COMPUTER AND TECHNOLOGIES HOLDINGS LIMITED

（科聯系統集團有限公司）

(Incorporated in Bermuda with limited liability)

INTERIM REPORT

2005

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CHAIRMAN'S STATEMENT

For the first 6-month period ended 30 June 2005, the Group's consolidated revenue is HK$101.5 million (2004: HK$102.8 million) and the net profit attributable to shareholders is HK$3.3 million (2004: HK$3.2 million). Excluding the HK$15 million one-time gain on deemed disposal of a portion of a subsidiary in the same period of 2004, the Group managed to improve its profitability by more than HK$15 million during the reporting period. The earnings per share is 1.20 Hong Kong cents (2004: 1.16 Hong Kong cents). The Board does not recommend the payment of any interim dividend (2004: Nil).

As indicated in the latest annual report, the business transformation process of the Group had reached its final stage after several years of evolutions. Benefiting from the transformation, the Group's overall gross profit improved substantially from HK$28.1 million to more than HK$36.1 million and the gross profit margin also improved from 27.3% to 35.6%. Besides, the Group managed to reduce its operating expenses by 13.5% to HK$34.8 million when compared with the same period of last year.

In addition, the Group received milestone payments from the two large-scale IT outsourcing contracts with the Land Registry ("LR") and Water Supplies Department ("WSD") of the HKSAR Government and generated more than HK$50 million cash inflow from operation during the reporting period. The strong cash inflow will further strengthen the Group's financial position.

Prospect

The Group's investments in the business transformation have solidified its foundations to become a more competitive software and service oriented solutions provider. The Group has built up customer contracts and service platforms that are able to generate steady recurring income from outsourcing services as well as e-services in the coming years. Backed up by the established income streams, the Group's next challenge is the speed in enlarging the business scale in a competitive market.

Appreciation

I would like to take this opportunity to express my gratitude for the supports from the staff, business partners and shareholders to the Company.

Ng Cheung Shing
Chairman

Hong Kong, 14 September 2005

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Operations

The Group's overall gross profit and gross profit margin were substantially improved resulting from the increases in revenue contribution from the software and service businesses. In particular, the revenue generated from Application Services grew 79.7% from HK$11.6 million in 2004 to HK$20.9 million. The Group also managed to reduce its operating expenses by 13.5% to HK$34.8 million when compared with the same period of last year. Among the 13.5% reduction in expenses, approximately 3.8% was benefited by the adoption of new accounting standards during the current period.

As of the reporting date, the Group has more than HK$300 million worth of contracts on hand, of which a significant portion is related to maintenance and outsourcing service. At the beginning of the year, the Group commenced the outsourcing service phase of the contracts with LR and WSD and initialised a stable and recurring income stream in the coming years.

The Group's Government Electronic Trading Services business has been expanding its market share and achieved an EBITDA break-even in its 18th month of services. For the month of June 2005, the Group recorded more than HK$2 million worth of electronic transaction services income.

The software license revenue and related annual maintenance income generated from the Group's own branded human resource management software and the revenue generated from the Group's system integration business continued to record stable growth. On the other hand, the Group's distribution business was adversely impacted by the weak demands on video capturing and editing products. With introduction of new product lines related to networked media players and surveillance system, the Management is optimistic that the related business results will be improved in the near term.

Financial Resources and Liquidity

As at 30 June 2005, the Group has bank balances and cash (excluded pledged bank deposit of HK$6.6 million) of HK$144.5 million or 47.3% increase compared with HK$98.1 million as of 31 December 2004. The substantial cash inflow was contributed by the receipts of the milestone payments from LR and WSD outsourcing contracts. Approximately 83% of the Group's on hand funding is in Hong Kong or US currencies. The Group has not adopted any hedging policies as both currencies carry no or low exchange fluctuation risks.

During the reporting period, the Group has also fully repaid the interest-bearing bank borrowing of HK$15 million. As a result, the gearing ratio, measured on the basis of total borrowings as a percentage of net assets, as at 30 June 2005 has been reduced to 0% from 4.6% (as restated) as at 31 December 2004.

Remuneration Policy and Number of Employees

The remuneration policies adopted for the six months period ended 30 June 2005 are consistent with those disclosed in the Group's 2004 Annual Report. As at 30 June 2005, the Group employed approximately 321 full time and 39 contract-based employees (31 December 2004: 300 full time and 63 contract-based employees).

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The Board of Directors (the "Board") of Computer And Technologies Holdings Limited (the "Company") presents the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2005, together with the comparative amounts. These condensed consolidated interim financial statements have been reviewed by the Company's audit committee.

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Notes	**For the six months ended 30 June 2005 (Unaudited)** *HK$'000*	**2004 (Unaudited)** *HK$'000*
TURNOVER	*4*	101,501	102,795
Cost of sales		(65,387)	(74,726)
Gross profit		36,114	28,069
Other revenue and gains		1,151	447
Gain on deemed disposal of subsidiaries	*5*	–	15,026
Selling and distribution costs		(20,769)	(23,639)
Administrative expenses		(13,923)	(14,497)
Other expenses		(139)	(1,833)
Finance costs		(14)	(305)
PROFIT BEFORE TAX	*6*	2,420	3,268
Tax	*7*	(19)	(30)
PROFIT FOR THE PERIOD		2,401	3,238
ATTRIBUTABLE TO:			
Shareholders of the Company		3,290	3,190
Minority interests		(889)	48
		2,401	3,238
EARNINGS PER SHARE	*8*		
Basic		1.20 HK cents	1.16 HK cents
Diluted		N/A	1.16 HK cents

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	**30 June 2005 (Unaudited)** *HK$'000*	**31 December 2004 (Restated)** *HK$'000*
NON-CURRENT ASSETS			
Fixed assets		34,447	37,146
Intangible assets		7,871	9,275
Goodwill		23,790	23,790
Held-to-maturity investments		498	1,265
Available-for-sale investments		1,000	1,000
Deferred tax asset		1,050	1,050
		68,656	73,526
CURRENT ASSETS			
Inventories		20,513	11,856
Trade receivables	*10*	48,349	56,922
Amounts due from contract customers		66,021	123,826
Prepayments, deposits and other receivables		7,646	5,055
Held-to-maturity investments		4,667	–
Financial assets held at fair value through profit and loss		4,861	–
Pledged bank deposits		6,635	23,836
Cash and cash equivalents		144,497	98,050
		303,189	319,545
CURRENT LIABILITIES			
Trade payables, other payables and accruals	*11*	(33,371)	(43,380)
Deferred income		(5,171)	(4,261)
Amounts due to minority shareholders of subsidiaries		(2,649)	(2,649)
Tax payable		(51)	(258)
Interest-bearing bank borrowings		–	(15,000)
		(41,242)	(65,548)
NET CURRENT ASSETS		261,947	253,997
		330,603	327,523
CAPITAL AND RESERVES			
Issued capital		27,520	27,520
Reserves	*12*	295,836	291,999
Equity attributable to shareholders of the Company		323,356	319,519
Minority interests		7,247	8,004
		330,603	327,523

CONDENSED CONSOLIDATED SUMMARY STATEMENT OF CHANGES IN EQUITY

	For the six months ended 30 June	
	2005	**2004**
	(Unaudited)	**(Unaudited)**
	HK$'000	*HK$'000*
Total equity at 1 January:		
As previously reported as equity	319,519	315,013
As previously reported separately as minority interests	8,004	1,542
As restated	327,523	316,555
Changes in equity during the period:		
Exchange differences on translating foreign operations	372	94
Profit for the period	2,401	3,238
Total recognised income and expense for the period	2,773	3,332
Issue of share capital	–	139
Capital transactions with minority interests	–	7,234
Employee share option scheme	307	–
Total equity at 30 June	330,603	327,260
Total recognised income and expense for the period attributable to:		
Shareholders of the Company	3,530	3,241
Minority interests	(757)	91
	2,773	3,332

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended 30 June	
	2005	**2004**
	(Unaudited)	**(Unaudited)**
	HK$'000	*HK$'000*
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	51,697	(62,149)
NET CASH INFLOW FROM INVESTING ACTIVITIES	9,378	2,133
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES	(15,000)	50,443
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	46,075	(9,573)
Cash and cash equivalents at beginning of period	98,050	104,441
Effects of foreign exchange rate changes, net	372	50
CASH AND CASH EQUIVALENTS AT END OF PERIOD	144,497	94,918
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	144,497	94,918

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Basis of preparation

The unaudited consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standards ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The unaudited consolidated interim financial statements have been prepared under historical cost convention, except for financial assets held at fair value through profit and loss, and available-for-sale financial assets that have been measured at their fair value. The principal accounting policies used in the preparation of the unaudited interim financial statements are consistent with those adopted in the preparation of the annual consolidated financial statements of the Group for the year ended 31 December 2004, except for the adoption of certain new and revised Hong Kong Financial Reporting Standards ("HKFRSs") (which also include HKASs and Interpretations) as disclosed in note 2 below.

2. Principal accounting policies

The HKICPA has issued and revised a number of HKFRSs and HKASs, which are generally effective for the accounting periods beginning on or after 1 January 2005. The Group has adopted, for the first time, the following HKFRSs and HKASs issued up to 30 June 2005:

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 11	Construction Contracts
HKAS 12	Income Taxes
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 40	Investment Property
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations
HK(SIC)-Int 21	Income Taxes – Recovery of Revalued Non-depreciable Assets
HK-Int 4	Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases

2. Principal accounting policies *(continued)*

The adoption of HKASs 1, 2, 7, 8, 10, 11, 12, 16, 17, 18, 19, 21, 23, 24, 27, 33, 37, 38, 40, HK(SIC)-Int 21 and HK-Int 4 has had no material impact on the accounting policies of the Group and the methods of computation in the Group's condensed consolidated financial statements. The impact of adopting the other HKFRSs is summarised as follows:

(a) HKAS 32 – Financial Instruments: Disclosure and Presentation and HKAS 39 – Financial Instruments: Recognition and Measurement

In prior periods, the Group classified its investments in debt securities as investment securities which were held for non-trading purposes and were stated at cost less impairment losses.

Upon the adoption of HKASs 32 and 39, these securities are classified as available-for-sale investments. Available-for-sale investments are non-derivatives and are designated as available-for-sale investments or are not classified in any of the other categories of financial assets as defined in HKAS 39. After initial recognition, available-for-sale investments are measured at fair value with gains or losses being recognised as a separate component of capital and reserves until the investment is sold, collected or otherwise disposed of or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in capital and reserves is included in the profit and loss account.

(b) HKFRS 2 – Share-based Payment

In prior periods, no recognition and measurement of share-based transactions in which employees (including directors) were granted share options over shares in the Company was required until such options were exercised by employees, at which time the share capital and share premium were credited with the proceeds received.

Upon the adoption of HKFRS 2, when employees (including directors) render services as consideration for equity instruments ("equity-settled transactions"), the cost of the equity-settled transactions with employees is measured by reference to the fair value at the date at which the instruments are granted. The fair value is determined by using a binomial model. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company, if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the "vesting period"). The cumulative expense recognised for equity-settled transactions at each balance sheet date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the profit and loss account for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(b) HKFRS 2 – Share-based Payment (continued)

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

The effects of adopting HKFRS 2 on the Group's share options granted to employees after 7 November 2002 but had not vested by 1 January 2005 are summarised in note 3 to the condensed consolidated financial statements. Comparative amounts have been restated in accordance with HKFRS 2.

(c) HKFRS 3 – Business Combinations and HKAS 36 – Impairment of Assets

In prior periods, goodwill/negative goodwill arising on acquisitions prior to 1 January 2001 was eliminated against consolidated reserves in the year of acquisition and was not recognised in the consolidated profit and loss account until disposal or impairment of the acquired business.

Goodwill arising on acquisitions on or after 1 January 2001 was capitalised and amortised on the straight-line basis over its estimated useful life and was subject to impairment testing when there was any indication of impairment. Negative goodwill was carried in the balance sheet and was recognised in the consolidated profit and loss account on a systematic basis over the remaining average useful life of the acquired depreciable/amortisable assets, except to the extent it related to expectations of future losses and expenses that were identified in the acquisition plan and that can be measured reliably, in which case, it was recognised as income in the consolidated profit and loss account when the future losses and expenses were recognised.

Upon the adoption of HKFRS 3 and HKAS 36, goodwill arising on acquisitions is no longer amortised but subject to an annual impairment review (or more frequently if events or changes in circumstances indicate that the carrying value may be impaired). Any impairment loss recognised for goodwill is not reversed in a subsequent period.

Any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of the acquisition of subsidiaries and associates (previously referred to as "negative goodwill"), after reassessment, is recognised immediately in the consolidated profit and loss account.

The transitional provisions of HKFRS 3 have required the Group to eliminate at 1 January 2005 the carrying amounts of accumulated amortisation with a corresponding entry to the cost of goodwill. Goodwill previously eliminated against consolidated reserves remains eliminated against consolidated reserves and is not recognised in the consolidated profit and loss account when all or part of the business to which the goodwill relates is disposed of or when a cash-generating unit to which the goodwill relates becomes impaired.

The effects of the above changes are summarised in note 3 to the condensed consolidated financial statements. In accordance with the transitional provisions of HKFRS 3, comparative amounts have not been restated.

3. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES

Following the adoption of the HKFRSs, the opening balances of the following accounts were adjusted retrospectively. The details of the prior period adjustments are summarised as follows:

(a) *Effect on opening balance of total equity at 1 January 2005 and 1 January 2004*

The following table sets out the adjustment that has been made to the opening balances as at 1 January 2005

Effect of new policies (Increase/(decrease))	**Capital reserve (Unaudited)** *HK$'000*	**Retained profits (Unaudited)** *HK$'000*	**Total (Unaudited)** *HK$'000*
Prior period adjustment:			
HKFRS 2			
Employee share option scheme	837	(837)	–

In accordance with the relevant transitional provisions of the HKFRSs, the adoption of these HKFRSs did not result in retrospective adjustments being made to the opening balances as at 1 January 2004.

(b) *Effect on profit for the period for the six months ended 30 June 2005 and 2004 attributable to shareholders of the Company*

The following table summarises the impact on profit for the period for the six months ended 30 June 2005 and 2004 upon the adoption of the new HKFRSs. As no retrospective adjustments have been made for the adoption of HKASs 39 and HKFRS 3, the amounts shown for the six months period ended 30 June 2004 may not be comparable to the amounts shown for the current interim period.

Effects on new policies (Increase/(decrease))	**For the six months ended 30 June**	
	2005 (Unaudited) *HK$'000*	**2004 (Unaudited)** *HK$'000*
Effect on profit for the period:		
HKFRS 2		
Employee share option scheme	(307)	–
HKFRS 3		
Discontinuation of amortisation of goodwill	1,836	–
Total effect for the period	1,529	–
Effect on earnings per share:		
Basic	0.56 HK cent	–
Diluted	N/A	–

4. Segment information

An analysis of the Group's revenue and profit/(loss) for the six months ended 30 June 2005 by the Group's business segments is as follows:

	Integration Services		Solutions Services		Application Services		Distribution		Investments		Consolidated	
	2005 (Unaudited) *HK$'000*	2004 (Unaudited) *HK$'000*	2005 (Unaudited) *HK$'000*	2004 (Unaudited) *HK$'000*	2005 (Unaudited) *HK$'000*	2004 (Unaudited) *HK$'000*	2005 (Unaudited) *HK$'000*	2004 (Unaudited) *HK$'000*	2005 (Unaudited) *HK$'000*	2004 (Unaudited) *HK$'000*	2005 (Unaudited) *HK$'000*	2004 (Unaudited) *HK$'000*
Segment revenue:												
Sales to external customers	37,910	32,355	26,075	42,103	20,894	11,627	15,534	15,632	1,088	1,078	101,501	102,795
Other revenue	–	–	–	–	–	–	–	–	738	63	738	63
Total	37,910	32,355	26,075	42,103	20,894	11,627	15,534	15,632	1,826	1,141	102,239	102,858
Segment results	3,843	1,789	4,278	(1,716)	1,069	(5,108)	(149)	642	1,506	993	10,547	(3,400)
Unallocated interest income											413	384
Gain on deemed disposal of subsidiaries											–	15,026
Unallocated expenses											(8,526)	(8,437)
Finance costs											(14)	(305)
Profit before tax											2,420	3,268
Tax											(19)	(30)
Profit for the period											2,401	3,238

5. Gain on deemed disposal of subsidiaries

In the prior period, Global e-Business Services (BVI) Limited ("GEBS-BVI"), an indirectly wholly-owned subsidiary of the Company entered into a subscription agreement with an independent third party for the issuance and allotment of 40,000 class B shares of GEBS-BVI (representing 20% enlarged equity of GEBS-BVI) (the "Share Subscription") for HK$23,400,000. The Share Subscription was completed on 18 June 2004 and a gain on deemed disposal of HK$15,026,000 was resulted therefrom. Further details in respect of the Share Subscription were set out in the Group's announcement and circular dated 9 June 2004 and 30 June 2004, respectively.

6. Profit before tax

The Group's profit before tax is arrived at after charging/(crediting):

	Unaudited Six months ended 30 June	
	2005	**2004**
	HK$'000	*HK$'000*
Depreciation	3,039	3,791
Amortisation of deferred development costs	1,404	1,078
Amortisation of goodwill	–	1,833
Interest income	(1,151)	(551)

7. Tax

Hong Kong profits tax has been provided at the applicable rate of 17.5% (2004: 17.5%) on the estimated assessable profits arising in Hong Kong during the period. 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.

	Unaudited Six months ended 30 June	
	2005	**2004**
	HK$'000	*HK$'000*
Provision for Hong Kong profits tax	19	30

8. Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the net profit attributable to shareholders for the period of HK$3,290,000 (2004: HK$3,190,000) and the weighted average of 275,198,000 (2004: 275,023,000) shares of the Company in issue during the period.

(b) Diluted earnings per share

No diluted earnings per share is presented for the current period as the effect of the Company's share options was anti-dilutive.

The calculation of diluted earnings per share for the six months ended 30 June 2004 was based on the net profit attributable to ordinary shareholders for that period of HK$3,190,000. The weighted average number of ordinary shares used in calculation was the weighted average number of shares in issue during that period of 275,023,000, as used in the basic earnings per share calculation, plus the weighted average of 314,000 ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options during that period.

9. Dividend

The Board does not recommend the payment of any dividends in respect of the period (2004: Nil).

10. Trade receivables

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

	Unaudited 30 June 2005 *HK$'000*	**Audited 31 December 2004** *HK$'000*
Current	34,890	45,613
Overdue 1 to 3 months	7,951	8,595
Overdue more than 3 months	5,508	2,714
	48,349	56,922

Credit terms

For system integration projects and the provision of maintenance services and software development services, the Group's trading terms with its customers vary from contract to contract and may include cash on delivery, advance payment and on credit. For those customers who trade on credit, the credit period is generally for a period of 90 to 120 days, except for certain well established or major customers, where the terms are extended beyond 120 days. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management.

11. Trade payables, other payables and accruals

Included in the balance is an amount of HK$20,403,000 (31 December 2004: HK$29,108,000) representing the trade payables of the Group. An aged analysis of such payables is as follows:

	Unaudited 30 June 2005 *HK$'000*	**Audited 31 December 2004** *HK$'000*
Current	17,750	25,197
Within 1 to 3 months	2,209	2,405
Between 4 to 6 months	444	1,506
	20,403	29,108

12. Reserves

	Share premium account (Unaudited) *HK$'000*	Contributed surplus (Unaudited) *HK$'000*	Capital reserve (Unaudited) *HK$'000*	Goodwill reserve (Unaudited) *HK$'000*	Exchange fluctuation reserve (Unaudited) *HK$'000*	Retained profits (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*
At 1 January 2004	237,077	45,483	–	(7,227)	(2,543)	14,738	287,528
Issue of shares	104	–	–	–	–	–	104
Exchange differences on translating foreign operations	–	–	–	–	50	–	50
Profit attributable to shareholders of the Company	–	–	–	–	–	3,190	3,190
At 30 June 2004	237,181	45,483	–	(7,227)	(2,493)	17,928	290,872

	Share premium account (Unaudited) *HK$'000*	Contributed surplus (Unaudited) *HK$'000*	Capital reserve (Unaudited) *HK$'000*	Goodwill reserve (Unaudited) *HK$'000*	Exchange fluctuation reserve (Unaudited) *HK$'000*	Retained profits (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*
At 1 January 2005							
As previously reported	237,310	45,483	–	(7,227)	(2,627)	19,060	291,999
Prior period adjustment: HKFRS 2 – Employee share option scheme	–	–	837	–	–	(837)	–
As restated	237,310	45,483	837	(7,227)	(2,627)	18,223	291,999
Employee share option scheme *(note 3)*	–	–	307	–	–	–	307
Exchange differences on translating foreign operations	–	–	–	–	240	–	240
Profit attributable to shareholders of the Company	–	–	–	–	–	3,290	3,290
At 30 June 2005	237,310	45,483	1,144	(7,227)	(2,387)	21,513	295,836

13. Commitments and contingent liabilities

Other than the normal course of business, the Group has no significant commitment and contingent liability as at 30 June 2005.

14. Comparative amounts

As further detailed in notes 2 and 3 above, due to the adoption of the HKFRSs during the current period, the accounting treatment and presentation of certain items in the accounts have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been adjusted/restated to conform with the current period's presentation.

15. Approval of the interim financial statements

The interim financial statements were approved and authorised for issue by the board of directors on 14 September 2005.

OTHER INFORMATION

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2005, the interests of the directors in the share capital of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code"), were as follows:

Long positions in ordinary shares and underlying shares of the Company:

Name of director	*Note*	Number of shares held, capacity and nature of interest: Directly beneficially owned	Through controlled corporation	Total	Percentage of the Company's issued share capital	Number of share options held
Ng Cheung Shing	*(a)*	2,032,000	110,000,000	112,032,000	40.7	300,000
Leung King San, Sunny		810,000	–	810,000	0.3	200,000
Ma Mok Hoi		209,000	–	209,000	0.1	150,000
Ha Shu Tong		–	–	–	–	100,000
Lee Kwok On, Mathew		–	–	–	–	100,000
Ting Leung Huel, Stephen		–	–	–	–	100,000
		3,051,000	110,000,000	113,051,000	41.1	950,000

Long positions in shares and underlying shares of associated corporations:

Name of director	Name of associated corporation	Relationship with the Company	Class of shares	Number of shares: Directly beneficially owned	Through controlled corporation	Percentage of the associated corporation's issued shares capital
Ng Cheung Shing	Computer And Technologies International Limited	Company's subsidiary	Non-voting deferred	1,750,000	3,250,000 *(Note b)*	N/A
Ma Mok Hoi	Maxfair Technology Holdings Limited	Company's subsidiary	Ordinary	25	–	25%

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES *(continued)*

(a) 110,000,000 shares were held by Chao Lien Technologies Limited ("Chao Lien"). Ng Cheung Shing was 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, was 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 SFO, to be interested in all shares held by Chao Lien.

(b) 3,250,000 non-voting deferred shares were held by Chao Lien.

Save as disclosed above, none of the directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

Pursuant to the Company's share option scheme, the following share options were outstanding during the period:

Name/category of participant	Number of share options: At 1 January 2005	Number of share options: Lapsed during the period	Number of share options: At 30 June 2005	Date of grant*	Exercise period	Exercise price**
Directors						
Ng Cheung Shing	300,000	–	300,000	31.08.2004	01.03.2005 to 31.08.2009	HK$1.128
Leung King San, Sunny	200,000	–	200,000	31.08.2004	01.03.2005 to 31.08.2009	HK$1.128
Ma Mok Hoi	150,000	–	150,000	31.08.2004	01.03.2005 to 31.08.2009	HK$1.128
Ha Shu Tong	100,000	–	100,000	31.08.2004	01.03.2005 to 31.08.2009	HK$1.128
Lee Kwok On, Mathew	100,000	–	100,000	31.08.2004	01.03.2005 to 31.08.2009	HK$1.128
Ting Leung Huel, Stephen	100,000	–	100,000	31.08.2004	01.03.2005 to 31.08.2009	HK$1.128
	950,000	–	950,000			
Other employees						
In aggregate	2,122,000	(272,000)	1,850,000	31.08.2004	01.03.2005 to 31.08.2009	HK$1.128
	148,000	–	148,000	31.08.2001	06.09.2002 to 05.09.2006	HK$1.563
	2,653,000	(2,357,000)	296,000	16.01.2001	23.01.2002 to 22.01.2006	HK$2.672
	4,923,000	(2,629,000)	2,294,000			
Total	5,873,000	(2,629,000)	3,244,000			

* *The vesting period of the share options is from the date of grant until the commencement of the exercise period.*

** *The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.*

OTHER INFORMATION *(continued)*

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2005, the following interests of 5% or more of the issued share capital and share options of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions:

Name of shareholder of the Company	*Notes*	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Chao Lien Technologies Limited	*1*	Directly beneficially owned	110,000,000	40.0
C.S. (BVI) Limited	*1*	Through a controlled corporation	110,000,000	40.0
Puttney Investments Limited ("PIL")	*2*	Directly beneficially owned	29,148,938	10.6
Hutchison International Limited ("HIL")	*2*	Through a controlled corporation	29,148,938	10.6
Hutchison Whampoa Limited ("HWL")	*2*	Through a controlled corporation	29,148,938	10.6
Cheung Kong (Holdings) Limited ("CKH")	*2, 3*	Through a controlled corporation	29,148,938	10.6
Li Ka-Shing Unity Trustee Company Limited ("TUT1")	*2, 3*	Through a controlled corporation	29,148,938	10.6
Li Ka-Shing Unity Trustee Corporation Limited ("TDT1")	*2, 3*	Through a controlled corporation	29,148,938	10.6
Li Ka-Shing Unity Trustcorp Limited ("TDT2")	*2, 3*	Through a controlled corporation	29,148,938	10.6
Li Ka-Shing	*2, 3*	Through a controlled corporation	29,148,938	10.6
Hui Yau Man		Directly beneficially owned	26,782,000	9.7

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES *(continued)*

Note 1: The interest was also disclosed as an interest of Ng Cheung Shing in the section "Directors' interests and short positions in shares and underlying shares" above.

Note 2: PIL is a wholly owned subsidiary of HIL, which in turn is a wholly owned subsidiary of HWL. By virtue of the SFO, HWL and HIL were deemed to be interested in the 29,148,938 shares of the Company held by PIL.

Note 3: Li Ka-Shing Unity Holdings Limited ("TUHL"), of which each of Li Ka-Shing, Li Tzar Kuoi, Victor and Li Tzar Kai, Richard, is interested in one-third of the entire issued share capital, owns the entire issued share capital of 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, hold more than one-third of the issued share capital of CKH. Subsidiaries of CKH are entitled to exercise or control the exercise of more than one-third of the voting power at the general meetings of HWL.

In addition, TUHL also owns the entire issued share capital of TDT1 as trustee of The Li Ka-Shing Unity Discretionary Trust ("DT1") and TDT2 as trustee of another discretionary trust ("DT2"). Each of TDT1 and TDT2 holds units in The Li Ka-Shing Unity Trust.

By virtue of the SFO, each of Li Ka-Shing being the settlor and may being regarded as a founder of DT1 and DT2 for the purpose of the SFO, TDT1, TDT2, TUT1 and CKH was deemed to be interested in the 29,148,938 shares of the Company held by PIL.

Save as disclosed above, as at 30 June 2005, no person, other than the directors of the Company, whose interests are set out in the Section "Directors' interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded under Section 336 of the SFO.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

CODE ON CORPORATE GOVERNANCE PRACTICE

In the opinion of the directors, the Company complied with the code provisions as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") throughout the accounting period covered by the interim report, except for the deviations as mentioned below.

Code Provision A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The Company does not have a separate Chairman and Chief Executive and Mr. Ng Cheung Shing currently holds both positions. The Board believes that vesting the roles of both chairman and chief executive in the same person provides the Group with strong and consistent leadership and allows for more effective planning and execution of long-term business strategies.

Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term and subject to re-election. Independent non-executive directors of the Company do not have a specific term of appointment but are subject to retirement by rotation in accordance with the provisions of the bye-laws of the Company. The Company thus considers that sufficient measures have been taken to ensure that its corporate governance practices are similar to those provided in the Code and is currently taking measures to revise the terms of appointment of all the non-executive directors to better comply with the Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its code of conduct for dealings in securities of the Company by the directors. Based on specific enquiry of the Company's directors, the directors have complied with the required standard set out in the Model Code throughout the accounting period covered by the interim report.

OTHER INFORMATION *(continued)*

AUDIT COMMITTEE

The Company has an audit committee which was established in compliance with Rule 3.21 of the Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises the three independent non-executive directors of the Company. The Audit Committee has reviewed with Management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters related to the preparation of the unaudited interim financial statements for the six months ended 30 June 2005.

BY ORDER OF THE BOARD

Ng Cheung Shing
Chairman

Hong Kong, 14 September 2005