

CHAIRMAN'S REPORT

Business Review

The Group reported a consolidated revenue of HK\$103.0 million (2001: 308.3 million) for the 6-month period ended 30 June 2002, representing a decrease of 66.6% compared with the same period last year. Nevertheless, the Group managed to increase the gross profit margin substantially to 24.4% when compared with 15.8% for the year of 2001. Net loss attributable to shareholders is HK\$14.3 million (2001: net profit of HK\$2.2 million). Loss per share is 5.25 Hong Kong cents (2001: earning per share 0.83 Hong Kong cent). The Board of Directors (the "Board") does not recommend the payment of an interim dividend for the period (2001: Nil).

The significant improvement in gross margin was attributed to the improved profit margin from the Integration Services division and the increased revenue contribution from the Solutions and Application Services divisions amounted to HK\$30.8 million (2001: HK\$16.1 million), or an increase by 91.3%.

The business performance of the Group for the first six months of the 2002 reflects not only the continuous difficult market environment in general throughout all the countries in which the Group operates, but also the progressive transformation of the Group from a traditional systems and network integrator into a full-range IT service provider with competitive strengths in solutions service offering as well as application and related business process outsourcing services.

The economy in Hong Kong is weak and therefore the local IT industry in general continued to be slow. However, the investment of the Group in 2001 for pre-sales and market development commenced to pay-off with major solutions and service contracts beginning to materialise.

During the reporting period, the Group has secured a number of large-scale build-and-operate IT outsourcing contracts from both government and commercial customers, including a 10-year contract worth approximately HK\$150 million from the Land Registry of the Hong Kong SAR to develop and service the new generation integrated registration information system ("IRIS"). While these service-intensive contracts would substantiate the business momentum of the Group in its transformation, their recognised revenue and hence contribution are still relatively small and would become more substantial in the coming financial years.

On the other hand, while the momentum of China economy is less affected by the global economy slow-down, the IT market in the Mainland continues to be extremely competitive. Although systems integration business from enterprise customers in China remains healthy, the business from telecommunications operators had been affected adversely by the industry reorganisation. As anticipated and reported by the Management in the last annual report, there had been a considerable slow-down in the infrastructure spending among the Mainland's telecommunications service operators resulting consequently in a significant drop in revenue from the Group's Integration Services

division. Nevertheless, the division managed to improve its gross margin by increasing revenue portion generated from value-added services and solutions.

Furthermore, the Group's distribution business and human resource management system ("HRMS") solutions, both reported stable profitable results in the first half of the year.

Prospect

With the continuous weakness of the global economy, the Management remains wary on the business environment and hence the IT industry in general in the second half of the year.

However, based on a number of encouraging evidences, the Management believes that there is a higher visibility for the Group to achieve improved profitability in the foreseeable future. Firstly, the Group has transformed to a better revenue mix with better profit margin and higher recurring nature. The substantial service-intensive contracts on-hand will also provide a long-term stable revenue source for the Group.

On the other hand, given the proven track records and the major tender opportunities from Hong Kong SAR Government that the Group is currently engaging, the Management is optimistic to secure additional business from government IT outsourcing opportunities which would generate a stable long-term revenue. Besides, the repeated successes of the Group in the billing and customer care solutions for telecommunications and utilities companies also reassured our strength to expand further along that direction.

To complement the Group's core business and development strategy, the Management would also continue exploring opportunities to grow through mergers and acquisitions with rigorous screening criteria, aiming to build a larger scale of economy and a regional footprint.

Appreciation

The Board and the Management would like to express gratitude to the staff and shareholders of the Group for their support to the Company.

Ng Cheung Shing

Chairman

Hong Kong, 27 August 2002

UNAUDITED INTERIM RESULTS

The Board of Computer And Technologies Holdings Limited (the “Company”) herein present the unaudited consolidated financial statements of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2002 together with the comparative figures for the corresponding period as follows:

Condensed Consolidated Profit And Loss Account

		Unaudited six months ended 30 June	
		2002	2001
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
TURNOVER	2	103,015	308,341
Cost of sales		<u>(77,921)</u>	<u>(262,160)</u>
Gross profit		25,094	46,181
Other revenue		3,806	5,464
Selling and distribution expenses		(24,940)	(29,896)
Administrative expenses		(12,917)	(16,418)
Other operating expenses		<u>(4,503)</u>	<u>–</u>
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	3	(13,460)	5,331
Finance costs		(442)	(635)
Share of loss of a jointly-controlled entity		<u>–</u>	<u>(1,226)</u>
PROFIT/(LOSS) BEFORE TAX		(13,902)	3,470
Tax	4	<u>(16)</u>	<u>(951)</u>
PROFIT/(LOSS) BEFORE MINORITY INTERESTS		(13,918)	2,519
Minority interests		<u>(358)</u>	<u>(324)</u>
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		<u>(14,276)</u>	<u>2,195</u>
Dividend	5	<u>–</u>	<u>–</u>
EARNINGS/(LOSS) PER SHARE	6		
– Basic		<u>(5.25) Cents</u>	<u>0.83 Cents</u>
– Diluted		<u>N/A</u>	<u>0.81 Cents</u>

Condensed Consolidated Statement of Changes in Equity

Unaudited six months ended 30 June 2002

	Ordinary share capital <i>HK\$'000</i>	Share premium account <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Goodwill reserve <i>HK\$'000</i>	Exchange fluctuation reserve <i>HK\$'000</i>	Retained profits/ losses) (accumulated <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2002	27,059	324,215	45,483	(11,117)	411	(40,700)	345,351
Loss for the period						(14,276)	(14,276)
Issuance of share during the period	241	3,214					3,455
Reduction of share premium (<i>see note</i>)		(51,406)				51,406	–
At 30 June 2002	<u>27,300</u>	<u>276,023</u>	<u>45,483</u>	<u>(11,117)</u>	<u>411</u>	<u>(3,570)</u>	<u>334,530</u>

Note:

The share premium account was reduced to off set against the accumulated losses of the Company as at 31 December 2001.

Unaudited six months ended 30 June 2001

	Ordinary share capital <i>HK\$'000</i>	Share premium account <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Goodwill reserve <i>HK\$'000</i>	Exchange fluctuation reserve <i>HK\$'000</i>	Retained profits/ losses) (accumulated <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2001	26,330	306,701	45,483	(11,117)	13	23,259	390,669
Profit for the period						2,195	2,195
Issuance of share during the period	189	2,295					2,484
At 30 June 2001	<u>26,519</u>	<u>308,996</u>	<u>45,483</u>	<u>(11,117)</u>	<u>13</u>	<u>25,454</u>	<u>395,348</u>

Condensed Consolidated Balance Sheet

		Unaudited	Audited
		As at	As at
		30 June 2002	31 December 2001
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
NON-CURRENT ASSETS			
Fixed Assets		33,451	39,453
Intangible Assets		1,270	2,128
Goodwill			
Goodwill		32,009	33,771
Negative goodwill		(1,833)	(2,480)
Investment securities		1,000	1,000
Promissory note receivable		2,000	2,000
Long term investments		7,300	–
		<u>75,197</u>	<u>75,872</u>
CURRENT ASSETS			
Inventories		9,990	6,278
Trade receivables	7	67,313	81,764
Amount due from contract customers		5,895	6,172
Prepayment, deposits and other receivables		6,065	8,130
Short term investment		10,071	12,464
Pledged bank deposits		13,039	12,992
Cash and bank balances		197,035	197,271
		<u>309,408</u>	<u>325,071</u>
CURRENT LIABILITIES			
Trade payables, other payables and accruals	8	(44,468)	(50,755)
Tax payable		(2,746)	(2,746)
Interest-bearing bank and other borrowings		(2,358)	(443)
		<u>(49,572)</u>	<u>(53,944)</u>
NET CURRENT ASSETS		<u>259,836</u>	<u>271,127</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>335,033</u>	<u>346,999</u>

	Unaudited As at 30 June 2002 <i>HK\$'000</i>	Audited As at 31 December 2001 <i>HK\$'000</i>
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	–	(296)
MINORITY INTERESTS	<u>(503)</u>	<u>(1,352)</u>
	<u>334,530</u>	<u>345,351</u>
CAPITAL AND RESERVES		
Issued capital	27,300	27,059
Reserves	<u>307,230</u>	<u>318,292</u>
	<u>334,530</u>	<u>345,351</u>

Condensed Consolidated Cash Flow Statement

	Unaudited six months ended 30 June	
	2002	2001
	HK\$'000	HK\$'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	1,055	8,767
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES	(19,357)	2,792
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES	<u>5,074</u>	<u>(8,178)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(13,228)	3,381
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>210,263</u>	<u>232,529</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>197,035</u>	<u>235,910</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	<u>197,035</u>	<u>235,910</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Accounting Policies

The unaudited condensed consolidated interim financial statements of the Group are prepared in accordance with the Hong Kong Statement of Standard Accounting Practice (“SSAP”) No. 25 “Interim financial reporting” issued by the Hong Kong Society of Accountants. The accounting policies and basis of presentation of the unaudited financial statements are the same as those used in the audited financial statements for year ended 31 December 2001, except the following new/revised SSAPs have been adopted for the first time in the preparation of the current period’s condensed consolidated financial statements.

- SSAP 1 (Revised) “Presentation of Financial Statements”
- SSAP 11 (Revised) “Foreign Currency Translation”
- SSAP 15 (Revised) “Cash Flow Statements”
- SSAP 34 “Employee Benefits”

2. Segment Information

The analysis of the Group’s turnover and contribution to profit/(loss) from operating activities and by principal activity and geographical area of operations are as follows.

(a) Business segments

	Integration Services		Solutions Services		Application Services		Distribution		Corporate and Other		Consolidated	
	Unaudited six months ended 30 June											
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
	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	53,357	277,763	19,001	13,506	11,842	2,571	18,607	14,501	208	–	103,015	308,341
Other revenue	–	–	647	–	–	–	–	–	–	–	647	–
Total	53,357	277,763	19,648	13,506	11,842	2,571	18,607	14,501	208	–	103,662	308,341
Segment results before depreciation, amortisation and other operating expenses	(2,822)	21,214	(2,268)	(15,116)	1,890	(3,808)	2,111	1,645	(3,037)	2,797	(4,126)	6,732
Depreciation/Amortisation	(1,113)	(1,796)	(2,580)	(2,276)	(572)	(1,424)	(367)	(257)	(870)	(1,112)	(5,502)	(6,865)
Impairment of fixed assets	(400)	–	(1,609)	–	–	–	–	–	–	–	(2,009)	–
Amortisation of goodwill	–	–	–	–	(1,762)	–	–	–	–	–	(1,762)	–
Segment results	(4,335)	19,418	(6,457)	(17,392)	(444)	(5,232)	1,744	1,388	(3,907)	1,685	(13,399)	(133)
Interest income, dividend income and unallocated gains											2,332	5,464
Unallocated impairment losses											(2,393)	–
Profit/(loss) from operating activities											(13,460)	5,331
Finance costs											(442)	(635)
Share of loss of a jointly-controlled entity	–	–	–	(1,226)	–	–	–	–	–	–	–	(1,226)
Profit/(loss) before tax											(13,902)	3,470
Tax											(16)	(951)
Profit/(loss) before minority interests											(13,918)	2,519
Minority interests											(358)	(324)
Net profit/(loss) from ordinary activities attributable to shareholders											(14,276)	2,195

(b) *Geographical segments*

	Hong Kong		Mainland China		Other		Consolidated	
	Unaudited six months ended 30 June							
	2002	2001	2002	2001	2002	2001	2002	2001
	HK\$ 000	HK\$ 000	HK\$ 000	HK\$ 000	HK\$ 000	HK\$ 000	HK\$ 000	HK\$ 000
Segment revenue – Sales to external customers	44,906	24,903	55,615	283,438	2,494	–	103,015	308,341
Segment results	(4,813)	16,038	(5,895)	(16,171)	(2,691)	–	(13,399)	(133)

3. Profit/(Loss) from Operating Activities

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

	Unaudited Six months ended 30 June 2002 HK\$'000	Unaudited Six months ended 30 June 2001 HK\$'000
Depreciation	4,614	3,267
Amortisation of deferred development costs	888	3,598
Amortisation of goodwill	1,762	–
Unrealised loss on revaluation of short term listed investments carried at fair value	2,393	–
Impairment of fixed assets	2,009	–
Interest Income	(1,361)	(5,464)

4. Tax

Hong Kong profits tax has been provided at the applicable rate of 16% (2001: 16%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable in 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.

5. Dividend

The Board does not recommend the payment of any dividend for the period (2001: nil).

6. 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 six months ended 30 June 2002 of HK\$14,276,000 (2001: net profit of HK\$2,195,000) and the weighted average of 271,999,000 (2001: 264,105,000) shares of the Company in issue during the period.

(b) *Diluted earnings/(loss) per share*

No diluted loss per share is presented for the six months ended 30 June 2002 as the effect of the Company's outstanding share options was anti-dilutive. The calculation of diluted earnings per share for the six months ended 30 June 2001 was based on the net profit attributable to ordinary shareholders for that period of HK\$2,195,000 and 269,624,000 shares, which represented the weighted average number of shares in issue during that period plus the weight average number of 5,519,000 shares deemed to be issued at no consideration if all outstanding options had been exercised.

7. Trade Receivables

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

	Unaudited As at 30 June 2002 <i>HK\$'000</i>	Audited As at 31 December 2001 <i>HK\$'000</i>
Current	41,020	64,061
Overdue 1 – 3 months	21,591	13,183
Overdue over 3 months	4,702	4,520
	<hr/>	<hr/>
Total	67,313	81,764
	<hr/>	<hr/>

Credit terms

The credit terms for different services offered are vary contract to contract may include cash on delivery, advance payment and credit. In general, the invoices on credit are normally payable within 90 days form their issuances. Trade receivables are recognised and carried at original invoiced amount less provision for doubtful debts which is recorded when collection of the full receivable amount is no longer probable. Bad debts are written off as incurred.

8. Trade Payables, Other Payables and Accruals

Included in the balance in an amount of HK\$19,073,000 (2001: HK\$25,443,000) representing the trade payables of the Group. An aged analysis of such payables is as follows:

	Unaudited As at 30 June 2002 <i>HK\$'000</i>	Audited As at 31 December 2001 <i>HK\$'000</i>
Current	10,984	18,145
Overdue 1 to 3 months	6,344	3,935
Overdue over 3 months	1,745	3,363
	<hr/>	<hr/>
Total	19,073	25,443
	<hr/>	<hr/>

9. Commitments and Contingent Liabilities

Other than the normal course of business, the Group has no significant commitments and contingent liabilities as at 30 June 2002.

OPERATIONS REVIEW

Integration Services

While continuing to generate the majority portion of the Group's revenue, the Integration Services division achieved a revenue of HK\$53.4 million, down 80.8% from the corresponding period in 2001.

Apart from the influence of the global slow-down in the telecommunications market, the reorganisation of the China telecommunications industry had resulted into a considerable capital expenditure reduction among all the operators. The shrunken market demand also led to cut-throat competition among rivalries for network integration business for which the Group had intentionally avoided in order to deploy more resources for projects with higher valued-added services and solution, and thus higher margin. The Management believes the IT related procurement trend among the operators will continue to be slow in the foreseeable future. However, the Group is cultivating business potential to provide more sophisticated business and operation support services and solutions for which the demand is increasing.

On the other hand, the Group continued to receive substantial repeated business from solid enterprise customer base with relatively healthy margin.

The consistent focus of the Group to deliver outstanding technical support and professional service has also resulted into the Group awarded as the best IT supplier from Shanghai Volkswagen, a long-time customer which is also one of the largest automobile manufacturers in China.

Solutions Services

Leveraging the Group's investment in 2001 for pre-sales and market development efforts, the division has secured a number of major solutions outsourcing contracts from commercial customers and government organizations, including the development contract of the new generation integrated registration information system (IRIS) from the Land Registry of Hong Kong SAR and the provision of billing and customer care solutions to prestigious utilities companies in Hong Kong and Guangzhou of the PRC. The Management is confident that these major successes will facilitate the Group to solicit other similar business opportunities in the region.

Presently, the Group has achieved a status as a recognised local contender for very large-scale solution outsourcing opportunities which previously would have been considered only by multinational vendors. Such uplift in tier would open more opportunities for the Group in the future. The Group is also selected by the Information Technology Services Department of the Hong Kong SAR Government as one of the suppliers to the Category B (web publishing services) and Category D (IT security services) of the IT Professional Services Arrangement ("ITPSA") to provide IT professional services to government departments for a 30-month contract period. According to the ITPSA tender document issued in September 2001, the non-binding estimated value of the two categories of service would amount to HK\$155 million. That would provide the Group with a stable source of business opportunity to provide IT professional services. The Management is confident the Group is positioned well to capture additional opportunities of other large-scale government IT outsourcing projects.

Application Services

GO-Business

The Group's subsidiary Global e-Business Services Limited ("GO-Business") has demonstrated a proven business model with stable recurring service income and recorded first earnings before interest and tax contribution to the Group in the reporting period.

Building on top of its being the market pioneer in e-procurement and related services, GO-Business has established a strong market position as an application and related business process outsourcing service provider. In the period under review, GO-Business secured a number of major customers from both commercial and public sectors including the Land Registry of Hong Kong SAR and the MTR Corporation Limited. The Management foresees increasing demand from both government and commercial sectors for business process outsourcing services which would enable GO-Business to achieve an even better economy of scale in the coming years.

IPL

Despite the challenging business environment, the Group's subsidiary IPL Research Limited ("IPL"), a HRMS software provider acquired in July 2001, has recovered from the slow business momentum of the second half of 2001 and contributed stable profit to the Group during the reporting period. IPL secured not only a number of new customers including multinational companies in Hong Kong and Mainland China, but also a number of substantial upgrade projects among existing customer base.

Leveraging the Group's established business channel, customer base and operation resources in Mainland China, IPL is actively developing such market with specific focus on multinational enterprise segment that flourishes rapidly after the WTO accession of China.

Distribution Business

The Group's subsidiary distributing multimedia digital video products, Maxfair Technology Limited ("Maxfair"), performed satisfactorily during the last 6 months. Despite the weak consumer spending in both Hong Kong and Taiwan, Maxfair managed to report increase, comparing year for year, in both revenue and profit contribution through stringent cost control and responsive time-to-market execution.

In particular, the new subsidiary in Taiwan has achieved a stable operation and managed to contribute mild profit to the Group. The Management is content with the Taiwan expansion, replicating the proven model of Maxfair outside Hong Kong. The Group will continue to look for opportunities to extend further the geographical coverage of the distribution network in Asia.

Liquidity and Financial Resources

The Group adopted its financial policy so as to maintain a stable financial condition. As at 30 June 2002, the aggregate of the Group's bank deposits and cash balance amounted to HK\$197.0 million (31 December 2001: HK\$197.3 million), 97% of which was Hong Kong dollars or US dollars that has very low fluctuation risks from exchange rate change, therefore the Group has no hedging activity.

As of 30 June 2002, the Group's net asset value is HK\$334.5 million (31 December 2001: HK\$345.4 million) and there is no long-term debts commitment.

DIRECTORS' INTERESTS IN SECURITIES

As at June 30 2002, the interests of the directors in the share capital of the Company and its associated corporations, as defined in the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") and as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance, were as follows:

(A) Interests in Shares

(i) The Company

Name of director	Nature of interest and number of shares	
	Personal interests	Corporate interests
Ng Cheung Shing	2,032,000	110,000,000 (Note 1)
Leung King San, Sunny	810,000	–
Ma Mok Hoi	9,000	

(ii) Associated corporations

Name of director	Name of associated corporation	Nature of interest and number of shares		
		Personal interests	Corporate interests	Class of shares
Ng Cheung Shing	Computer And Technologies International Limited	1,750,000	3,250,000 (Note 2)	Non-voting deferred
Ma Mok Hoi	Maxfair Technology Holdings Limited	25		Ordinary

Note 1: 110,000,000 shares were held by Chao Lien Technologies Limited ("Chao Lien"). Ng Cheung Shing is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of C.S. (BVI) Limited which, in turn, is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of Chao Lien. Accordingly, Ng Cheung Shing was deemed, under the SDI Ordinance, to be interested in all shares held by Chao Lien.

Note 2: 3,250,000 deferred shares were held by Chao Lien.

(B) Interests in share options

As at June 30 2002, the following directors had interests recorded in the register kept under Section 29 of the SDI Ordinance, being options granted by the Company to subscribe for shares of the Company, as follows:

Name of director	Number of option held on 1.1.2002	Period during which option is exercisable (Note)	Price per share to be paid on exercise of option HK\$	Number of option exercised during the period	Number of option held on 30.06.2002
Ng Cheung Shing	800,000	3.12.2000 to 2.11.2004	1.80	800,000	0
Leung King San, Sunny	188,000	3.12.2000 to 2.11.2004	1.80	188,000	0
Ma Mok Hoi	200,000	26.10.1999 to 25.10.2003	0.281	0	200,000

Note: If the last day of any option period is not a business day in Hong Kong, the option period will end on the business day preceding that day.

Each of the grantees paid HK\$10 to the Company as consideration for options granted to them.

Save as disclosed above, as at June 30 2002, none of the directors or their associates had any interest (including personal, family, corporate or other interests) in the equity or debt securities of the Company or any of its associated corporations, as defined in the SDI Ordinance.

SHARE OPTIONS AND DIRECTORS' RIGHTS TO ACQUIRE SHARES

Details of share options of the Company held by the directors of the Company are set out in the section headed "Directors' interests in securities" above.

Other than the share option scheme of the Company, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Company's directors, their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at June 30 2002, the following interests of 10% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance:

Name of shareholder of the Company	Number of shares	Percentage of issued share capital
Chao Lien Technologies Limited (<i>Note 1</i>)	110,000,000	40.3%
C.S. (BVI) Limited (<i>Note 1</i>)	110,000,000	40.3%
Puttney Investments Limited (<i>Note 2</i>)	29,148,938	10.7%
Hutchison International Limited (<i>note 2</i>)	29,148,938	10.7%

Note 1: The interest was also disclosed as an interest of Mr. Ng Cheung Shing in the section "Directors' interests in securities" of this report.

Note 2: The two references to 29,148,938 shares related to the same block of shares in the Company. Hutchison International Limited as a wholly owned subsidiary of Hutchison Whampoa Limited ("HWL") is holding the entire issued share capital of Puttney Investments Limited. Subsidiaries of Cheung Kong (Holdings) Limited ("CKH") are entitled to exercise or control the exercise of more than one-third of the voting power at the general meeting or HWL.

Li Ka Shing Unity Holdings Limited (in which Li Ka Shing owns its entire issued share capital) owns the entire issued share capital of Li Ka-Shing Unity Trustee Company Limited ("TUT1"). TUT1 as trustee of the Li Ka-Shing Unity Trust, together with certain companies which TUT1 as trustee of The Li Ka-Shing Unity Trust is entitled to exercise or control the exercise of more than one-third of the voting power at their general meetings (the "related companies"), holds more than one-third of the issued share capital of CKH.

In addition, Li Ka-Shing Unity Holdings Limited also owns the entire issued share capital of Li Ka-Shing Unity Trustee Corporation Limited ("TDT1"). TDT1 as trustee of the Li Ka-Shing Unity Discretionary Trust, holds a majority of units in The Li Ka-Shing Unity Trust.

By virtue of the interest in TDT1 and TUT1 through Li Ka-Shing Unity Holdings Limited, the interest in the shares of CKH held by TU1 as trustee of the Li Ka-Shing Unity Trust and its related companies, the interest of CKH in the HWL and the interest of Hutchison International Limited in the shares of the Company as described above, Li Ka-Shing is taken to have an interest in the shares of the Company held by Puttney Investments Limited under the SDI Ordinance.

Save as disclosed above, as at June 30 2002, no person other than the directors of the Company whose interests are set out above, had registered an interest in the share capital of the Company that was required to be recorded under Section 16(1) of the SDI Ordinance.

EMPLOYEE

As at 30 June 2002, the Group has about 300 employees (2001: around 300) including the effect of restructuring of the Group taken place in 2001 and also the additions due to the acquisition of IPL as well as regional expansions to Singapore and Taiwan. Employee's remuneration is in accordance with individual's responsibility and performance. Other fringe benefits such as medical insurance, pension funds, education/training subsidies are offered to most employees. Share options are granted at directors' discretion under the terms and conditions of employees share option schemes.

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

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

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the unaudited interim financial statements.

THE CODE OF BEST PRACTICE

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

By order of the board
Ng Cheung Shing
Chairman

Hong Kong, 27 August 2002