COMPUTER AND TECHNOLOGIES HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2002

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 2002 as follows:

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Notes	**2002** *HK$'000*	**2001** *HK$'000* (Restated)
TURNOVER	*3*	228,244	515,868
Cost of sales		(176,591)	(434,198)
Gross profit		51,653	81,670
Other revenue and gains		11,453	11,602
Selling and distribution expenses		(43,474)	(66,845)
Administrative expenses		(44,341)	(48,210)
Other operating expenses		(14,321)	(38,392)
LOSS FROM OPERATING ACTIVITIES	*4*	(39,030)	(60,175)
Finance cost		–	(352)
Share of losses of:			
Jointly-controlled entity		–	(2,344)
Associate		–	(26)
LOSS BEFORE TAX		(39,030)	(62,897)
Tax	*5*	(386)	(953)
LOSS BEFORE MINORITY INTERESTS		(39,416)	(63,850)
Minority interests		(207)	(312)
NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		(39,623)	(64,162)
LOSS PER SHARE	*7*		
– Basic		(14.54) cents	(24.05) cents
– Diluted		N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

	2002 *HK$'000*	2001 *HK$'000* *(Restated)*
NON-CURRENT ASSETS	70,616	75,872
CURRENT ASSETS	301,865	325,071
CURRENT LIABILITIES	(61,945)	(56,073)
NET CURRENT ASSETS	239,920	268,998
TOTAL ASSETS LESS CURRENT LIABILITIES	310,536	344,870
NON-CURRENT LIABILITIES	–	(296)
MINORITY INTERESTS	(1,349)	(1,352)
	309,187	343,222
CAPITAL AND RESERVES	309,187	343,222

NOTES TO THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

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

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

- SSAP 1 (Revised): "Presentation of financial statements"
- SSAP 11 (Revised): "Foreign currency translation"
- SSAP 15 (Revised): "Cash flow statements"
- SSAP 34: "Employee benefits"

2. PRIOR YEAR ADJUSTMENT

SSAP 34 "Employee benefits", which prescribes the recognition and measurement criteria to apply to employee benefits, together with the required disclosures in respect thereof, was adopted during the year. The adoption of this SSAP has resulted in the recognition of an accrual for paid holiday carried forward by the Group's employees as at the balance sheet date. This change in accounting policy has resulted in HK$1,705,000 and HK$2,129,000 being included in the balance of the Group's accruals in respect of paid leave carried forward as at 31 December 2002 and 2001, respectively. As a consequence, the consolidated net losses attributable to shareholders for the years ended 31 December 2002 and 2001 have been reduced by HK$424,000 and increased by HK$203,000, respectively, and consolidated accumulated losses at 1 January 2002 and consolidated retained profits at 1 January 2001 have been increased by HK$2,129,000 and decreased by HK$1,926,000, respectively.

3. 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 Network System Integration, 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:

(a) Business segments

	Network System Integration		Solutions Services		Application Services		Distribution		Property Investment		Corporate and Other		Consolidated	
	2002	2001 (Restated)	2002	2001 (Restated)	2002	2001 (Restated)	2002	2001 (Restated)	2002	2001 (Restated)	2002	2001 (Restated)	2002	2001 (Restated)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue – sales to external customers	118,391	446,815	49,996	22,941	21,433	15,804	38,424	30,308	–	–	–	–	228,244	515,868
Other revenue	–	–	–	–	–	–	609	–	697	917	–	–	1,306	917
Total	118,391	446,815	49,996	22,941	21,433	15,804	39,033	30,308	697	917	–	–	229,550	516,785
Segment results before depreciation, amortisation and other operating expenses	(10,981)	13,850	(8,688)	(26,331)	(480)	(5,702)	2,007	1,976	204	164	(1,200)	593	(19,138)	(15,450)
Depreciation	(2,137)	(2,178)	(2,977)	(1,456)	(1,186)	(2,167)	(766)	(459)	(14)	(456)	(1,713)	(1,635)	(8,793)	(8,351)
Amortisation of intangible assets	(69)	(1,079)	(1,646)	(3,837)	–	(2,466)	–	–	–	–	–	–	(1,715)	(7,382)
Amortisation of goodwill	–	–	–	–	(3,524)	(1,468)	–	–	–	–	–	–	(3,524)	(1,468)
Impairment losses recognised*	(3,890)	–	–	(2,788)	–	(2,510)	–	–	–	–	–	–	(3,890)	(5,298)
Provision for doubtful debts	(3,108)	–	–	–	–	–	(19)	–	–	–	–	–	(3,127)	–
Bad debts written off	–	(9,105)	–	–	–	–	–	–	–	–	–	–	–	(9,105)
Impairment of deferred development costs	–	–	–	(6,692)	–	(3,833)	–	–	–	–	–	–	–	(10,525)
Deficit on revaluation of investment properties	–	–	–	–	–	–	–	–	(600)	(8,052)	–	–	(600)	(8,052)
Segment results	(20,185)	1,488	(13,311)	(41,104)	(5,190)	(18,146)	1,222	1,517	(410)	(8,344)	(2,913)	(1,042)	(40,787)	(65,631)
Interest and dividend income and unallocated gains													4,937	8,646
Unallocated impairment losses**													(3,180)	(3,190)
Loss from operating activities													(39,030)	(60,175)
Finance cost													–	(352)
Share of losses of:														
Jointly-controlled entity	–	–	–	(2,344)	–	–	–	–	–	–	–	–	–	(2,344)
Associate	–	–	–	–	–	(26)	–	–	–	–	–	–	–	(26)
Loss before tax													(39,030)	(62,897)
Tax													(386)	(953)
Loss before minority interests													(39,416)	(63,850)
Minority interests													(207)	(312)
Net loss from ordinary activities attributable to shareholders													(39,623)	(64,162)

* *The impairment losses recognised in the Network System Integration Segment was related to goodwill eliminated against consolidated reserves. The impairment losses recognised in the Solutions Services and Application Services segments in the prior year related 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		Mainland PRC		Other		Consolidated	
	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	87,370	53,315	124,610	456,507	16,264	6,046	228,244	515,868

4. LOSS FROM OPERATING ACTIVITIES

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

	2002	**2001**
	HK$'000	*HK$'000*
Interest income	(4,473)	(6,494)
Depreciation	8,793	8,351
Amortisation of license rights	–	1,188
Amortisation of deferred development costs	1,715	6,194
Amortisation of goodwill for the year**	3,524	1,468
Impairment of goodwill**	3,890	2,788
Unrealised loss on revaluation of short term listed investments carried at fair value**	3,180	2,730
Bad debts written off**	–	9,105
Provisions for doubtful debts**	3,127	754
Impairment on investment securities**	–	460
Deficit on revaluation of investment properties**	600	8,052
Impairment of deferred development costs**	–	10,525
Impairment of fixed assets**	–	2,510

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

5. TAX

	2002	**2001**
	HK$'000	*HK$'000*
Provision for tax in respect of profits for the year:		
Hong Kong	209	370
Elsewhere	291	601
	500	971
Overprovision in prior years – Hong Kong	(114)	(18)
Tax charge for the year	386	953

Hong Kong profits tax has been provided at the rate of 16% (2001: 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.

6. DIVIDEND

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

7. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the net loss attributable to shareholders for the year of HK$39,623,000 (2001: HK$64,162,000, as restated) and the weighted average of 272,448,000 (2001: 266,805,000) shares of the Company in issue during the year.

(b) Diluted loss per share

No diluted loss per share is presented for the two years ended 31 December 2002 as the effect of the Company's outstanding share options was anti-dilutive.

BUSINESS REVIEW

Overview

The reporting period is the Group's year of business transformation from a traditional hardware-oriented systems integrator to a software and operation outsourcing oriented solutions and services provider. As a result, the gross profit margin has been improved to 22.6% when compared with 15.8% for the same period in 2001. Also due to the revolutionary focused efforts, the Group has secured more than HK$500 million worth of software and related services orders on hand at the date of this announcement. Moreover the Group has been awarded by the Hong Kong Special Administrative Region Government ("HKSAR") a five-year licence in providing front-end Government Electronic Trading Services ("GETS") to the trading community for submission of import and export declaration and dutiable commodities permits to the HKSAR.

During the transformation process, the Group has spent certain amount of marketing and pre-sales expenses in building up these new orders and businesses mentioned above. However, given the nature that software and service delivery will spread over a longer period, revenue from most of the newly signed software and solutions projects have not yet been recognised and reflected in year 2002. On the other hand, the significant slowdown in the telecommunications industry worldwide, echoed with the lengthy reorganisation of China telecommunications industry has adversely impacted the Group's SI business in the reporting year. Furthermore, due to the irrational competitions, the Group has been prudently turning away low-margin hardware-intensive and high collection risks projects. Consequently, the Group's consolidated revenue for the reporting period ended 31 December 2002 fell 55.8% to HK$228.24 million (2001: HK$515.87 million). Net loss attributable to shareholders narrowed down by 38.2% to HK$39.62 million (2001: net loss of HK$64.16 million, as restated). Loss per share is HK$0.1454 (2001: HK$0.2405).

Despite the unsatisfactory results, the Group has continued to maintain stable financial positions without any long-term debt committed and with more than HK$200 million cash on hand as at 31 December 2002. Besides, the trade receivables for the year ended 2002 decreased to HK$47.67 million from HK$81.76 million in the previous year.

In 2002, Management of the Group has also increased its efforts to tighten the operating expenditures. Substantial measures including the closing down of the offices in Chengdu and Shenyang in the Mainland PRC; consolidation of the operation of the previous joint-venture with Hutchison Whampoa Limited (one of the substantial shareholders of the Group), formerly known as HutchTech Resources Limited, with the Group's software operation in Shenzhen, rightsizing the Group's solution operation in Singapore in response to the reduction of market demands, and relocation of IPL Research Limited ("IPL", a subsidiary acquired in year 2001 specialised in human resource management software) to share office premises of the Group. Although these measures have incurred additional expenses during the reporting year, however they have effectively leaned the Group's operational structure and will increase the Group's competitiveness in the long run.

Detail Discussions

In the year 2002, the Group has focused its pre-sales and marketing efforts in expanding businesses with service-intensive and revenue-recurring nature. As a result, the Group managed to win several large-scale multi-years, software and services IT outsourcing projects from the commercial and the government sectors. These include the Integrated Registration Information System for the Land Registry of the HKSAR, a contract to build and service for 8 years that worth HK$146 million; and a HK$368 million worth of contract from the Water Supplies Department of the HKSAR to build and support the new integrated customer care and billing system in the coming 12 years. Coupled with other major government projects on-hand, the Group has become one of the major IT and outsourcing service providers to the HKSAR. Those major wins provide the Group not only a stable and recurring income stream in the coming years, but also a recognised market position to capture other large-scale IT service outsourcing opportunities in future.

In March 2003, the Group has been awarded a five-year (with an option to extend for another two years) GETS licence, from the HKSAR. Together with Electronic Tendering System ("ETS") that the Group is currently operating for the HKSAR, the Group is now positioned as a major Government-to-Business electronic services provider. Both ETS and GETS would generate stable and recurring transaction and subscription based revenue for the Group. In addition, the increased economy of scale in providing these application services will improve operating efficiency and reduce related operating expenses of the Group. The critical mass and the leadership position will also facilitate the Group to capture other Government-to-Business electronic service opportunities related to general trading and logistic community in the future.

In the Mainland PRC market, despite the decreasing demand on building Internet and related network infrastructure from the telecommunications sector, the demands on high quality network maintenance services and implementation of new value-added application software are increasing. In addition, the Group has maintained a strong momentum in serving its existing major install base with stable and repeated businesses and in developing new enterprise customers especially in insurance and automobile manufacturing industries. The Group's revenue generated from the financial services and manufacturing sectors increased to 33.7% and 9.1% from 16.2% and 6.0% respectively in the Mainland PRC.

Leveraging the Group's experiences in providing billing and customer care solutions for telecommunications service providers and the established client references, the Group has successfully replicated its success to the fast growing public utility sector. Since the last annual report, the Group has secured a number of major customers in gas and water supplies sectors such as the Water Supplies Department of HKSAR which is one of the largest public utility companies in Asia, Hong Kong and China Gas Company Limited which is rapidly expanding its business in the Mainland PRC through various joint-ventures in some

major cities, and Guangzhou Water Supply Company which is one of the largest water supply companies in the Mainland PRC. The Group would continue to dedicate more resources in the coming years to further expand this market in the region especially in the Mainland PRC.

IPL has smoothly integrated into the Group with no change in the management team and has increased its profit contributions to the Group in 2002. Despite the challenging business environment, IPL has secured a substantial number of new customers including large and multinational corporations in Hong Kong and the Mainland PRC. The enlarged installation base has been providing IPL with steady recurring income from maintenance and system enhancement services.

Maxfair Technology Holdings Limited and its subsidiaries (collectively referred as "Maxfair"), the Group's distribution arm, which distributes multimedia digital video products, performed well during the year and consistently contributed profits to the Group. Despite the weak consumer spending in both Hong Kong and Taiwan, Maxfair managed to report increases in revenue. The new subsidiary in Taiwan has managed to contribute moderate profits in its first full year of operation. Management will continue to look for opportunities in replicating the Maxfair's proven model and extend its geographical coverage of the distribution network in Asia.

PROSPECT

Given the uncertainty of the global economy and the continuous sluggish in IT industry in general, the outlook of the Group in coming years is difficult to forecast. Nevertheless, Management believes that the Group will gradually recover from the adverse volatile business environments in the past two years. The Group's business transformation process has turned itself into a stronger organisation with improved revenue mix.

The substantial software and services contracts on-hand and the repeated maintenance income from existing install base will provide solid income to the Group in the coming years. The Group's transaction and subscription based revenues will also be substantially increased after the GETS service is launched in 2004. Furthermore, with the repeated successes of the Group in the public utility sector and human resource management software market, Management is anticipating an increase in revenue and gross margin generated from the repeated sales of the Group's software products. Coupled with the consistently stable contribution from the Group's distribution business, the Management envisages that the profitability of the Group will become more stable and predictable and its effects will emerge considerably in the coming financial years.

Last but not the least, given the current uncertainty of the general business environment, the financial strengths and the management depth are competitive advantages of the Group.

LIQUIDITY AND FINANCIAL RESOURCES

The Group adopted a prudent financial policy so as to maintain a stable financial condition. As at 31 December 2002, the aggregate of the Group's bank deposits and cash balance amounted to HK$201,250,000, 93% of which was Hong Kong dollars or United States dollars.

The Group has banking facilities in Hong Kong dollars, United States dollars and Renminbi. The banking facilities are secured by fixed charges over the Group's investment properties situated in Hong Kong and bank fixed deposits. As of the balance sheet date, none of them has been utilised, however due to the outstanding interest-free "other loan", the gearing ratio has become 0.1% (2001: 0.2%) on the basis of total borrowings over total shareholders' equity.

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2002, the Group employed 296 employees (2001: 333 employees) in Hong Kong, the Mainland PRC and in other locations, primarily in Asia, and the geographic proportion is approximately 61%, 32% and 7%, respectively (2001: 38%, 52% and 10%). The total employee costs (excluding directors' remuneration) is approximately HK$56,515,000 (2001: HK$72,988,000, as restated).

Employees' remuneration is in accordance with individual's responsibility and performance and maintains 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 29 April 1998 and 1 July 2000, respectively. During the year, no share options of the Company were granted to the employees and as at 31 December 2002, 5,193,000 of the Company's share options granted to the employees were not exercised.

CONTINGENT LIABILITIES

As at 31 December 2002, other than the guarantees given out by the Group for compliance of some 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 due to these suppliers amounted to HK$4,770,000 (2001: 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 subsidiaries 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 "Stock Exchange") (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 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 the two independent non-executive directors of the Company.

PUBLICATION OF FINANCIAL INFORMATION

The annual report of the Group for the year ended 31 December 2002 containing all the detailed information required by paragraph 45(1) to 45(3) of Appendix 16 of the Listing Rules will be published on the web-site of the Stock Exchange in due course.

APPRECIATION

Finally, the Board and Management would like to express gratitude to all the staff of the Group and the shareholders of the Company for their supports.

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

Hong Kong, 8 April 2003

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