COMPUTER AND TECHNOLOGIES HOLDINGS LIMITED
（科聯系統集團有限公司）

(Incorporated in Bermuda with limited liability)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31ST DECEMBER 2001

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 (the "Group") for the year ended 31 December 2001 as follows:

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Notes	2001 HK$'000	2000 HK$'000
TURNOVER	2	515,868	420,648
Cost of sales		(434,198)	(330,467)
Gross profit		81,670	90,181
Other revenue and gains		11,602	15,365
Selling and distribution expenses		(66,845)	(49,172)
Administrative expenses		(48,007)	(32,182)
Other operating expenses	3	(38,392)	–
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	3	(59,972)	24,192
Finance costs		(352)	(1,259)
Share of losses of:			
Jointly-controlled entity		(2,344)	(441)
Associate		(26)	(32)
PROFIT/(LOSS) BEFORE TAX		(62,694)	22,460
Tax	4	(953)	(1,946)
PROFIT/(LOSS) BEFORE MINORITY INTERESTS		(63,647)	20,514
Minority interests		(312)	(747)
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		(63,959)	19,767
DIVIDENDS	5		
Proposed final		–	5,273
Proposed special		–	2,637
		–	7,910
EARNINGS/(LOSS) PER SHARE	6		
– Basic		(23.97) cents	7.71 cents
– Diluted		N/A	7.44 cents

CONDENSED CONSOLIDATED BALANCE SHEET

	2001 HK$'000	2000 HK$'000 (Restated)
NON-CURRENT ASSETS	75,872	85,336
CURRENT ASSETS	325,071	415,883
CURRENT LIABILITIES	(53,944)	(99,719)
NET CURRENT ASSETS	271,127	316,164
TOTAL ASSETS LESS CURRENT LIABILITIES	346,999	401,500
NON-CURRENT LIABILITIES	(296)	(591)
MINORITY INTERESTS	(1,352)	(2,330)
	345,351	398,579
CAPITAL AND RESERVES	345,351	398,579

NOTES TO THE CONSOLIDATED ACCOUNTS

1. ADOPTION OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs")

During the year, the Group has adopted, for the first time, the following new and revised SSAPs and related Interpretations issued by the Hong Kong Society of Accountants.

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

2. TURNOVER AND SEGMENT INFORMATION

The Group is principally engaged in information technology ("IT") service business and is operated and managed under four core business segments, namely Integration Services, Solutions Services, Application Services and Distribution. An analysis of the Group's turnover and contributions to the operating loss for the year by business and geographical segments is as follows:

SEGMENT INFORMATION

(a) Business segments

	Integration Services		Solutions Services		Application Services		Distribution		Property investment		Corporate and Other		Consolidated	
	2001 HK$'000	2000 HK$'000	2001 HK$'000	2000 HK$'000	2001 HK$'000	2000 HK$'000	2001 HK$'000	2000 HK$'000	2001 HK$'000	2000 HK$'000	2001 HK$'000	2000 HK$'000	2001 HK$'000	2000 HK$'000
Segment revenue														
– sales to external customers	446,815	330,837	22,941	53,139	15,804	2,052	30,308	34,620	–	–	–	–	515,868	420,648
Other revenue	–	–	–	–	–	–	–	–	917	714	–	–	917	714
Total	446,815	330,837	22,941	53,139	15,804	2,052	30,308	34,620	917	714	–	–	516,785	421,362
Segment results before depreciation, amortisation and other operating expenses	13,869	24,615	(26,330)	(1,983)	(5,502)	(4,063)	1,979	3,658	164	(86)	573	(1,448)	(15,247)	20,693
Depreciation	(2,178)	(2,060)	(1,456)	(979)	(2,167)	(462)	(459)	(340)	(456)	(446)	(1,635)	(1,421)	(8,351)	(5,708)
Amortisation of intangible assets	(1,079)	(1,295)	(3,837)	(3,800)	(2,466)	–	–	–	–	–	–	–	(7,382)	(5,095)
Amortisation of goodwill	–	–	–	–	(1,468)	–	–	–	–	–	–	–	(1,468)	–
Impairment losses recognised in the profit and loss account*	–	–	(2,788)	–	(2,510)	–	–	–	–	–	–	–	(5,298)	–
Bad debts written off	(9,105)	–	–	–	–	–	–	–	–	–	–	–	(9,105)	–
Write-off of deferred development costs	–	–	(6,692)	–	(3,833)	–	–	–	–	–	–	–	(10,525)	–
Deficit on revaluation of investment properties	–	–	–	–	–	–	–	–	(8,052)	–	–	–	(8,052)	–
Segment results	1,507	21,260	(41,103)	(6,762)	(17,946)	(4,525)	1,520	3,318	(8,344)	(532)	(1,062)	(2,869)	(65,428)	9,890
Interest income													6,494	13,984
Dividend income and unallocated gains													2,152	318
Unallocated impairment and unrealised losses**													(3,190)	–
Profit/(loss) from operating activities													(59,972)	24,192
Finance costs													(352)	(1,259)
Share of losses of:														
Jointly-controlled entity	–	–	(2,344)	(441)	–	–	–	–	–	–	–	–	(2,344)	(441)
Associate	–	–	–	–	(26)	(32)	–	–	–	–	–	–	(26)	(32)
Profit/(loss) before tax													(62,694)	22,460
Tax													(953)	(1,946)
Profit/(loss) before minority interests													(63,647)	20,514
Minority interests													(312)	(747)
Net profit/(loss) from ordinary activities attributable to shareholders													(63,959)	19,767

* *The impairment losses recognised in the Solutions Services and Application Services segments relate to goodwill on acquisition and impairment of computer equipment, respectively.*

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

(b) Geographical segments

	Hong Kong		Elsewhere in the PRC		Other		Consolidated	
	2001 HK$'000	2000 HK$'000	2001 HK$'000	2000 HK$'000	2001 HK$'000	2000 HK$'000	2001 HK$'000	2000 HK$'000
Segment revenue								
– sales to external customers	53,315	85,457	456,507	335,191	6,046	–	515,868	420,648
Segment results	(53,987)	(2,905)	(8,676)	12,795	(2,765)	–	(65,428)	9,890

3. OPERATING LOSS

The Group's loss from operating activities is arrived at after charging the followings:

	2001 HK$'000	2000 HK$'000
Amortsation of license rights#	1,188	–
Amortisation of deferred development costs#	6,194	5,095
Depreciation	8,351	5,708
Amortisation of Goodwill for the year**	1,468	–
Impairment of Goodwill arising during the year**	2,788	–
Unrealised loss on revaluation of short term listed investments carried at fair value**	2,730	–
Bad debts written off**	9,105	–
Provisions for doubtful debts**	754	–
Impairment on investment securities**	460	–
Deficit on revaluation of investment properties**	8,052	–
Impairment of deferred development costs**	10,525	–
Impairment of fixed assets**	2,510	–

\# *These expenses together with depreciation of certain computer equipment for project delivery amounted to HK$11,509,000 are included in the "Cost of Sales". (2000: HK$8,339,000)*

** *These expenses are included as "Other operating expenses" on the profit and loss account.*

4. TAX

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

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

No provision for tax is required for the associate or the jointly-controlled entity as no assessable profits were earned by the associate or the jointly-controlled entity during the year.

5. DIVIDENDS

The Board does not recommend the payment of any final divided for the year (2000: HK 2 cents per share).

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 year of HK$63,959,000 (2000: net profit of HK$19,767,000) and the weighted average of 266,805,000 (2000: 256,455,000) shares of the Company in issue during the year.

(b) Diluted earnings per share

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

BUSINESS REVIEW

During the year, the Group reported a consolidated revenue of HK$515.868 million (2000: HK$420.648 million), an increase of 22.6% over the previous year. However, the Group recorded a loss in operation of HK$59.972 million (2000: HK$24.192 million profit). The results were consequences of the significant drop in the relatively high profit margin revenues from the Group's solutions services business. Besides, the increased revenue portion contributed by the Group's integration services business was hardware-intensive and suffered from decreasing profit margin. Lastly, the Group had also made provisions for other operating expenses, such as goodwill written-off, deficit on revaluation of investment properties, restructuring cost, impairment of deferred development cost and fixed assets related to e-business activities, as well as provision for bad and doubtful debts. The net loss attributable to shareholders was HK$63.959 million (2000: HK$19.8 million profit) and the loss per share was amounted to HK$0.2397 (2000: earnings per share 7.7 HK cents). The Board does not recommend any final dividend (2000: 2 HK cents).

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

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

Integration Services Division

The integration services business continued to be the major source of revenue of the Group in 2001. It contributed 87% of the Group total revenue. However due to the deterioration in hardware margin and provision on some doubtful accounts, it only recorded a moderate profit.

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

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

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

Solutions Services Division

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

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

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

Application Services Division

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

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

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

Distribution Business Division

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

Maxfair formed a joint-venture with a local partner in Taiwan who had engaged in similar distribution business and product mix. The Taiwan operation has been progressing rapidly and is anticipated to contribute profit in the coming year.

Corporate Development

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

PROSPECT

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

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

LIQUIDITY AND FINANCIAL RESOURCES

The Group adopted its financial policy so as to maintain a stable financial condition. As at 31 December 2001, the aggregate of the Group's bank deposits and cash balance amounted to HK$197,271,000, 87% of which was Hong Kong dollars or US dollars.

The Group has banking facilities in Hong Kong dollars, US dollars and Renminbi. The banking facilities are secured by fixed charges over the Group's investment property situated in Hong Kong and a bank fixed deposit. As of the balance sheet date, none of them has been utilised, as such the gear ratio was 0% (2000: 2.3%) on the basis of total borrowings over total shareholders' equity.

There is no material change from the information disclosed in the most recently published annual report including exposure of fluctuations in exchange rates, charges on group assets, etc.

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2001, the Group employed around 333 employees (2000: 295 employees) in Hong Kong, Mainland China and elsewhere and the geographic proportion is approximately 38%, 52% and 10% respectively (2000: 47%, 53% and 0%). The increase in elsewhere represented the employees employed through additions of businesses in Taiwan and Singapore. The total employee costs (excluding remuneration for directors) is approximately HK$72.8 million (2000: HK$60.4 million).

Employee's remuneration is in accordance with individual's responsibility and performance and maintains competitive with the market. Other fringe benefits such as medical insurance, pension funds, are offered to most employees. Share options are granted at 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 29 April 1998 and 1 July 2000, respectively. During the year 3,253,000 shares of Company's option were granted to the employees and as at 31 December 2001, under the Company's share option scheme, the total outstanding not exercised employees' share option was 7,561,000 shares.

CONTINGENT LIABILITIES

Other than the guarantees given out by the Group for compliance of certain customer of service contracts and the issuance of corporate guarantees by the Company to certain suppliers of the Group in respect of purchases from these suppliers, the Group has no other contingent liability. At the balance sheet date, the Group's outstanding amount for the purchases from these suppliers amounted to HK$11,230,000.

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 ("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 in accordance with the requirements of the Code, for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises two independent non-executive directors of the Company.

PUBLICATION OF FINANCIAL INFORMATION

The annual report of the Group for the year ended 31 December 2001 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 Stock Exchange in due course.

APPRECIATION

Finally, the Board would like to thank for their greatest trust and continuous support of all the shareholders to the development of the Group. It would also like to take this opportunity to extend its sincere gratitude to all employees for their hard work and dedications.

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

Hong Kong, 9 April, 2002