COMPUTER AND TECHNOLOGIES HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 46)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2004

UNAUDITED INTERIM RESULTS

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 2004, together with the comparative amounts. The unaudited condensed consolidated interim financial statements have been reviewed by the Company's audit committee.

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		Unaudited six months ended 30 June	
		2004	**2003**
	Notes	*HK$'000*	*HK$'000*
TURNOVER	*2*	102,795	170,070
Cost of sales		(74,726)	(130,018)
Gross profit		28,069	40,052
Other revenue and gains		447	3,010
Gain on deemed disposal of subsidiaries	*3*	15,026	–
Selling and distribution expenses		(23,639)	(24,833)
Administrative expenses		(14,497)	(13,952)
Other operating expenses		(1,833)	(1,797)
PROFIT FROM OPERATING ACTIVITIES	*4*	3,573	2,480
Finance cost		(305)	(334)
PROFIT BEFORE TAX		3,268	2,146
Tax	*5*	(30)	(36)
PROFIT BEFORE MINORITY INTERESTS		3,238	2,110
Minority interests		(48)	(243)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		3,190	1,867
EARNINGS PER SHARE	*6*		
Basic		1.16 cents	0.68 cent
Diluted		1.16 cents	0.68 cent

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Basis of preparation and principal accounting policies

The unaudited condensed consolidated interim financial statements of the Group have been prepared in accordance with Hong Kong Statement of Standard Accounting Practice No. 25 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants (formerly known as Hong Kong Society of Accountants).

Except as detailed in note 2 below, the accounting policies and basis of preparation used in the preparation of these unaudited condensed interim financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2003.

2. Segment information

An analysis of the Group's revenue and profit/(loss) for the six months ended 30 June 2004 by the Group's business segments which is the primary basis of segment reporting of the Group, is as follows:

	Integration Services		Solutions Services		Application Services		Distribution		Investments		Consolidated	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	HK$'000	*HK$'000* (Restated)	*HK$'000*	*HK$'000* (Restated)	*HK$'000*	*HK$'000* (Restated)	*HK$'000*	*HK$'000* (Restated)	*HK$'000*	*HK$'000* (Restated)	*HK$'000*	*HK$'000* (Restated)
Segment revenue:												
Sales to external customers	32,355	67,965	42,103	73,419	11,627	9,406	15,632	19,280	1,078	–	102,795	170,070
Other revenue	–	–	–	647	–	–	–	–	63	347	63	994
Total	32,355	67,965	42,103	74,066	11,627	9,406	15,632	19,280	1,141	347	102,858	171,064
Segment results	1,789	3,740	(1,716)	3,203	(5,108)	449	642	1,215	993	310	(3,400)	8,917
Unallocated interest income											384	1,267
Gain on deemed disposal of subsidiaries											15,026	–
Unallocated expenses											(8,437)	(7,704)
Profit from operating activities											3,573	2,480

The Group's corporate general and administrative expenses (the "Corporate Expenses") were partially allocated to respective segments with reference to certain reasonable basis in the prior year's financial statements. During the current period, due to the rapid changes in the volume of business activities of the segments, the Group did not allocated the Corporate Expenses to respective segments, as in the opinion of the directors, it is difficult to arrive objective and accurate basis for the allocation of the Corporate Expenses. Accordingly, the Corporate Expenses were regarded as unallocated expenses in the current period.

To conform with the current period's presentation, (i) the segment expenses of integration services, solutions services, application services and distribution services for the six months ended 30 June 2003 were decreased by HK$120,000, HK$2,580,000, HK$2,257,000 and HK$90,000, respectively, resulting in the increase in the respective segment results for that period by the same amounts; (ii) the corporate segment expenses for the six months ended 30 June 2003 of HK$2,657,000 was reclassified as unallocated expenses; and (iii) the unallocated expenses for that period was increased by HK$7,704,000. These have resulted in no change to the amount of accumulated losses as at 1 January 2003.

3. Gain on deemed disposal of subsidiaries

During the period, on 9 June 2004, 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 issue and allotment of 40,000 class B shares of GEBS-BVI (representing 20% equity interest in the enlarged issued capital 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.

4. Profit from operating activities

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

	Unaudited Six months ended 30 June	
	2004	**2003**
	HK$'000	*HK$'000*
Depreciation	3,791	3,636
Amortisation of deferred development costs	1,078	413
Amortisation of goodwill	1,833	1,797
Interest income	(551)	(1,002)

5. Tax

Hong Kong profits tax has been provided at the applicable rate of 17.5% (2003: 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	
	2004	**2003**
	HK$'000	*HK$'000*
Provision for Hong Kong profits tax	30	36

6. 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$3,190,000 (2003: HK$1,867,000) and the weighted average of 275,023,000 (2003: 273,625,000) shares of the Company in issue during the period.

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the net profit attributable to ordinary shareholders for the period of HK$3,190,000 (2003: HK$1,867,000). The weighted average number of ordinary shares used in calculation is the weighted average number of shares in issue during that year of 275,023,000 (2003: 273,625,000), as used in the basic earnings per share calculation, plus the weighted average of 314,000 (2003: 1,019,000) ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options during the period.

7. Dividend

The Board does not recommend the payment of any dividends in respect of the period (2003: Nil).

BUSINESS REVIEW

Overview

The Group's consolidated revenue is HK$102.8 million (2003: HK$170.1 million) and the profit from operations is HK$3.6 million (2003: HK$2.5 million) for the 6-month period ended 30 June 2004. The net profit attributable to shareholders is HK$3.2 million (2003: HK$1.9 million) and earnings per share is 1.16 Hong Kong cents (2003: 0.68 Hong Kong cent). The Board does not recommend the payment of any interim dividend (2003: Nil).

Having invested tremendous efforts in business transformation during the previous years, the Group is in the stage of solidifying its foundation for long-term sustainable growths. The Government Electronic Trading Services ("GETS") business launched in January is demanding substantial marketing investment in the startup stage to spark and build up its subscriber base that will develop into a steady income source for the Group in long term. On the other hand, the existing solution outsourcing contracts from the Hong Kong SAR Government (the "HKSAR") are demanding significant resources from the Group to complete the lower profit margin implementation portion so as to activate the higher profit margin multi-year on-going servicing portion at the soonest possible.

In June, the China Fund, Inc., an U.S. listed independent investor, subscribed new shares, representing 20% of the enlarged capital, of Global e-Business Services (BVI) Limited, a subsidiary of the Group that operating GETS business, for a consideration of HK$23,400,000. Such transaction not only provided additional funds to accelerate the business growths of GETS and its related value-added services but also generated a gain of HK$15.0 million to the Group. However the gain will be lower as offset by the additional expenses incurred for accelerating the development of the GETS business.

The tightening measures on macro economic control in China since early this year had adversely impacted the decision making process on I.T. spending. As a result, the Group's revenue from its systems integration business in China has dropped significantly. However, such hampering effect is lightening and orders received during the third quarter have been improving substantially. As at the date of this announcement, Group has more than HK$60 million worth of systems integration contracts on hand.

The Solution Services Division had secured major couple of solution outsourcing contracts from HKSAR in previous years. These contracts are in their final stages of construction. During the reporting period, the Group has experienced delays in completing one of the projects and hence incurred additional un-planned project delivery costs. The Management has taken resolute actions to rectify the situation and anticipates the project will be completed within this year. The Management is optimistic that once the construction parts of these major projects are completed, the Group will receive large amount of the related payments from the customers and will be able to activate the higher profit margin multi-year outsourcing services.

Since the acquisition of IPL Research Limited ("IPL") in 2001, the Group has continued to invest in research and development for enhancing the business value of the IPL's products in order to maintain its leading position in Human Resource Management Software market in Hong Kong. Developed in close collaboration with its clients, IPL launched a series of employee self-service and Internet-based software modules that boosted up the software upgrade revenue from the existing installation base during the reporting period. The Group's market position and track records in China have also been facilitating IPL to capture more sizable new contracts from multinational enterprises with setups in China.

Maxfair Technology Holdings Limited ("Maxfair"), a multi-media products distribution subsidiary which has been consistently contributing profit to the Group in the past few years, has experienced a slow progress in the first half of the year due to the gradually maturing market demand for the video/audio capturing products. The Management has been aggressively sourcing for new product lines and expects the market to response favorably in the coming months.

Following the relaxation in application of operating license in distribution and retail business in China, Maxfair is in process of establishing a joint venture to expand the proven business model into the vast Mainland market. The Management believes that the expansion will help Maxfair to achieve a better critical mass and hence profitability.

Liquidity and financial resources

The Group continues to adopt prudent finance and treasury policies. As at 30 June 2004, the Group had cash and bank balances of HK$140.5 million (31 December 2003: HK$145.4 million) of which HK$45.6 million (31 December 2003: HK$53.2 million) were pledged to banks for the Group's banking facilities. Approximately 85% of the funds was Hong Kong dollars or US dollars which carry no or low exchange fluctuation risks. As such the Group has not adopted any hedging policy.

As at 30 June 2004, the Group's net assets value amounted to approximately HK$318.4 million (31 December 2003: HK$315.0 million). Bank loans amounted to HK$63.0 million (31 December 2003: HK$35.0 million) were bearing interest at fixed rate and were repayable within one year. The gearing ratio of the Group, measured on the basis of total bank and other borrowings as a percentage of total shareholders' equity increased to 19.8% from 11.1% as at 31 December 2003. The increase was mainly due to increase in funding requirements to finance the construction portions of the solution outsourcing projects.

Contingent Liabilities

The Group's contingent liabilities have no significant change since the annual report for the year ended 31 December 2003.

Prospect

While the business demand for IT services in Hong Kong is steadily recovering, it is anticipated that the business sentiment in the China market will continue to improve in the second half of the year and thus boosting the business volume of the Group's systems and network integration business. Besides, increasing service proportion from the related service revenue will improve the overall profit margin of the Integration Services Division.

After months of operations, the market share of the GETS related business is progressively increasing. With the additional funding supports for the marketing and aggressive development on new value-added services, the GETS related business is foreseen to build up its critical mass in the near future and will contribute increasing recurring revenue to the Group.

With gradual completion on the construction parts of the large-scale government solution outsourcing contracts, the Group will commence to receive the multi-year recurring outsourcing services income stream in the coming 8 to 10 years. In addition, such outsourcing contracts will provide a good base for the Group to capture future business from the related government departments.

Equipped with the successful experience in acquisition of IPL, the Group will continue to expand its intellectual property based software product offering, for enhancement of the revenue sources from one-time license fee and the on-going maintenance support, through in-house research and development as well as merger and acquisition.

EMPLOYEE AND REMUNERATION POLICIES

As at 30 June 2004, the Group employed approximately 276 full time and 122 contract-based employees (31 December 2003: 271 full time and 139 contract-based employees) in Hong Kong, Mainland China and elsewhere. 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.

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 OF BEST PRACTICE

In the opinion of the directors, 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 (the "Listing Rules") throughout the period, 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.

MODEL CODE

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its code of conduct regarding directors' securities transactions. Having made specific enquiry of all directors, the directors have complied with the required standard set out in the Model Code.

AUDIT COMMITTEE

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 three independent non-executive directors of the Company and has reviewed with management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including a review of the interim report for the six months ended 30 June 2004.

PUBLICATION OF INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

All the information of the Company required by paragraphs 46(1) to 46(6) inclusive of Appendix 16 of the Listing Rules will be published on the website of the Stock Exchange (http://www.hkex.com.hk) in due course.

APPRECIATION

The Board and the Management would like to take this opportunity to thank for the support of the staff and the shareholders to the Company.

On behalf of the Board
Ng Cheung Shing
Chairman

Hong Kong, 23 September 2004

As at the date of this announcement, the Board comprises Mr. Ng Cheung Shing, Mr. Leung King San Sunny and Mr. Ma Mok Hoi as executive directors, and Mr. Ha Shu Tong, Dr. Lee Kwok On Matthew and Mr. Ting Leung Huel Stephen as independent non-executive directors.

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