COMPUTER AND TECHNOLOGIES HOLDINGS LIMITED

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

ANNOUNCEMENT OF AUDITED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2004

The Board of Directors (the "Board") of Computer And Technologies Holdings Limited (the "Company") herein announces the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2004:

CONSOLIDATED PROFIT AND LOSS ACCOUNT
Year ended 31 December 2004

	Notes	**2004** *HK$'000*	**2003** *HK$'000*
TURNOVER	*2*	251,800	362,136
Cost of sales		(188,257)	(286,076)
Gross profit		63,543	76,060
Other revenue and gains		5,472	7,766
Gain on deemed disposal of subsidiaries	*3*	15,309	–
Selling and distribution expenses		(40,724)	(39,992)
General and administrative expenses		(38,950)	(35,926)
Other operating expenses		(1,713)	(1,879)
PROFIT FROM OPERATING ACTIVITIES	*4*	2,937	6,029
Finance costs	*5*	(875)	(359)
PROFIT BEFORE TAX		2,062	5,670
Tax	*6*	1,460	663
PROFIT BEFORE MINORITY INTERESTS		3,522	6,333
Minority interests		800	(267)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		4,322	6,066
EARNINGS PER SHARE	*8*		
Basic		1.57 cents	2.21 cents
Diluted		1.57 cents	2.20 cents

CONDENSED CONSOLIDATED BALANCE SHEET

31 December 2004

	2004 *HK$'000*	2003 *HK$'000*
NON-CURRENT ASSETS	73,526	81,900
CURRENT ASSETS	319,545	352,241
CURRENT LIABILITIES	(65,548)	(117,586)
NET CURRENT ASSETS	253,997	234,655
TOTAL ASSETS LESS CURRENT LIABILITIES	327,523	316,555
MINORITY INTERESTS	(8,004)	(1,542)
NET ASSETS	319,519	315,013
CAPITAL AND RESERVES	319,519	315,013

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. IMPACT OF RECENTLY ISSUED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Hong Kong Institute of Certified Public Accountants has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards, herein collectively referred to as the new HKFRSs, which are generally effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 December 2004.

The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

2. SEGMENT INFORMATION

(a) Business segments

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

	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	114,953	135,420	75,677	168,865	30,764	17,973	29,003	37,543	1,403	2,335	251,800	362,136
Other revenue and gains	360	774	552	2,165	9	72	1,936	1,405	936	1,736	3,793	6,152
Total	115,313	136,194	76,229	171,030	30,773	18,045	30,939	38,948	2,339	4,071	255,593	368,288
Segment results before depreciation, amortisation and other operating expenses	8,453	5,417	(3,336)	13,561	4,886	5,922	1,599	2,482	2,109	1,998	13,711	29,380
Depreciation	(955)	(1,520)	(3,562)	(2,219)	(1,645)	(1,101)	(752)	(852)	(319)	(19)	(7,233)	(5,711)
Amortisation of deferred development costs	–	(208)	–	(205)	(2,319)	–	–	–	–	–	(2,319)	(413)
Amortisation of goodwill	–	–	–	–	(3,672)	(3,635)	–	–	–	–	(3,672)	(3,635)
Write back of provision for doubtful debts	–	1,956	–	–	–	–	–	–	–	–	–	1,956
Surplus/(deficit) on revaluation of investment properties	–	–	–	–	–	–	–	–	1,958	(200)	1,958	(200)
Segment results	7,498	5,645	(6,898)	11,137	(2,750)	1,186	847	1,630	3,748	1,779	2,445	21,377
Unallocated interest income and gains											1,679	1,614
Gain on deemed disposal of subsidiaries											15,309	–
Unallocated expenses											(16,496)	(16,962)
Profit from operating activities											2,937	6,029
Finance costs											(875)	(359)
Profit before tax											2,062	5,670
Tax											1,460	663
Profit before minority interests											3,522	6,333
Minority interests											800	(267)
Net profit from ordinary activities attributable to shareholders											4,322	6,066

(b) Geographical segments

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

	Hong Kong		Mainland China		Others		Consolidated	
	2004	2003	2004	2003	2004	2003	2004	2003
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue – sales to external customers	119,390	207,150	117,573	136,819	14,837	18,167	251,800	362,136

The Group's corporate general and administrative expenses (the "Corporate Expenses") were partially allocated to the respective segments with reference to certain reasonable bases in the prior year's financial statements. Moreover, the Group separately presented certain segment information in relation to the corporate segment in the prior year's financial statements. During the current year, due to changes in the volume of business activities of the segments, the Group did not allocate the Corporate Expenses to the respective segments, nor separately report segment information of the Group under a corporate segment, as in the opinion of the directors, it is difficult to arrive at an objective and reasonable basis for the allocation of the Corporate Expenses. Accordingly, the directors consider it is more appropriate to present the Corporate Expenses as unallocated expenses and to present the information previously reported under the corporate segment as unallocated for segment information reporting purposes.

To conform with the current year's presentation, (i) the segment expenses of the integration services segment, the solutions services segment, the application services segment, the distribution segment and the investments segment for the year ended 31 December 2003 were decreased by HK$1,783,000, HK$7,983,000, HK$3,855,000, HK$826,000 and HK$480,000, respectively, resulting in a corresponding increase in the segment results of the respective business segments for that year by the same amount and (ii) the revenue and loss information of the corporate segment for that year was disclosed as unallocated. As a result of (i) and (ii) above, the segment revenue and the segment results for the year ended 31 December 2003 decreased by HK$105,000 and HK$1,930,000, respectively, with a corresponding increase in the respective unallocated amounts. This resulted in no change to the amount of accumulated losses as at 1 January 2003.

3. GAIN ON DEEMED DISPOSAL OF SUBSIDIARIES

On 9 June 2004, Computer And Technologies International Limited ("CTIL"), Computer And Technologies e-Services (BVI) Limited ("CTES") and Global e-Business Services (BVI) Limited ("GEBS-BVI"), then indirect wholly-owned subsidiaries of the Company, entered into a subscription agreement (the "Subscription Agreement") with an independent third party (the "Investor") for the subscription (the "Subscription") by the Investor 40,000 Class B shares of GEBS-BVI (the "Subscription Shares"), representing 20% of the issued share capital of GEBS-BVI as enlarged by the Subscription and approximately 2% of the voting rights in the general meetings of GEBS-BVI, for a cash consideration of HK$23,400,000. The Subscription was completed on 18 June 2004 and at the same date, the Company, CTIL, CTES, GEBS-BVI and the Investors entered into a shareholders agreement to provide for their rights and obligations in respect of GEBS-BVI (the "Shareholders Agreement").

The issuance and allotment of the 40,000 Class B shares of GEBS-BVI to the Investor during the year pursuant to the Subscription Agreement resulted in a gain on deemed disposal of GEBS-BVI of approximately HK$15,309,000 (net of incidental costs of deemed disposal), which was credited to the consolidated profit and loss account for the year.

Further details of the Subscription, the Subscription Agreement and the Shareholders Agreement are also set out in a circular of the Company dated 30 June 2004.

4. PROFIT FROM OPERATING ACTIVITIES

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

	2004 *HK$'000*	2003 *HK$'000*
Depreciation	8,735	7,740
Less: Capitalised as deferred development costs	–	(282)
	8,735	7,458
Amortisation of deferred development costs	2,319	413
Amortisation of goodwill*	3,672	3,635
Deficit/(surplus) on revaluation of investment properties*	(1,958)	200
Write back of provision of doubtful debts*	–	(1,956)
Interest income	(1,791)	(2,840)
Gain on disposal of listed investments	(138)	(1,413)

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

5. FINANCE COSTS

	2004 *HK$'000*	2003 *HK$'000*
Interest on bank loans wholly repayable within five years	875	359

6. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 17.5%) 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.

	2004 *HK$'000*	2003 *HK$'000*
Current – Hong Kong		
Charge for the year	90	246
Overprovisions in prior years	(52)	(13)
Current – elsewhere		
Charge for the year	251	154
Overprovisions in prior years	(1,749)	–
Deferred	–	(1,050)
Total tax credit for the year	(1,460)	(663)

7. DIVIDEND

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

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 year of HK$4,322,000 (2003: HK$6,066,000), and the weighted average of 275,173,000 (2003: 274,107,000) ordinary shares of the Company in issue during the year.

(b) Diluted earnings per share

The calculation of diluted earnings per share for the year ended 31 December 2004 is based on the net profit attributable to shareholders for the year of HK$4,322,000 (2003: HK$6,066,000). The weighted average number of ordinary shares used in the calculation is the 275,173,000 (2003: 274,107,000) ordinary shares in issue during the year, as used in the basic earnings per share calculation and the weighted average of 176,000 (2003: 1,032,000) ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options during the year.

BUSINESS REVIEW

For the year ended 31 December 2004, the consolidated revenue of the Group is HK$251.8 million (2003: HK$362.1 million) or decreased by approximately 30.5%. The net profit attributable to shareholders is HK$4.3 million (2003: HK$6.1 million) or decreased by approximately 28.75% and the basic earnings per share is 1.57 Hong Kong cents (2003: 2.21 Hong Kong cents).

For the passed few years, the Group had invested substantial efforts in business transformations and turned itself from a traditional hardware oriented systems integrator to a software and service oriented solutions provider. Although the process for such business transformation had been lengthier and more challenging than expected, however it had reached its final stage. The Group had managed to build up customer contracts and service platforms that would generate strong recurring income from its maintenance and outsourcing services ("Outsourcing Services") and electronic transaction services in the coming years.

Despite unforeseen additional project delivery costs, the Group has successfully completed the construction phase of the two existing large-scale solutions outsourcing contracts from the Land Registry ("LR") and the Water Supplies Department ("WSD") of the Hong Kong SAR Government (the "SAR Government"). The unforeseen additional project delivery costs together with the reduction of revenue had adversely impacted the overall results of the Solutions Services division. Nevertheless, the completion of the construction phase of the outsourcing contracts had not only resulted in strong cash in-flow but also activated the outsourcing services phase of the contracts.

The Group launched its Government Electronic Trading Services (GETS) in early 2004. During the year, average daily transaction volume of such service had been constantly increasing. For the month of December 2004, GETS business had generated around HK$1.4 millions e-Service incomes for the Group. The investment by The China Fund Inc, an independent third party investor, had also provided additional resources to the Group to accelerate its business growth and generated positive impacts to the Group's results.

The software license revenue and the related annual maintenance income generated from the Group's own branded Human Resource Management Software (HRMS) have improved substantially during the reporting period. The software enhancement and new modules launched in the reporting year were well received by the market and the Group won several major HRMS related contracts from large multinational corporations in Hong Kong and Mainland China.

Meanwhile, the revenue from the Group's Integration Services division had also been rebounded strongly in the second half of year 2004. The momentum was fueled up primarily by the strong repeating orders and increasing demands on service oriented projects from the established customer base in Mainland China. In addition, the increasing service contents had also positively lifted up the overall gross profit margin for this division.

Besides, the Distribution business of the Group had widened its footprint by setting up a subsidiary in Mainland China during the reporting period. Such subsidiary will help to complete the Group's distribution coverage in the Greater China Region.

PROSPECT

Since the construction phase of the two large-scale SAR Government projects have been completed, the Solutions Services division of the Group is expected to record lower revenue as well as operation costs in 2005. However, the commencement of the Outsourcing Services will help to improve its overall gross profit margin significantly. It is foreseen that these contracts will generate more than HK$250 million Outsourcing Services income for the Group in the coming 10 years. In addition, with the long-term strategic relationships established for the above-mentioned departments of the SAR Government, the Group is in a good position to capture additional businesses from their future system enhancements and service upgrades.

Entering into the second year of operations, the Group's GETS business will further expand its market share based on its enlarged customer base and stabilized operation platform and support structures. More management attention will be focused on accelerating the critical mass building through the introduction of new value-added services, and through exploring opportunities in the acquisition of and co-operation with GETS related entities.

Apart from expanding the offering of its existing HRMS, the Group will expand its software and solutions offerings in Customer Relationship Management and Enterprise Resource Management arena through partnership with world class leading software vendors. It is anticipated that the enlarged offerings will position the Group well to capture the growing demands on cost-effective business management systems from foreign enterprises and their joint ventures in Mainland China.

For the traditional systems integration business, it is anticipated that on top of a stable growth in revenue, the trend in increasing the service proportion of the related projects will further improve the overall gross profit margin of such business.

To further improve the cost efficiency in application development and operation, the Group will continue its efforts in leveraging its resources centres in Mainland China. The Group's challenges are to continuously improving the economy of scale of these centers and strengthening their quality control processes and methodologies. The success in building up a high quality and price competitive development and support team will allow the Group to capture the increasing business demands for high quality software development and outsourcing services.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2004, the Group's cash and bank balances (excluded pledged bank deposits of HK$23.8 million) amounted to HK$98.1 million compared with HK$101.4 million as at 31 December 2003 represented a slight decrease of 3.3%. In early of 2005, the Group has large cash inflows, in particular payments from LR and WSD amounting approximately HK$81 million and has fully repaid the bank borrowings of HK$15 million. As a result, the Group's cash and bank balances (excluding pledged bank deposits) as at 31 March 2005 is approximately HK$146.5 million, which is 49.3% increased as compared with 31 December 2004 position.

As at 31 December 2004, the Group's gearing ratio, measured on the basis of total borrowings as a percentage of net current assets, was decreased to 5.9% compared with 14.9% as at 31 December 2003. The borrowings were denominated in Hong Kong dollars. In view of the structure and the duration of the borrowings, Management considers the exposures to interest rate and foreign exchange fluctuations are insignificant and no hedging measures are required. As mentioned above, the Group has in early of 2005 fully repaid the borrowings, therefore, as at the current date, the Group has no borrowings.

PLEDGED ASSETS

As at 31 December 2004, the Group's fixed assets of HK$10,000,000 (2003: HK$8,500,000), deposits of HK$23,836,000 (2003: HK$43,969,000) and the held-to-maturity securities of HK$1,265,000 (2003: HK$8,565,000) were pledged to secure general banking facilities and performance bonds to the customers.

CONTINGENT LIABILITIES

As at 31 December 2004, guarantees given to banks by the Company for performance bonds issued by the banks in relation to services contracts undertaken by the Group amounting to HK$58,320,000 (2003: HK$66,120,000) of which HK$21,789,000 (2003: HK$40,582,000) had been utilised.

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2004, the Group employed approximately 300 full time and 63 contract-based employees (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 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 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.

MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules (the "Model Code") as set out in Appendix 10 of the Listing Rules as its code of conduct for dealing in securities of the Company by the directors. Having made specific enquiry of all directors of the Company, the directors have complied with the required standard set out in the Model Code throughout the accounting period covered by the annual report.

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.

PUBLICATION OF FINANCIAL INFORMATION

The annual report of the Group for the year ended 31 December 2004 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 website 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 contributions and dedication throughout the year. We would also like to thank our shareholders, suppliers and business partners for their supports, cooperation and encouragements during the year.

BY ORDER OF THE BOARD
Ng Cheung Shing
Chairman

Hong Kong, 19 April 2005

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."