COMPUTER AND TECHNOLOGIES HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)
(Stock Code 46)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2003

The Board of Directors (the "Board") of Computer And Technologies Holdings Limited (the "Company") would like to announce the audited consolidated results of the Company and its subsidiaries (collectively referred as the "Group") for the year ended 31 December 2003 as follows:

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Year ended 31 December 2003

	Notes	**2003** *HK$'000*	**2002** *HK$'000* (Restated)
TURNOVER	*2*	362,136	230,357
Cost of sales		(286,076)	(176,591)
Gross profit		76,060	53,766
Other revenue and gains		7,766	9,340
Selling and distribution expenses		(39,992)	(43,474)
Administrative expenses		(35,926)	(44,341)
Other operating expenses		(1,879)	(14,321)
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	*3*	6,029	(39,030)
Finance cost		(359)	–
PROFIT/(LOSS) BEFORE TAX		5,670	(39,030)
Tax credit/(charge)	*4*	663	(386)
PROFIT/(LOSS) BEFORE MINORITY INTERESTS		6,333	(39,416)
Minority interests		(267)	(207)
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		6,066	(39,623)
EARNINGS/(LOSS) PER SHARE	*6*		
Basic		2.21 cents	(14.54) cents
Diluted		2.20 cents	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

31 December 2003

	2003 *HK$'000*	2002 *HK$'000*
NON-CURRENT ASSETS	81,900	70,616
CURRENT ASSETS	352,241	301,865
CURRENT LIABILITIES	(117,586)	(61,945)
NET CURRENT ASSETS	234,655	239,920
TOTAL ASSETS LESS CURRENT LIABILITIES	316,555	310,536
MINORITY INTERESTS	(1,542)	(1,349)
	315,013	309,187
CAPITAL AND RESERVES	315,013	309,187

NOTES TO THE CONSOLIDATED ACCOUNTS

1. ADOPTION OF A REVISED HONG KONG STATEMENT OF STANDARD ACCOUNTING PRACTICE ("SSAP")

The revised SSAP 12 "Income taxes is effective for the first time for the preparation of the current year's financial statements and prescribes new accounting measurement and disclosure practices.

SSAP 12 prescribes the accounting for income taxes payable or recoverable, arising from the taxable profit or loss for the current period (current tax); and income taxes payable or recoverable in future periods, principally arising from taxable and deductible temporary differences and the carryforward of unused tax losses (deferred tax).

The principal impact of the revision of this SSAP on these financial statements is that deferred tax asset has been recognised for tax losses arising in the current/prior periods to the extent that it is probable that there will be sufficient future taxable profits against which such losses can be utilised.

2. TURNOVER AND SEGMENT INFORMATION

The Group's operating business 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. During current year, the Group has combined the property investment and the treasury investments operations into one segment (investments segment), as permitted under SSAP 26 "Segment reporting" since their respective segment revenues, results and assets for the two years ended 31 December 2003 did not exceed the ten percent materiality thresholds, to reflect the Group's current internal financial reporting. The comparative information has been restated accordingly.

a) Business segments

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

Group

	Integration Services		Solutions Services		Application Services		Distribution		Investments		Corporate		Consolidated	
	2003	**2002**	**2003**	**2002**	**2003**	**2002**	**2003**	**2002**	**2003**	**2002**	**2003**	**2002**	**2003**	**2002**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (Restated)	*HK$'000*	*HK$'000* (Restated)
Segment revenue														
Sales to external customers	135,420	118,391	168,865	49,996	17,973	21,433	37,543	38,424	2,335	2,113	–	–	362,136	230,357
Other revenue and gains	774	–	2,165	–	72	–	1,405	609	1,736	464	105	–	6,257	1,073
Total	136,194	118,391	171,030	49,996	18,045	21,433	38,948	39,033	4,071	2,577	105	–	368,393	231,430
Segment results before depreciation, amortisation and other operating expenses	3,634	(10,981)	5,578	(8,688)	2,067	(480)	1,656	2,007	1,518	1,966	(183)	(1,082)	14,270	(17,258)
Depreciation	(1,520)	(2,137)	(2,219)	(2,977)	(1,101)	(1,186)	(852)	(766)	(19)	(14)	(1,747)	(1,713)	(7,458)	(8,793)
Amortisation of intangible assets	(208)	(69)	(205)	(1,646)	–	–	–	–	–	–	–	–	(413)	(1,715)
Amortisation of goodwill	–	–	–	–	(3,635)	(3,524)	–	–	–	–	–	–	(3,635)	(3,524)
Impairment losses recognised*	–	(3,890)	–	–	–	–	–	–	–	(3,180)	–	–	–	(7,070)
Write back of provision for doubtful debts/ (provision for doubtful debts)	1,956	(3,108)	–	–	–	–	–	(19)	–	–	–	–	1,956	(3,127)
Deficit on revaluation of investment properties	–	–	–	–	–	–	–	–	(200)	(600)	–	–	(200)	(600)
Segment results	3,862	(20,185)	3,154	(13,311)	(2,669)	(5,190)	804	1,222	1,299	(1,828)	(1,930)	(2,795)	4,520	(42,087)
Unallocated interest income													1,509	3,057
Profit/(loss) from operating activities													6,029	(39,030)
Finance cost													(359)	–
Profit/(loss) before tax													5,670	(39,030)
Tax													663	(386)
Profit/(loss) before minority interests													6,333	(39,416)
Minority interests													(267)	(207)
Net profit/(loss) from ordinary activities attributable to shareholders													6,066	(39,623)

* *The impairment losses recognised in the integration services segment was related to goodwill eliminated against consolidated reserves and the impairment losses recognised in the investments segment was related to the loss on revaluation of short term listed investments.*

(b) Geographical segments

The following table presents revenue information for the Group's geographical segments.

Group

	Hong Kong		Mainland China		Other		Consolidated	
	2003	**2002**	**2003**	**2002**	**2003**	**2002**	**2003**	**2002**
	HK$'000	*HK$'000* (Restated)	*HK$'000*	*HK$'000* (Restated)	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (Restated)
Segment revenue – sales to external customers	207,150	88,786	136,819	125,307	18,167	16,264	362,136	230,357

3. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

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

	2003	**2002**
	HK$'000	*HK$'000*
Interest income	(1,509)	(3,057)
Depreciation	7,458	8,793
Amortisation of deferred development costs	413	1,715
Amortisation of Goodwill for the year**	3,635	3,524
Impairment of Goodwill arising during the year**	–	3,890
Unrealised loss on revaluation of short term listed investments carried at fair value**	–	3,180
Provisions for doubtful debts/(write back of provisions for doubtful debts)**	(1,956)	3,127
Deficit on revaluation of investment properties**	200	600

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

4. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2002: 16%) on the estimated assessable profits arising in Hong Kong during the year. The increased Hong Kong profits tax rate became effective from the year of assessment 2003/2004, and so is applicable to the assessable profits arising in Hong Kong for the whole of the year ended 31 December 2003. 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.

	2003	**2002**
	HK$'000	*HK$'000*
Group:		
Current – Hong Kong		
Charge for the year	246	209
Overprovisions in prior years	(13)	(114)
Current – elsewhere	154	291
Deferred	(1,050)	–
Total tax charge/(credit) for the year	(663)	386

5. DIVIDENDS

The Board does not recommend the payment of any final dividend for the year (2002: 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 profit attributable to shareholders for the year of HK$6,066,000 (2002: net loss of HK$39,623,000) and the weighted average of 274,107,000 (2002: 272,448,000) shares of the Company in issue during the year.

(b) Diluted earnings/(loss) per share

The calculation of diluted earnings per share for the year ended 31 December 2003 was based on the net profit attributable to ordinary shareholders for that year of HK$6,066,000 and the adjusted weighted average number of shares in issue during that year of 275,139,000 shares, which represented the weighted average number of shares in issue during the year plus the weighted number of 1,032,000 shares deemed to be issued at no consideration if all outstanding share options has been exercised.

No diluted earnings/(loss) per share was presented for the year ended 31 December 2002 as the effect of the Company's outstanding share options was anti-dilutive.

BUSINESS REVIEW

Overview

For the year ended 31 December 2003, the Group has managed to improve its revenue substantially and returned to a profitable position. The revenue model of the Group has also been gradually migrated from project base to increasingly recurring nature which remarks the initial success of its business transformation towards a software and business process outsourcing oriented services provider.

The consolidated revenue of the Group increased to HK$362.1 million (2002: HK$230.4 million), representing an increase of 57.2%. The net profit attributable to shareholders is HK$6.1 million (2002: net loss of HK$39.6 million) and earnings per share is 2.2 Hong Kong cents (2002: loss per share 14.5 Hong Kong cents).

While the general business environment of the information technology ("IT") industry has been very difficult in year 2003, most of the business units of the Group reported growth in revenue and improvement in net profit.

In addition, the Group received strong repeated orders from enterprise customers in finance and manufacturing sectors in China and secured certain significant multi-year IT outsourcing contracts from the Hong Kong SAR Government ("SAR Government"). Although, these government projects caused large amount of cash outflow in year 2003, their completions are expected to generate significant cash inflow to the Group in year 2004.

During the reporting period, the Group had been awarded a five-year contract from the SAR Government to provide the front-end Government Electronic Trading Services ("GETS") for the trading community to submit import and export trade declarations and dutiable commodities permits. The related service was successfully launched ahead of the original schedule on 1 January 2004. While the investment on building up the platforms and promoting the service will adversely affect the immediate financial performance of the related business unit, the GETS operations will enable the Group to receive stable and recurring incomes from its related transactions and the value-added service in long run.

On the other hand, the Group's software product portfolio, built through in-house research and development and acquisition, is beginning to generate recurring revenue from the related software license fee and maintenance services.

The Distribution Business Division of the Group, operating through Maxfair Technology Holdings Limited ("Maxfair"), has started to enjoy the return from its regional expansion in Taiwan. The subsidiary in Taiwan contributed considerable revenue and profit that helped the Division to catch up the short fall due to the impact of SARS outbreak during the reporting period.

Divisional Operations Highlights

The turnover of the Group's Solution Services Division grew significantly due to the revenue generated from the progressive delivery of the two large-scale solution outsourcing projects from the SAR Government, namely the Integrated Registration Information System (IRIS) for the Land Registry and the Customer Care and Billing System (CCBS) for the Water Supplies Department.

In order to reduce the development cost, the Group has been leveraging the human resource from China increasingly. The Group's software development outsourcing centre in Shenzhen is getting in shape by building up quality delivery team with more efficient cost structures. Such operation in Shenzhen has recently been certified by the Ministry of Science and Technology Bureau of the PRC Government as one of the twenty-nine top quality software companies recognised for the 中國歐美軟件出口工程 (China Software Export Pilot Project – Europe/US Market). Such recognition reveals the Group's competitive strength in providing offshore software development service to the markets in the United States and Europe.

Leveraging the strong branding of the Group built on top of the numerous large-scale reference projects and the improving development efficiency. The management of the Group (the "Management") believes that the Group is well positioned to explore the huge market of software development outsourcing business.

While the market environment of the systems and network integration business remains very competitive in China, the Group has managed to increase both revenue and contributed profit from the related business in 2003 through implementing an optimised, competitive cost-structure together with the execution of the Group's strategy to build strategic partnerships with selected long term customers by providing various value-added services to their critical IT systems and applications.

During the reporting period, the Group's Integration Services Division continued to receive strong repeated businesses from enterprise customers in finance and manufacturing industries in China. There is increasing revenue generated from outsourcing services such as network infrastructure maintenance and software development. Management believes that the gradually raised appreciation on value of software and services in China will bring in more opportunities for the Group to leverage its experiences and proven track records in delivering large-scale IT outsourcing services and to capture the market growth ahead of competitions.

Furthermore, partnering with leading vendors like Cisco, HP, IBM and Nokia, the Group has also attained considerable business related to network infrastructure, systems and storage platform as well as network security products and services. It is anticipated that such market demands will uphold in the medium term.

Another encouraging sign of the Group's China business arises from the increasing opportunities for the Group to provide, as the authorised service provider of certain long-term enterprise customers, implementation and maintenance services to their national-wide operations and supply-chain networks. While the profit margin of those master contracts may not be extraordinary, they provide opportunities for the Group to capture a large customer base with recurring maintenance service income in subsequent years.

As discussed above, the Group was granted a five-year contract in April 2003 from the SAR Government to provide front-end GETS Services. The GETS contract provides the Group promising opportunities in providing e-business services to the trading and logistic service industry. Management had dedicated its attention and resources throughout the year to establish the technology and servicing platform to prepare for the launch of the GETS business. With the concerted efforts, the GETS business was successfully launched on 1 January 2004 and the Group is now one of the only two GETS operators to serve a community of 50,000-70,000 traders in Hong Kong.

Together with the Electronic Tendering System ("ETS") that the Group is currently operating for the SAR Government, the Group is now positioned as a major government-to-business electronic services provider. The GETS business presents the Group with a potential to generate substantial and recurring transaction-based income with a satisfactory return on investment in long term. However, it will take the Group certain time and efforts to build the necessary critical mass of customer base before the related operation starts to contribute substantial profit. Meanwhile, the initial investment and start-up operations of the GETS business may affect the immediate financial performance of the related business division and hence the Group.

The acquisition of IPL Research Limited ("IPL") has taken place for more than two years. IPL has been smoothly integrated into the Group and generated synergy effects. Apart from expansion into China, IPL has expanded its market to provide human resource management solutions (HRMS) into the government sector leveraging the Group's successful track records and experiences in the SAR Government organisations and in China.

In 2003, IPL won the Outstanding Line Of Business Award for the year from Microsoft. Leveraging the latest technology from Microsoft, IPL is now developing a new web-based HRMS with additional features. Partnership with Microsoft is envisaged to strengthen IPL's time-to-market capacity and to extend its market reach to more enterprise prospects.

The business of IPL, however, was severely impacted by the outbreak of SARS in the first half of 2003 during which most of the commercial decisions were on hold. Its business in the second half had resumed normal and the business potentials in 2004 is optimistic.

The SARS outbreaks in both Hong Kong and Taiwan had also severely impacted the Group's distribution business operating by Maxfair in year 2003 when consumers' spending were unusually weak. With the growth of business from Maxfair's subsidiary in Taiwan, which was established in 2002 and has become stable and profitable by itself, Maxfair was able to maintain a stable revenue and profit contribution to the Group.

Management is actively exploring opportunities for new products and new markets to replicate the model of Maxfair in major cities of China. By doing so, Management believes it will help Maxfair building a larger scale of economy. The resulting regional footprint will facilitate the Group to capture the rapidly growing demands more effectively for digital audio -video products in the consumer market.

Financial Highlights

Liquidity and Financial Resources

As at 31 December 2003, the Group's cash and bank balances (excluded pledged deposits) amounted to HK$101.4 million compared with HK$186.2 million as at 31 December 2002 represented a decrease of 45.5%. The significant reduction in cash balance was due to the internal financing of the implementations of two large scale solution contracts with the SAR Government from which positive cash flow are expected to be generated during year 2004. Besides the internal financing, the Group also arranged short term (less than 12 months) bank financing for settlement of some purchases from its supplies for the projects. The facilities are on revolving basis and with limited repayment restrictions. The interest rate was priced at close to banks' funding costs and the interests charged to the Group are only on the actual outstanding borrowings. As at 31 December 2003, the Group's gearing ratio, measured on the basis of total borrowings as the percentage of net current assets, was increased to 14.9% compared with 0.12% as at 31 December 2002. The denominations of the borrowings were in United States Dollars and Hong Kong Dollars. Due to the structure and the duration of the borrowings, in Management view, the exposures both in interest rate and foreign exchange fluctuations are insignificant, so long as the Hong Kong-United States dollar exchange rate remains linked.

Pledged Assets

As at 31 December 2003, the Group's fixed assets of HK$8,500,000 (2002: HK$9,000,000), deposits of HK$43,969,000 (2002: HK$15,069,000) and the held-to-maturity securities of HK$8,565,000 (2002: Nil) were pledged to secure general banking facilities, performance guarantees and the revolving banking facilities granted to various subsidiaries.

Capital expenditures and Commitments

Out of the Group's capital expenditures totaling HK$27,780,000 (2002: HK$3,101,000) for the year ended 31 December 2003, approximately HK$10,693,000 (2002: HK$474,000) was spent on computer equipment and software; approximately HK$8,822,000 (2002: HK$1,958,000) was the deferred development costs for developing the government electronic trade facilitation service which currently applied in GETS; and approximately HK$6,433,000 (2002: Nil) was spent on purchase of premises as office and warehouse facilities in Beijing and Hong Kong. The investments in computer equipment and software and the deferred development costs were mainly for generating Government's outsourcing maintenance and the GETS incomes during 2004 and subsequent years. The Groups had no outstanding material capital commitment (2002: Nil) for the year ended 31 December 2003.

Contingent liabilities

Save as the aforesaid and the issuance of corporate guarantees to certain suppliers of the Group in respect of purchase from those suppliers for ordinary course of business, as at 31 December 2003, there were no material contingent liabilities and commitments. At the balance sheet date, the Group's outstanding amount due to these suppliers amounted to HK$5,453,000 (2002: HK$4,750,000).

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2003, the Group employed 271 full time and 139 contract-based employees (2002: 260 full time and 40 contract-based employees) in Hong Kong, Mainland China and elsewhere, and the geographic proportion is approximately 72%, 24% and 4%, respectively (2002: 61%, 32% and 7%).

Employees' remuneration is in accordance with individual's responsibility and performance and remains competitive with the prevailing market rates. Other fringe benefits such as medical insurance, pension funds, etc, are offered to most employees. Share options are granted at the directors' discretion and under the terms and conditions of employees share option schemes of the Company and certain subsidiaries that were approved and adopted on 30 May 2002 and 1 July 2000, respectively. During the year, no share options of the Company were granted to the employees and as at 31 December 2003, 3,629,500 of the Company's share options granted to the employees were not exercised.

PROSPECT

While the economy in the region has been gradually recovering, a substantial rebound on the demand on IT services is yet to be seen. However, we believe the Group will be able to benefit from the sustainable momentum of the business transformation and is well positioned to capture the emerging demand on the IT industry when it becomes substantiated.

For the coming year, there are several challenges for the Group to overcome in order to fully reveal the potential of the transformed business model.

Firstly, we have to successfully deliver the construction part of those multi-year outsourcing contracts in order to transfer them into the stage of maintenance and outsourcing service. Consequently, the Group will be able to secure a stable, multi-year recurring income stream in the coming 8 to 10 years.

Besides, IT industry remains to be a very competitive marketplace. To sustain our market position, the Group has to continuously bring down its delivery cost while uplifting its service quality. The Group has been operating remote application development centers in China. The Group's challenge is to continuously improve the economy scale of the development centers while strengthening their quality control process and methodology. The success in overcoming such a challenge will allow the Group to maintain its competitive position and to capture the increasing demands from enterprise customers for high-quality software development and outsourcing services in China.

Furthermore, the Group has to expedite additional efforts to build a critical mass for its electronic service platforms including ETS and the recently launched GETS operation in the near term. Besides, in the medium term, the Group will also explore actively the opportunities to introduce additional value-added services related to the logistics and supply chain management and to capture additional revenue in business process outsourcing services in the region.

Last but not the least, there are also opportunities for the Group to expand its business through merger and acquisition. We believe that the strong market position and solid management depth will allow the Group to benefit from the industry consolidation in the IT service sector. Nevertheless, the Group will remain focus on its core businesses but maintain open-minded for rightful opportunities with synergy to the Group.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiary companies purchased or sold any of the Company's issued shares during the year.

CORPORATE GOVERNANCE

The Company has complied with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), throughout the accounting period covered by the annual report, except that the non-executive directors of the Company are not appointed for specific terms as required by paragraph 7 of the Code, but are subject to retirement by rotation in accordance with the Company's bye-laws.

The Company has an audit committee which was established for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises the two independent non-executive directors of the Company and has reviewed the audited results herein announced.

PUBLICATION OF FINANCIAL INFORMATION

The annual report of the Group for the year ended 31 December 2003 containing all the detailed information required by paragraph 45(1) to 45(3) of Appendix 16 of the Listing Rules will subsequently be published on the web-site of the Stock Exchange of Hong Kong Limited in due course.

APPRECIATION

Finally the Board and the Management would like to express gratitude to all the staff of the Group for their contribution and dedication throughout the year, particularly during the few months when SARS was rampant. We would also like to thank our shareholders, suppliers and business partners for their supports, cooperation and encouragements during such an unusually difficult period.

We are confident that our collective endeavour will result in encouraging returns for each of the stakeholders of the Group in long term.

As at the date of this announcement, Mr NG Cheung Shing, Mr LEUNG King San, Sunny and Mr MA Mok Hoi are the executive Directors and Mr HA Shu Tong and Dr LEE Kwok On, Matthew are the independent non-executive Directors.

By order of the Board
Ng Cheung Shing
Chairman and Chief Executive Officer

Hong Kong, 19 April 2004

"Please also refer to the published version of this announcement in China Daily".