Company had no material unprovided deferred tax liabilities.

11. NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders dealt with in the financial statements of the Company is HK$50,334,000 (2000: profit of HK$12,026,000).

The comparative amount for 2000 has been restated by prior year adjustments resulting in a net credit of HK$2,500,000 to the Company's net profit for that year, a credit of HK$3,000,000 to the amounts due from subsidiaries in the Company's balance sheet as at 31 December 2000, and a debit of HK$5,500,000 to the retained profits as at 1 January 2000. The prior year adjustments: (i) recognised dividends of HK$5,500,000 from subsidiaries which were declared and approved by the subsidiaries in 2000, but which were recorded by the Company as revenue in its financial statements for the year ended 31 December 1999; and (ii) reversed dividends of HK$3,000,000 from subsidiaries which were declared and approved by the subsidiaries after 31 December 2000, but which were recognised by the Company as revenue in its financial statements for the year ended 31 December 2000. This change in accounting policy has arisen from the adoption of revisions to SSAP 18, as further detailed in notes 2 and 31 to the financial statements.

The effect of this change in accounting policy on the Company's net loss for the current year was to decrease the net loss by HK$3,000,000 to HK$50,334,000, as disclosed above, representing the effect of the prior year adjustment of HK$3,000,000.

12. DIVIDENDS

	2001 HK$'000	2000 HK$'000
Proposed final dividend – Nil (2000: 2 cents per share)	–	5,273
Special dividend – Nil (2000: 1 cent per share)	–	2,637
	–	7,910

During the year, the Group adopted the revised SSAP 9 "Events after the balance sheet date", as further detailed in note 2 to the financial statements. To comply with this revised SSAP, prior year adjustments have been made: (i) to reclassify the proposed dividends for the year ended 31 December 2000 of HK$7,910,000, which were recognised as a current liability at the prior year end, to the proposed dividends reserve account within the capital and reserves section of the balance sheet; and (ii) to reclassify the proposed final dividend payable to a minority shareholder of a subsidiary of HK$1,674,000, which was recognised as a current liability at the prior year end, to the minority interests account of the balance sheet. The result of this has been to reduce both the Group's and the Company's current liabilities and increase the reserves previously reported as at 31 December 2000, by HK$7,910,000; and to reduce the Group's current liabilities and increase the minority interests previously reported as at 31 December 2000, by HK$1,674,000.

There is no effect of this change in accounting policy as at 31 December 2001 as no final dividend has been proposed by the Company or its subsidiaries for the current year.

13. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the net loss attributable to shareholders for the year of HK$63,959,000 (2000: net profit of HK$19,767,000) and the weighted average of 266,805,000 (2000: 256,455,000) shares of the Company in issue during the year.

(b) Diluted earnings/(loss) per share

No diluted loss per share is presented for the year ended 31 December 2001 as the effect of the Company's outstanding share options was anti-dilutive. The calculation of diluted earnings per share for the year ended 31 December 2000 was based on the net profit attributable to ordinary shareholders for that year of HK$19,767,000 and 265,818,000 shares, which represented the weighted average number of shares in issue during that year plus the weighted average number of 9,363,000 shares deemed to be issued at no consideration if all outstanding options had been exercised.

14. FIXED ASSETS

Group

	Investment properties HK$'000	Leasehold land and buildings HK$'000	Leasehold improve- ments HK$'000	Computer equipment and software HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost or valuation:							
At beginning of year	–	25,353	4,611	16,963	4,621	230	51,778
Reclassification	23,752	(25,353)	–	–	–	–	(1,601)
Additions	–	–	2,191	5,219	309	988	8,707
Acquisitions of subsidiaries	–	–	1,646	2,247	933	–	4,826
Deficit on revaluation *(note 6)*	(8,052)	–	–	–	–	–	(8,052)
Write-off	–	–	(56)	(107)	(149)	–	(312)
Exchange realignment	–	–	5	29	15	–	49
At 31 December 2001	**15,700**	**–**	**8,397**	**24,351**	**5,729**	**1,218**	**55,395**
Analysis of cost or valuation:							
At cost	–	–	8,397	24,351	5,729	1,218	39,695
At 31 December 2001 valuation	15,700	–	–	–	–	–	15,700
	15,700	–	8,397	24,351	5,729	1,218	55,395
Accumulated depreciation and impairment:							
At beginning of year	–	1,156	1,346	3,445	766	46	6,759
Reclassification	–	(1,601)	–	–	–	–	(1,601)
Depreciation provided during the year	–	445	1,174	5,630	976	126	8,351
Impairment during the year recognised in the profit and loss account *(note 6)*	–	–	–	2,510	–	–	2,510
Write-off	–	–	(5)	(10)	(80)	–	(95)
Exchange realignment	–	–	(6)	15	9	–	18
At 31 December 2001	**–**	**–**	**2,509**	**11,590**	**1,671**	**172**	**15,942**
Net book value:							
At 31 December 2001	**15,700**	**–**	**5,888**	**12,761**	**4,058**	**1,046**	**39,453**
At 31 December 2000	–	24,197	3,265	13,518	3,855	184	45,019

14. FIXED ASSETS (continued)

The Group's investment properties included above are held under the following lease terms:

	HK$'000
Hong Kong:	
Long term leases	9,800
Mainland China:	
Long term leases	4,100
Medium term leases	1,800
	15,700

The Group's investment properties were revalued on 31 December 2001 by Landscope Surveyors Limited, independent professionally qualified valuers, at HK$15,700,000 on an open market, existing use basis. The investment properties are leased to third parties under operating leases, further summary details of which are included in note 33 to the financial statements.

Further particulars of the Group's investment properties are included on page 70.

The Group's investment properties situated in Hong Kong were pledged to secure general banking facilities granted to the Group (note 29).

The impairment loss for computer equipment and software represents the write down of certain computer software to their recoverable amount due to technological obsolescence. The recoverable amount was determined at the individual asset level and was based on the net selling price with reference to the amount received in recent transactions for similar assets.

15. INTANGIBLE ASSETS

Group

	Licence rights *HK$'000*	Deferred development costs *HK$'000*	Total *HK$'000*
Cost:			
At beginning of year	12,480	25,351	37,831
Additions	–	–	–
Disposals	(12,480)	–	(12,480)
At 31 December 2001	**–**	**25,351**	**25,351**
Accumulated amortisation and impairment:			
At beginning of year	–	6,504	6,504
Amortisation provided during the year	1,188	6,194	7,382
Impairment during the year recognised in the profit and loss account *(note 6)*	–	10,525	10,525
Disposals	(1,188)	–	(1,188)
At 31 December 2001	**–**	**23,223**	**23,223**
Net book value:			
At 31 December 2001	**–**	**2,128**	**2,128**
At 31 December 2000	12,480	18,847	31,327

The impairment loss for deferred development costs represents the write-off of certain development costs relating to e-business projects due to technological obsolescence. The recoverable amount was determined at the individual asset level and was based on the value in use.

16. GOODWILL AND NEGATIVE GOODWILL

SSAP 30 was adopted during the year, as detailed in note 2 to the financial statements. The amounts of goodwill and negative goodwill capitalised as an asset or recognised in the balance sheet, arising from the acquisitions of subsidiaries, are as follows:

Group

	Goodwill *HK$'000*	**Negative goodwill** *HK$'000*
Cost:		
At beginning of year	–	–
Acquisitions of subsidiaries	38,027	(2,588)
Write-off	(2,788)	–
At 31 December 2001	**35,239**	**(2,588)**
Accumulated amortisation and impairment/(recognition as income):		
At beginning of year	–	–
Amortisation provided/(recognised as income) during the year	1,468	(108)
Impairment provided during the year	2,788	–
Write-off	(2,788)	–
At 31 December 2001	**1,468**	**(108)**
Net book value:		
At 31 December 2001	**33,771**	**(2,480)**

As detailed in note 3 to the financial statements, the Group has adopted the transitional provision of SSAP 30 which permits goodwill in respect of acquisitions which occurred prior to 1 January 2001, to remain eliminated against consolidated reserves. The amount of such goodwill amounted to HK$11,117,000 as at 1 January 2001 and 31 December 2001 and is stated at cost (note 31).

Due to the adoption of SSAP 31, the Group has adopted a policy to assess goodwill eliminated against consolidated reserves for impairment. No impairment was resulted from such assessment.

17. INTERESTS IN SUBSIDIARIES

	Company 2001 HK$'000	Company 2000 HK$'000
Unlisted shares, at cost	**45,633**	45,633
Due from subsidiaries	**347,370**	305,503
	393,003	351,136
Provision for impairment	**(52,952)**	–
	340,051	351,136

The amounts due from subsidiaries are unsecured, interest-free and are not repayable within one year from the balance sheet date.

The amounts due from subsidiaries in the prior year have been adjusted for the effect of the prior year adjustment of HK$3,000,000 in respect of dividends proposed after the prior year's balance sheet date, as further explained in note 12 to the financial statements.

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 2001	Percentage of equity interest attributable to the Company 2000	Principal activities
Computer And Technologies (BVI) Limited	British Virgin Islands	US$1,000	**100%**	100%	Investment holding
Computer And Technologies International Limited	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%	Provision of system and network integration services
Computer And Technologies Services Limited	Hong Kong	HK$10,000	**100%**	100%	Provision of computer systems and software installation support and training services

17. 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 2001	2000	Principal activities
Computer & Technologies International Trading (Shanghai) Company Limited#	Mainland China	US$200,000	**100%**	100%	Trading of computer hardware and software
Computer & Technologies (Shanghai) Co., Ltd.#	Mainland China	US$1,000,000	**100%**	100%	Provision of systems and network integration services
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
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
Global e-Business Enabler Limited***	Hong Kong	HK$2	**100%**	100%	Provision of IT solutions and implementation services
Computer And Technologies Software Limited	Hong Kong	HK$500,000	**100%**	100%	Provision of IT solutions and implementation services

17. 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 2001	2000	Principal activities
HutchTech Resources Limited	Hong Kong	HK$100	**100%**	50% *(note 18)*	Provision of resources team for IT solutions implementation
Computer & Technologies Solutions (Shenzhen) Co., Ltd.#	Mainland China	HK$1,000,000	**100%**	100%	Provision of IT solutions and implementation services
Computer And Technologies Solutions Limited##	Bermuda	US$12,000	**90%**	–	Provision of IT solutions implementation services
Global e-Business Services Limited	Hong Kong	HK$10,000	**100%**	100%	Provision of enterprise application services
ets.com.hk Limited	Hong Kong	HK$2	**100%**	100%	Provision of e-tendering services for HKSAR Government
e-tendering.com Limited	British Virgin Islands	US$1	**100%**	100%	Provision of e-tendering business
IPL Research Limited	Hong Kong	Ordinary HK$2 Non-voting deferred ** HK$300,000	**100%**	–	Provision of human resources management and related application software

17. 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 2001	2000	Principal activities
Maxfair Technology Limited	Hong Kong	HK$2,500,000	**75%**	75%	Distribution of multi-media digital video products
Maxfair Technology (Taiwan) Company Limited	Taiwan	NT$10,000,000	**52.5%**	–	Distribution of multi-media digital video products

* *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 the subsidiaries, 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.*

*** *Subsequent to the balance sheet date, on 23 January 2002, this subsidiary was renamed as Computer And Technologies Solutions Limited.*

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

\## *Not audited by Ernst & Young.*

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

Except for C&T (Hong Kong) Investment Limited, Computer & Technologies Investment Limited and e-tendering.com Limited, which are incorporated in the British Virgin Islands but operates in Hong Kong, and Computer And Technologies Solutions Limited, which is incorporated in Bermuda but operates in Singapore, all of the above subsidiaries operate in the place of their incorporation/registration.

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.

The subsidiaries acquired during the year contributed HK$10,112,000 to the Group's turnover and a profit of HK$3,073,000 to the Group's loss before tax. In the case of the jointly-controlled entity which was reclassified to a subsidiary, these turnover and loss before tax amounts exclude the former jointly-controlled entity's contribution to the results prior to its becoming a subsidiary.

18. INTEREST IN A JOINTLY-CONTROLLED ENTITY

	Group 2001 HK$'000	2000 HK$'000
Share of net assets	–	(441)
Loan to the jointly-controlled entity	–	5,000
Amount due from the jointly-controlled entity	–	925
	–	5,484

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 2001	2000	Principal activity
HutchTech Resources Limited ("HutchTech")	Corporate	Hong Kong/ Mainland China	**100%**	50%	Provision of resources team for IT solutions implementation

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

During the year, the Group acquired the remaining 50% equity interest in HutchTech after which it has been treated as a subsidiary (note 17).

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

19. INTEREST IN AN ASSOCIATE

	Group 2001 HK$'000	2000 HK$'000
Share of net assets	–	1,093
Amount due from an associate	–	953
	–	2,046

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

19. INTEREST IN AN ASSOCIATE (continued)

Particulars of the associate were as follows:

Name	Business structure	Place of incorporation/ operation	Percentage of equity interest attributable to the Group 2001	2000	Principal activity
StarDB.com Limited	Corporate	Hong Kong/ Mainland China	–	39.47%	Provision of web-casting services

The associate was indirectly held by the Company and was disposed of during the year.

20. INVESTMENT SECURITIES

	Group 2001 HK$'000	2000 HK$'000
Club membership debenture, at cost	**1,460**	1,460
Provision for impairment	**(460)**	–
	1,000	1,460

21. PROMISSORY NOTE RECEIVABLE

The current year promissory note receivable of the Group represented a refund receivable from the seller in respect of the excess consideration paid by the Group for the acquisitions of certain subsidiaries during the year, details of which are set out in note 32(c)(i) to the financial statements. The amount is unsecured, bears interest at 4% per annum and is receivable in August 2003.

22. INVENTORIES

	Group 2001 HK$'000	2000 HK$'000
Work in progress	**1,927**	38,095
Finished goods	**4,351**	3,481
	6,278	41,576

23. TRADE RECEIVABLES

An aged analysis of the trade receivables as at the balance sheet date is as follows:

	Group	
	2001	2000
	HK$'000	*HK$'000*
Current	**64,061**	108,380
Overdue 1 to 3 months	**13,183**	8,033
Overdue 4 to 6 months	**4,520**	1,493
	81,764	117,906

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.

24. CONTRACTS FOR SERVICES

	Group	
	2001	2000
	HK$'000	*HK$'000*
Gross amount due from contract customers	**6,172**	4,387
Gross amount due to contract customers included in other payables	**(83)**	–
	6,089	4,387
Contract costs incurred plus recognised profits less recognised losses to date	**33,252**	27,403
Less: Progress billings	**(27,163)**	(23,016)
	6,089	4,387

25. SHORT TERM INVESTMENTS

	Group	
	2001	2000
	HK$'000	*HK$'000*
Listed equity investments in Hong Kong, at market value	**12,464**	–

26. CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS

	Group		Company	
	2001	2000	**2001**	2000
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash and bank balances	**54,924**	57,242	**300**	35,420
Time deposits	**155,339**	187,287	**7,025**	–
	210,263	244,529	**7,325**	35,420
Less: Pledged time deposits:				
Pledged for general banking facilities	**(12,992)**	–	**–**	–
Pledged for bank loans	**–**	(12,000)	**–**	–
Cash and cash equivalents	**197,271**	232,529	**7,325**	35,420

27. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

Included in the balance is an amount of HK$25,443,000 (2000: HK$67,196,000) representing the trade payables of the Group. An aged analysis of such payables is as follows:

	Group	
	2001	2000
	HK$'000	*HK$'000*
Current	**18,145**	62,990
Within 1 to 3 months	**3,935**	4,042
Between 4 to 6 months	**3,363**	164
	25,443	67,196

28. AMOUNTS DUE TO MINORITY SHAREHOLDERS OF SUBSIDIARIES

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

29. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Group		Company	
	2001	2000	**2001**	2000
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Bank loans, secured	**–**	8,491	**–**	–
Other loan wholly repayable within five years, unsecured	**739**	1,182	**739**	1,182
	739	9,673	**739**	1,182
The bank loans and other loan are repayable:				
Within one year	**443**	9,082	**443**	591
In the second year	**296**	591	**296**	591
	739	9,673	**739**	1,182
Portion classified as current liabilities	**(443)**	(9,082)	**(443)**	(591)
Long term portion	**296**	591	**296**	591

The banking facilities of the Group and the Company are secured by fixed charges over the Group's investment property of situated in Hong Kong with a carrying value at the balance sheet date of HK$9,800,000 (2000: leasehold land and buildings with a net book value of HK$15,520,000) and bank deposits of HK$12,992,000 (2000: HK$12,000,000).

The Group's and the Company's other loan is unsecured, interest-free and is repayable by 27 monthly instalments with the last instalment due in June 2003.

30. SHARE CAPITAL

Shares

	Company	
	2001	2000
	HK$'000	*HK$'000*
Authorised:		
1,000,000,000 ordinary shares of HK$0.10 each	**100,000**	100,000
Issued and fully paid:		
270,588,198 (2000: 263,300,338) ordinary shares of HK$0.10 each	**27,059**	26,330

30. SHARE CAPITAL (continued)

During the year, the following changes in the Company's issued ordinary share capital took place and, as a result, 7,287,860 ordinary shares were issued:

(a) Pursuant to a share subscription and sales agreement dated 20 June 2001, 5,007,360 new ordinary shares of HK$0.10 each were allotted and issued at HK$3.0908 per share on 26 July 2001 as part of the consideration for the acquisition of subsidiaries (note 32(c)(i)); and

(b) 2,280,500 ordinary shares were allotted to the holders of share options who exercised the options under the share option scheme of the Company.

Share options

The Company operates a share option scheme (the "Scheme"), further details of which are set out under the heading "Share option scheme" in the Report of the Directors on page 13.

During the year, the movements in the number of share options to subscribe for shares in the Company under the Scheme were as follows:

	Number of share options to subscribe for shares at an exercise price per share of													
	HK$0.281	HK$0.298	HK$0.316	HK$0.635	HK$0.675	HK$0.715	HK$0.753	HK$1.563	HK$1.75	HK$1.8	HK$2.672	HK$4.04	HK$4.14	Total
	'000	'000	'000	'000	'000	'000	'000	'000	'000	'000	'000	'000	'000	'000
At beginning of year	200	1,456	348	520	702	708	112	–	2,743	988	–	1,241	1,252	10,270
Granted during the year*	–	–	–	–	–	–	–	600	–	–	2,653	–	–	3,253
Exercised during the year	–	(420)	(108)	(234)	(32)	(144)	(16)	–	(1,327)	–	–	–	–	(2,281)
Cancelled during the year	–	–	–	–	–	–	–	–	–	–	–	(1,241)	(1,252)	(2,493)
At 31 December 2001	**200**	**1,036**	**240**	**286**	**670**	**564**	**96**	**600**	**1,416**	**988**	**2,653**	**–**	**–**	**8,749**

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

The options outstanding at 31 December 2001 expire at various dates up to the close of business day on 5 September 2006, or if that day is not a business day, the expiry date will be the close of the business day preceding 5 September 2006. The exercise in full of the outstanding options would, under the present capital structure of the Company, result in the issue of 8,749,000 additional shares and cash proceeds to the Company in the approximate amount of HK$13,833,000 before the related share issue expenses.

On 21 February 2000, the Company granted an option (the "Option") to a third party to subscribe for 17,489,362 new ordinary shares of the Company at an exercise price of HK$7.90 per share. The Option is exercisable in whole or in part at any time within two years from 21 February 2000. Subsequent to the balance sheet date, on 20 February 2002, the Option lapsed upon expiry.

31. RESERVES

Group

	Share premium account HK$'000	Contributed surplus HK$'000	Goodwill reserve* HK$'000	Exchange fluctuation reserve HK$'000	Retained profits/ (accumulated losses) HK$'000	Total HK$'000
At 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
Proposed 2000 dividends	–	–	–	–	(7,910)	(7,910)
Exchange adjustments	–	–	–	14	–	14
At 31 December 2000 and 1 January 2001	306,701	45,483	(11,117)	13	23,259	364,339
Issue of shares during the year	17,514	–	–	–	–	17,514
Net loss for the year	–	–	–	–	(63,959)	(63,959)
Exchange adjustments	–	–	–	398	–	398
At 31 December 2001	**324,215**	**45,483**	**(11,117)**	**411**	**(40,700)**	**318,292**

* *The goodwill arose on acquisitions of subsidiaries prior to 1 January 2001 and remain eliminated against reserves as explained in note 16 to the financial statements.*

31. RESERVES (continued)

Company

	Share premium account HK$'000	Contributed surplus HK$'000	Retained profits/ (accumulated losses) HK$'000	Total HK$'000
At 1 January 2000:				
As previously reported	79,515	45,483	312	125,310
Prior year adjustment:				
SSAP 18 (Revised) – net year-on-year effect of dividends from subsidiaries no longer recognised as income for the year *(notes 2 and 11)*	–	–	(5,500)	(5,500)
As restated	79,515	45,483	(5,188)	119,810
Issue of shares	227,814	–	–	227,814
Share issue expenses	(628)	–	–	(628)
Net profit for the year (as restated)	–	–	12,026	12,026
Proposed 2000 dividends	–	–	(7,910)	(7,910)
At 31 December 2000 and 1 January 2001:	306,701	45,483	(1,072)	351,112
As previously reported	306,701	45,483	1,928	354,112
Prior year adjustment:				
SSAP 18 (Revised) – net year-on-year effect of dividends from subsidiaries no longer recognised as income for the year *(notes 2 and 11)*	–	–	(3,000)	(3,000)
As restated	306,701	45,483	(1,072)	351,112
Issue of shares	17,514	–	–	17,514
Net loss for the year	–	–	(50,334)	(50,334)
At 31 December 2001	**324,215**	**45,483**	**(51,406)**	**318,292**

31. RESERVES (continued)

	Group	
	2001	2000
	HK$'000	*HK$'000*
Profits retained/(losses accumulated) by:		
Company and subsidiaries	**(40,700)**	23,732
Jointly-controlled entity	**–**	(441)
Associate	**–**	(32)
At end of year	**(40,700)**	23,259

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 their 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.

32. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

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

	2001	2000
	HK$'000	*HK$'000*
Profit/(loss) from operating activities	**(59,972)**	24,192
Interest income	**(6,494)**	(13,984)
Dividend income from listed investments	**(522)**	–
Gain on disposal of intangible assets	**(1,256)**	–
Gain on disposal of listed investments	**(374)**	(318)
Negative goodwill recognised as income	**(108)**	–
Depreciation	**8,351**	5,708
Impairment of fixed assets	**2,510**	–
Write-off of fixed assets	**217**	–
Amortisation of intangible assets	**7,382**	5,095
Impairment of investment securities	**460**	–
Deficit on revaluation of investment properties	**8,052**	–
Impairment of deferred development costs	**10,525**	–
Goodwill amortisation and impairment	**4,256**	–
Unrealised loss on revaluation of short term listed investments	**2,730**	–
Decrease/(increase) in trade receivables	**44,071**	(70,019)
Increase in amounts due from contract customers	**(1,785)**	(4,387)
Decrease/(increase) in prepayments, deposits and other receivables	**(1,165)**	2,519
Decrease/(increase) in inventories	**35,298**	(29,110)
Increase/(decrease) in trade payables, other payables and accruals	**(53,143)**	38,695
Increase in deferred income	**4,610**	–
Increase in amounts due to minority shareholders of subsidiaries	**656**	–
Net cash inflow/(outflow) from operating activities	**4,299**	(41,609)

32. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (continued)

(b) Analysis of changes in financing during the year

	Issued capital (including share premium account) HK$'000	Minority interests HK$'000 (Restated)	Bank and other loans HK$'000	Convertible bonds HK$'000
Balance at 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 a minority shareholder of a subsidiary	–	(1,674)	–	–
Balance at 31 December 2000 and 1 January 2001				
As previously reported	333,031	656	9,673	–
Prior year adjustment:				
SSAP 9 (Revised) – dividend declared by a subsidiary after year end to its minority shareholder no longer recognised as a liability at balance sheet date *(notes 2 and 12)*	–	1,674	–	–
As restated	333,031	2,330	9,673	–
Proceeds from issue of shares	2,766	–	–	–
Acquisitions of subsidiaries	–	384	–	–
Net cash outflow from financing	–	–	(8,934)	–
Share of profit for the year	–	312	–	–
Dividend declared to a minority shareholder of a subsidiary	–	(1,674)	–	–
Non-cash transaction *(note 30(a))*	15,477	–	–	–
Balance at 31 December 2001	**351,274**	**1,352**	**739**	**–**

32. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (continued)

(c) Acquisitions of subsidiaries

	2001	2000
	HK$'000	*HK$'000*
Net assets acquired:		
Fixed assets	**4,826**	–
Cash and bank balances	**10,391**	–
Trade receivables, prepayments and other receivables	**7,929**	–
Trade payables, other payables and accruals	**(9,292)**	–
Tax payable	**(357)**	–
Minority interests	**(384)**	–
	13,113	–
Goodwill on acquisition	**38,027**	–
Negative goodwill on acquisition	**(2,588)**	–
Consideration*	**48,552**	–
Satisfied by:		
Cash	**24,548**	–
Issue of shares *(note 30(a))*	**15,477**	–
Reclassification of interest in a jointly-controlled entity	**8,527**	–
	48,552	–

* *The total consideration included incidental costs of acquisition totalling approximately HK$3,916,000, comprising primarily commission, legal and professional fees, which were satisfied by cash.*

The subsidiaries acquired during the year contributed HK$2,267,000 to the Group's net operating cash inflows and received HK$181,000 in respect of the net return on investments and servicing of finance.

32. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (continued)

(c) Acquisitions of subsidiaries (continued)

An analysis of the net outflow of cash and cash equivalents in respect of acquisitions of subsidiaries is as follows:

	2001	2000
	HK$'000	*HK$'000*
Cash consideration	**(24,548)**	–
Cash and bank balances acquired	**10,391**	–
Net outflow of cash and cash equivalents in respect of acquisitions of subsidiaries	**(14,157)**	–

During the current year, the following material acquisitions took place:

(i) On 26 July 2001, the Group acquired a 99% interest in IPL Research Limited ("IPL") from three independent individuals (collectively the "Vendors"). IPL is engaged in the provision of computer software development and installation services in respect of human resource management system. The purchase consideration of HK$38,025,000 (the "Original Consideration") was satisfied as to HK$22,548,000 by cash and the remaining balance of HK$15,477,000 by the issuance and allotment of the Company's shares.

Subsequent to the balance sheet date, pursuant to a supplementary agreement dated 4 February 2002 entered into between the Group and the Vendors (the "Supplemental Agreement"), the Group acquired the remaining 1% interest in IPL on 28 February 2002 from the Vendors at nil consideration and the Original Consideration was revised downwards to HK$36,025,000, with the excess consideration of HK$2,000,000 already paid by the Group to the Vendors to be refunded. The effect of this transaction has been reflected in the financial statements and the amount refundable is included as "Promissory note receivable" (note 21) on the face of the consolidated balance sheet.

Pursuant to the Supplemental Agreement, (i) the Group was granted a put option by the Vendors, pursuant to which the Group may require the Vendors to purchase 25% equity interests in IPL at a consideration of HK$3,000,000; and (ii) the Vendors were granted share subscription options for 3,750,000 ordinary shares of HK$0.10 each of the Company at a price of HK$2.20 per share. These share subscription options, subject to certain conditions, may be exercised within a period of 18 months from 28 February 2002.

Further details of the above transactions are set out in the Group's circulars dated 12 July 2001 and 4 February 2002, respectively.

32. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (continued)

(c) Acquisitions of subsidiaries (continued)

(ii) On 23 November 2001, the Group acquired a 90% interest in Breakaway Solutions Asia Pacific Limited ("BSAP") (subsequently renamed as Computer And Technologies Solutions Limited) from a Hong Kong listed company. BSAP is engaged in the provision of information technology consulting and solutions implementation services. The purchase consideration of US$10,800 was satisfied by cash on the date of acquisition.

(iii) On 5 December 2001, the Group acquired the remaining 50% interest in its 50%-owned jointly-controlled entity, HutchTech Resources Limited ("HutchTech"), from the other joint venture partner. The purchase consideration of HK$50 was satisfied by cash. The principal activity of HutchTech is the provision of resource teams for the implementation of information technology solutions.

(d) Major non-cash transactions

See notes 30(a) and 32(c)(i) for further details thereof.

33. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 14) under operating lease arrangements, with leases negotiated for terms ranging from 1 to 2 years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 31 December 2001, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2001	2000
	HK$'000	*HK$'000*
Within one year	**213**	779
In the second to fifth years, inclusive	**–**	60
	213	839

33. OPERATING LEASE ARRANGEMENTS (continued)

(b) As lessee

The Group leases certain of its office properties and under operating lease arrangements. Leases for properties are negotiated for terms ranging from 1 to 6 years.

At 31 December 2001, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2001	2000	**2001**	2000
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
		(Restated)		*(Restated)*
Within one year	**7,264**	4,055	**1,674**	2,205
In the second to fifth years, inclusive	**15,808**	10,163	**7,812**	8,370
After five years	**–**	1,116	**–**	1,116
	23,072	15,334	**9,486**	11,691

SSAP 14 (Revised), which was adopted during the year, requires lessors under operating leases to disclose the total future minimum operating lease receivables under non-cancellable operating leases, as detailed in note (a) above. This disclosure was not previously required. SSAP 14 (Revised) also requires lessees under operating leases to disclose the total future minimum operating lease payments, rather than only the payments to be made during the next year as was previously required. Accordingly, the prior year comparative amounts for operating leases as lessee in note (b) above, have been restated to accord with the current year's presentation.

34. CONTINGENT LIABILITIES

	Group	
	2001	2000
	HK$'000	*HK$'000*
Guarantees given to customers for compliance of service contracts	**2,723**	3,347

During the year, the Company has issued corporate guarantees to certain suppliers of the Group in respect of purchases from these suppliers. At 31 December 2001, the outstanding amount due to these suppliers by the Group amounted to HK$11,230,000.

35. POST BALANCE SHEET EVENT

Details of the significant post balance sheet event are set out in note 32(c)(i) to the financial statements.

36. CONNECTED AND RELATED PARTY TRANSACTIONS

In addition to the transactions and balances described elsewhere in these financial statements, the Group's had the following related party transaction disclosed pursuant to SSAP 20 "Related Party Disclosures" and connected transaction disclosed pursuant to Chapter 14 of the Listing Rules were as follows:

	2001	2000
	HK$'000	*HK$'000*
Rental expense paid to:		
Ng Cheung Shing ("Mr. Ng", a director of the Company)	**531**	531

On 14 January 2000, the Company entered into a rental agreement with Mr. Ng to rent a property in Beijing, Mainland China (the "Property"), as office premises at a monthly rent of US$5,675 (equivalent to HK$44,265) 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, this transaction was entered into by the Group in the normal course of its business.

Subsequent to balance sheet date, on 5 February 2002, the rental agreement was renewed on the same terms for further two years commencing from 1 January 2002.

37. COMPARATIVE AMOUNTS

As further explained in note 2 to the financial statements, due to the adoption of certain new and revised SSAPs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain prior year adjustments have been made and certain comparative amounts have been reclassified to conform with the current year's presentation.

38. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 9 April 2002.