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computer technologies

COMPUTER AND TECHNOLOGIES HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 00046)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

The Board of Directors (the “Board”) of Computer And Technologies Holdings Limited (the “Company”) herein presents the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2021 together with the comparative figures. These unaudited condensed consolidated interim results have been reviewed by the Company’s audit committee.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		For the six months ended 30 June	
		2021	2020
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
REVENUE	5	125,270	117,408
Cost of sales and services		<u>(58,723)</u>	<u>(51,591)</u>
Gross profit		66,547	65,817
Other income and gains, net	5	2,406	5,662
Foreign exchange differences, net		(259)	(104)
Fair value gains/(losses), net:			
Financial assets at fair value through profit or loss		741	(2,695)
Investment properties		500	(1,425)
Selling and distribution expenses		(16,508)	(16,592)
General and administrative expenses, net		(27,776)	(27,922)
Finance costs		(612)	(378)
Other expenses		<u>(3,246)</u>	<u>(3,011)</u>
PROFIT BEFORE TAX	6	<u>21,793</u>	<u>19,352</u>

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CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS *(continued)*

		For the six months ended 30 June	
		2021	2020
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
PROFIT BEFORE TAX	6	21,793	19,352
Income tax credit/(expense)	7	<u>(530)</u>	<u>498</u>
PROFIT FOR THE PERIOD		<u>21,263</u>	<u>19,850</u>
ATTRIBUTABLE TO:			
Owners of the parent		21,390	19,850
Non-controlling interests		<u>(127)</u>	<u>–</u>
		<u>21,263</u>	<u>19,850</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9	HK cents	HK cents
Basic		<u>8.64</u>	<u>8.03</u>
Diluted		<u>8.60</u>	<u>7.99</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2021 (Unaudited) <i>HK\$'000</i>	2020 (Unaudited) <i>HK\$'000</i>
PROFIT FOR THE PERIOD	<u>21,263</u>	<u>19,850</u>
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>776</u>	<u>56</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>22,039</u>	<u>19,906</u>
ATTRIBUTABLE TO:		
Owners of the parent	22,166	19,906
Non-controlling interests	<u>(127)</u>	<u>-</u>
	<u>22,039</u>	<u>19,906</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment	<i>10</i>	1,418	1,987
Investment properties	<i>11</i>	66,790	66,290
Right-of-use assets	<i>12(a)</i>	3,392	4,983
Goodwill	<i>13</i>	135,001	135,001
Other intangible assets	<i>14</i>	57,710	60,956
Financial assets at fair value through profit or loss – debt investment	<i>17</i>	2,100	2,100
Deposits		537	628
Deferred tax assets	<i>20</i>	2,400	2,320
		269,348	274,265
TOTAL non-current assets			
CURRENT ASSETS			
Inventories		23	7
Trade receivables	<i>15</i>	50,874	44,498
Contract assets	<i>16</i>	21,100	20,248
Prepayments, deposits and other receivables		15,146	19,414
Tax recoverable		3,813	5,155
Financial assets at fair value through profit or loss – listed equity investments and derivative financial instruments	<i>17</i>	8,124	7,383
Pledged bank deposits		924	666
Cash and cash equivalents		283,241	295,632
		383,245	393,003
TOTAL current assets			
CURRENT LIABILITIES			
Trade payables, other payables and accruals	<i>18</i>	(57,413)	(66,581)
Contract liabilities	<i>19</i>	(64,440)	(58,708)
Lease liabilities	<i>12(b)</i>	(2,523)	(4,614)
Tax payable		(4,923)	(3,973)
		(129,299)	(133,876)
TOTAL current liabilities			
NET CURRENT ASSETS		253,946	259,127
TOTAL ASSETS LESS CURRENT LIABILITES		523,294	533,392

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

		30 June 2021 (Unaudited) <i>HK\$'000</i>	31 December 2020 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
NON-CURRENT LIABILITIES			
Other payables	<i>18</i>	(498)	(537)
Contract liabilities	<i>19</i>	(1,098)	(2,309)
Lease liabilities	<i>12(b)</i>	(1,739)	(2,424)
Deferred tax liabilities	<i>20</i>	(12,146)	(12,563)
		<hr/>	<hr/>
Total non-current liabilities		(15,481)	(17,833)
		<hr/>	<hr/>
Net assets		507,813	515,559
		<hr/>	<hr/>
EQUITY			
Equity attributable to owners of the parent			
Issued capital		24,949	24,949
Share premium account		53,104	53,104
Shares held under the restricted share award scheme		(3,838)	(4,480)
Other reserves		431,386	409,945
Proposed final dividend		-	29,702
		<hr/>	<hr/>
		505,601	513,220
		<hr/>	<hr/>
Non-controlling interests		2,212	2,339
		<hr/>	<hr/>
Total equity		507,813	515,559
		<hr/>	<hr/>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the parent											
	Other reserves										Non-controlling interests	Total equity
	Issued capital	Share premium account	Shares held under the restricted share award scheme	Share-based payment reserve	Goodwill reserve	Reserve funds	Exchange fluctuation reserve	Retained profits	Proposed final dividend	Total		
HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	
At 1 January 2020 (audited)	24,949	53,104	(5,462)	5,386	(7,227)	746	(3,191)	393,314	19,760	481,379	-	481,379
Profit for the period	-	-	-	-	-	-	-	19,850	-	19,850	-	19,850
Other comprehensive income for the period:												
Exchange differences on translation of foreign operations	-	-	-	-	-	-	56	-	-	56	-	56
Total comprehensive income for the period	-	-	-	-	-	-	56	19,850	-	19,906	-	19,906
Purchase of shares held under the restricted share award scheme	-	-	(235)	-	-	-	-	-	-	(235)	-	(235)
Vesting of shares held under the restricted share award scheme	-	-	1,154	(1,154)	-	-	-	-	-	-	-	-
Share award arrangements	-	-	-	752	-	-	-	-	-	752	-	752
Final 2019 dividend declared	-	-	-	-	-	-	-	(29)	(19,760)	(19,789)	-	(19,789)
At 30 June 2020 (unaudited)	24,949	53,104	(4,543)	4,984	(7,227)	746	(3,135)	413,135	-	482,013	-	482,013
	Attributable to owners of the parent											
	Other reserves											
	Issued capital	Share premium account	Shares held under the restricted share award scheme	Share-based payment reserve	Goodwill reserve	Reserve funds	Exchange fluctuation reserve	Retained profits	Proposed final dividend	Total	Non-controlling interests	Total equity
	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000
At 1 January 2021 (audited)	24,949	53,104	(4,480)	5,673	(7,227)	746	(583)	411,336	29,702	513,220	2,339	515,559
Profit for the period	-	-	-	-	-	-	-	21,390	-	21,390	(127)	21,263
Other comprehensive income for the period:												
Exchange differences on translation of foreign operations	-	-	-	-	-	-	776	-	-	776	-	776
Total comprehensive income for the period	-	-	-	-	-	-	776	21,390	-	22,166	(127)	22,039
Purchase of shares held under the restricted share award scheme	-	-	(471)	-	-	-	-	-	-	(471)	-	(471)
Vesting of shares held under the restricted share award scheme	-	-	1,113	(1,113)	-	-	-	-	-	-	-	-
Share award arrangements	-	-	-	430	-	-	-	-	-	430	-	430
Final 2020 dividend declared	-	-	-	-	-	-	-	(42)	(29,702)	(29,744)	-	(29,744)
At 30 June 2021 (unaudited)	24,949	53,104	(3,838)	4,990	(7,227)	746	193	432,684	-	505,601	2,212	507,813

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

		For the six months ended 30 June	
		2021	2020
		(Unaudited)	(Unaudited)
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		21,793	19,352
Adjustments for:			
Finance costs		612	378
Bank interest income	5	(1,110)	(2,022)
Dividend income from listed investments at fair value through profit or loss	5	(249)	(280)
Gain on disposal of items of property, plant and equipment, net	6	(12)	-
Fair value losses/(gains), net:			
Financial assets at fair value through profit or loss		(741)	2,695
Investment properties		(500)	1,425
Depreciation of property, plant and equipment	6	730	691
Depreciation of right-of-use assets	6	1,835	2,771
Impairment of trade receivables, net	6	182	363
Amortisation of other intangible assets	6	3,246	3,011
Equity-settled share-based payment expense		430	752
		<u>26,216</u>	<u>29,136</u>
Decrease/(increase) in inventories		(16)	589
Increase in trade receivables		(6,487)	(1,340)
Decrease/(increase) in prepayments, deposits and other receivables		4,359	(960)
Decrease/(increase) in contract assets		(852)	188
Decrease in trade payables, other payables and accruals		(9,207)	(1,277)
Increase in contract liabilities		4,521	5,494
Cash generated from operations		<u>18,534</u>	<u>31,830</u>
Hong Kong profits tax refunded/(paid)		1,292	(3,578)
Overseas taxes refunded/(paid)		12	(322)
Net cash flows from operating activities		<u>19,838</u>	<u>27,930</u>

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

	For the six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash flows from operating activities	<u>19,838</u>	<u>27,930</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Bank interest received	1,110	2,022
Dividends received from listed investments		
at fair value through profit or loss	249	280
Purchases of items of property, plant and equipment	(161)	(494)
Additions to other intangible assets	-	(4,307)
Proceeds from disposal of items of property, plant and equipment	15	-
Proceeds from disposal of financial assets		
at fair value through profit or loss – debt investment	-	2,535
Proceeds from disposal of financial assets		
at fair value through profit or loss – money market certificate	-	43,267
Decrease/(increase) in pledged bank deposits	(258)	70
Decrease in non-pledged bank deposits with original maturity of more than three months when acquired	29,469	53,560
Net cash flows from investing activities	<u>30,424</u>	<u>96,933</u>
CASH FLOWS USED IN FINANCING ACTIVITIES		
Purchase of shares under the restricted share award scheme	(471)	(235)
Principal portion of lease payments	(3,035)	(2,368)
Dividend paid	(29,744)	(19,789)
Interest paid	(612)	(378)
Net cash flows used in financing activities	<u>(33,862)</u>	<u>(22,770)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	16,400	102,093
Cash and cash equivalents at beginning of period	227,711	147,170
Effect of foreign exchange rate changes, net	678	53
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>244,789</u>	<u>249,316</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents as stated in the condensed consolidated statement of financial position	283,241	249,316
Non-pledged time deposits with original maturity of more than three months when acquired	(38,452)	-
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	<u>244,789</u>	<u>249,316</u>

NOTES

1. CORPORATE AND GROUP INFORMATION

Computer And Technologies Holdings Limited is a limited liability company incorporated in Bermuda. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The principal place of business of the Company is located at Level 10, Cyberport 2, 100 Cyberport Road, Hong Kong.

During the period, the Group was involved in the following principal activities:

- provision of enterprise applications software and e-business services for enterprises including the provision of enterprise applications software with implementation and ongoing support services; and the Government Electronic Trading Services (“GETS”), cloud services and other related value-added services;
- provision of information technology (“IT”) solutions implementation and application software development; provision of IT and related operation/infrastructure outsourcing services; business process outsourcing (“BPO”) services; and provision of IT systems and network infrastructure with related design, implementation and ongoing support services; and
- property and treasury investments.

2. BASIS OF PREPARATION

This unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2021 has been prepared in accordance with the applicable provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The unaudited condensed consolidated interim financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2020.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the unaudited condensed consolidated interim financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of the following revised Hong Kong Financial Reporting Standards (“HKFRSs”) for the first time for the current period’s financial information.

Amendments to HKFRS 9,
HKAS 39, HKFRS 7,
HKFRS 4 and HKFRS 16
Amendment to HKFRS 16

Interest Rate Benchmark Reform – Phase 2

Covid-19-Related Rent Concessions

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

The nature and impact of the revised HKFRSs are described below:

- (a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate (“RFR”). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity’s financial instruments and risk management strategy. The amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment did not have any impact on the financial position and performance of the Group.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

- (a) the application services segment that primarily engages in the provision of enterprise applications software and e-business services for enterprises including the provision of enterprise applications software with implementation and ongoing support services; and the GETS, cloud services and other related value-added services;
- (b) the solutions and integration services segment that primarily engages in the provision of IT solutions implementation and application software development; provision of IT and related operation/infrastructure outsourcing services; BPO services; and provision of IT systems and network infrastructure with related design, implementation and ongoing support services; and
- (c) the investments segment that primarily engages in various types of investing activities including, inter alia, property investment for rental income and/or for capital appreciation and treasury investment in securities for dividend income and interest income and/or for capital appreciation.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit before tax except that unallocated interest income, unallocated other income and gains, net, unallocated foreign exchange differences, net, corporate and other unallocated depreciation, and corporate and other unallocated expenses are excluded from such measurement.

Segment assets exclude deferred tax assets, tax recoverable, pledged bank deposits, cash and cash equivalents, and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

There were no material intersegment sales and transfers during the current and prior periods.

4. OPERATING SEGMENT INFORMATION (continued)

(a) Operating segments

	Application Services		Solutions and Integration Services		Investments		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Segment revenue:								
Sales to external customers (note 5)	79,060	73,557	45,207	43,713	1,003	138	125,270*	117,408*
Other income and gains, net	1,021	888	12	85	263	280	1,296^	1,253^
Total	80,081	74,445	45,219	43,798	1,266	418	126,566	118,661
Segment results	23,031	21,958	6,922	10,581	2,470	(4,457)	32,423	28,082
<i>Reconciliation:</i>								
Unallocated interest income							1,110^	2,022^
Unallocated other income and gains, net							-^	2,387^
Unallocated foreign exchange differences, net							(259)	(104)
Corporate and other unallocated depreciation							(284)	(241)
Corporate and other unallocated expenses							(11,197)	(12,794)
Profit before tax							21,793	19,352

	Application Services		Solutions and Integration Services		Investments		Total	
	30 June 2021	31 December 2020	30 June 2020	31 December 2020	30 June 2021	31 December 2020	30 June 2021	31 December 2020
	(Unaudited) HK\$'000	(Audited) HK\$'000	(Unaudited) HK\$'000	(Audited) HK\$'000	(Unaudited) HK\$'000	(Audited) HK\$'000	(Unaudited) HK\$'000	(Audited) HK\$'000
Segment assets	200,263	209,503	83,635	76,581	76,961	75,726	360,859	361,810
<i>Reconciliation:</i>								
Corporate and other unallocated assets							291,734	305,458
Total assets							652,593	667,268
Segment liabilities	92,910	97,949	29,504	26,950	693	693	123,107	125,592
<i>Reconciliation:</i>								
Corporate and other unallocated liabilities							21,673	26,117
Total liabilities							144,780	151,709

* This represents the consolidated revenue of HK\$125,270,000 (2020: HK\$117,408,000) in the condensed consolidated statement of profit or loss.

^ These comprise the consolidated other income and gains, net, of HK\$2,406,000 (2020: HK\$5,662,000) in the condensed consolidated statement of profit or loss.

4. OPERATING SEGMENT INFORMATION (continued)

(a) Operating segments (continued)

	Application Services		Solutions and Integration Services		Investments		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Other segment information:								
Net fair value gains/(losses) on investment properties	-	-	-	-	500	(1,425)	500	(1,425)
Net fair value gains/(losses) on financial assets at fair value through profit or loss	-	-	-	-	741	(2,695)	741	(2,695)
Amortisation of other intangible assets	3,246	3,011	-	-	-	-	3,246	3,011
Depreciation	1,031	1,167	290	271	-	17	1,321	1,455
Corporate and other unallocated depreciation							1,244	2,007
							2,565	3,462
Impairment losses recognised/(reversed) in the condensed consolidated statement of profit or loss, net*	(163)	306	345	57	-	-	182	363
Capital expenditure**	99	316	29	4,395	-	-	128	4,711
Corporate and other unallocated capital expenditure							33	90
							161	4,801

* Including impairment losses recognised in the condensed consolidated statement of profit or loss attributable to the application services segment of HK\$172,000 (2020: HK\$699,000) and the solutions and integration services segment of HK\$346,000 (2020: HK\$125,000), respectively; and impairment losses reversed in the condensed consolidated statement of profit or loss attributable to the application services segment of HK\$335,000 (2020: HK\$393,000) and the solutions and integration services segment of HK\$1,000 (2020: HK\$68,000), respectively.

** Capital expenditure consists of additions to property, plant and equipment and other intangible assets.

4. OPERATING SEGMENT INFORMATION *(continued)*

(b) Geographical information

(i) Revenue from external customers

	Hong Kong and other countries/regions		Mainland China		Total	
	2021	2020	2021	2020	2021	2020
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Segment revenue:						
Sales to external customers	99,454	95,431	25,816	21,977	125,270	117,408

The revenue information is based on the locations of the customers.

(ii) Non-current assets

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Hong Kong	144,662	146,237
Mainland China	119,649	122,980
	264,311	269,217

The non-current asset information is based on the locations of the assets and excludes financial instruments and deferred tax assets.

(c) Information about a major customer

Revenue from an external customer individually amounting to 10% or more of the Group's total revenue:

For the period ended 30 June 2021, revenue from a major customer of HK\$33,453,000 (2020: HK\$29,548,000) was derived from transactions with the customer reported in the application services segment and the solutions and integration services segment.

5. REVENUE, OTHER INCOME AND GAINS, NET

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Revenue from contracts with customers	124,267	117,270
Revenue from other sources		
Gross rental income from investment properties and interest income from treasury investments	<u>1,003</u>	<u>138</u>
	<u>125,270</u>	<u>117,408</u>

Revenue from contracts with customers

(i) Disaggregated revenue information

	Application Services (Unaudited) HK\$'000	Solutions and Integration Services (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
For the six months ended 30 June 2021			
<i>Segments</i>			
Types of goods or services			
Sales of goods and provision of software, GETS and BPO services	19,069	559	19,628
Provision of software implementation and related services, IT solutions implementation and related services	29,670	21,050	50,720
Maintenance services	<u>30,321</u>	<u>23,598</u>	<u>53,919</u>
Total revenue from contracts with customers	<u>79,060</u>	<u>45,207</u>	<u>124,267</u>
Geographical markets			
Hong Kong and others	55,388	43,178	98,566
Mainland China	<u>23,672</u>	<u>2,029</u>	<u>25,701</u>
Total revenue from contracts with customers	<u>79,060</u>	<u>45,207</u>	<u>124,267</u>
Timing of revenue recognition			
Goods and services transferred at a point in time	19,069	559	19,628
Services transferred over time	<u>59,991</u>	<u>44,648</u>	<u>104,639</u>
Total revenue from contracts with customers	<u>79,060</u>	<u>45,207</u>	<u>124,267</u>

5. REVENUE, OTHER INCOME AND GAINS, NET (continued)

Revenue from contracts with customers (continued)

(i) Disaggregated revenue information (continued)

	Application Services (Unaudited) HK\$'000	Solutions and Integration Services (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
For the six months ended 30 June 2020			
<i>Segments</i>			
Types of goods or services			
Sales of goods and provision of software, GETS and BPO services	18,303	745	19,048
Provision of software implementation and related services, IT solutions implementation and related services	26,501	18,482	44,983
Maintenance services	<u>28,753</u>	<u>24,486</u>	<u>53,239</u>
Total revenue from contracts with customers	<u>73,557</u>	<u>43,713</u>	<u>117,270</u>
Geographical markets			
Hong Kong and others	53,054	42,339	95,393
Mainland China	<u>20,503</u>	<u>1,374</u>	<u>21,877</u>
Total revenue from contracts with customers	<u>73,557</u>	<u>43,713</u>	<u>117,270</u>
Timing of revenue recognition			
Goods and services transferred at a point in time	18,303	745	19,048
Services transferred over time	<u>55,254</u>	<u>42,968</u>	<u>98,222</u>
Total revenue from contracts with customers	<u>73,557</u>	<u>43,713</u>	<u>117,270</u>

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Sales of goods and provision of software, GETS and BPO services

The performance obligation is satisfied upon product/service delivery, where payment in advance is normally required, and the balance is generally due within 30 to 60 days from the date of delivery.

Provision of software implementation and related services

The performance obligation is satisfied over time as services are rendered and payment is generally due within 30 to 60 days from the date of billing.

Provision of IT solutions implementation and related services

The performance obligation is satisfied over time as services are rendered and payment is generally due within 30 days from the date of billing. A certain percentage of payment is retained by customers until the end of the nursing period as the Group's entitlement to the final payment is conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the respective contracts.

5. REVENUE, OTHER INCOME AND GAINS, NET *(continued)*

Revenue from contracts with customers *(continued)*

(ii) Performance obligations *(continued)*

Maintenance services

The performance obligation is satisfied over time as services are rendered and payment in advances are normally required before rendering the services. Maintenance service contracts are in general for period of one year.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 30 June are as follows:

	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Amounts expected to be recognised as revenue:		
Within one year	64,440	61,206
After one year	1,098	-
	65,538	61,206

The amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognised as revenue after one year relate to maintenance services, of which the performance obligations are to be satisfied within five years. All the other amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised as revenue within one year. The amounts disclosed above do not include variable consideration which is constrained.

	For the six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Other income and gains, net		
Bank interest income	1,110	2,022
Government subsidies*	-	2,387
Value-added tax refund received	426	330
Dividend income from listed investments at fair value through profit or loss	249	280
Others	621	643
	2,406	5,662

* The subsidies in the prior period were granted under the Employment Support Scheme by the Government of the Hong Kong Special Administrative Region ("HKSAR"). There were no unfulfilled conditions, relating to the subsidies.

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	For the six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Depreciation of property, plant and equipment [^]	730	691
Depreciation of right-of-use assets	1,835	2,771
Amortisation of other intangible assets**	3,246	3,011
Gain on disposal of items of property, plant and equipment, net	(12)	-
Impairment of trade receivables, net	<u>182</u>	<u>363</u>

[^] Depreciation of property, plant and equipment for the period of HK\$56,000 (2020: HK\$62,000) is included in "Cost of sales and services" on the face of the condensed consolidated statement of profit or loss.

** Amortisation of other intangible assets for the period of HK\$3,246,000 (2020: HK\$3,011,000) is included in "Other expenses" on the face of the condensed consolidated statement of profit or loss.

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits arising in Hong Kong during the period, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 (2020: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2020: 8.25%) and the remaining assessable profits are taxed at 16.5% (2020: 16.5%). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

	For the six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Current – Hong Kong		
Charge for the period	1,137	551
Overprovision in prior periods	-	(402)
Current – Elsewhere		
Charge for the period	49	94
Overprovision in prior periods	(195)	-
Deferred (note 20)	<u>(461)</u>	<u>(741)</u>
Total tax charge/(credit) for the period	<u>530</u>	<u>(498)</u>

8. DIVIDENDS

- a. Subsequent to the end of the interim period, the Board has determined that an interim dividend of HK\$0.06 (2020: an interim dividend of HK\$0.05) in cash per ordinary share should be paid to the shareholders of the Company whose names appear in the Register of Members on Thursday, 2 September 2021.
- b. Dividend attributable to the previous financial year approved during the interim period.

	For the six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Final dividend in respect of the previous financial year, approved and paid during the interim period of HK\$0.12 (2020: final dividend of HK\$0.08) per ordinary share	29,939	19,959
Less: Dividend for shares held under the Company's restricted share award scheme	<u>(195)</u>	<u>(170)</u>
	<u>29,744</u>	<u>19,789</u>

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 247,635,478 (2020: 247,103,241) in issue during the period, as adjusted to exclude the shares held under the restricted share award scheme of the Company.

The calculation of the diluted earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed vesting of all dilutive restricted shares of the Company awarded under the restricted share award scheme of the Company.

The calculations of basic and diluted earnings per share are based on:

Earnings

The calculations of basic and diluted earnings per share are based on profit attributable to ordinary equity holders of the parent.

Shares

	Number of shares for the six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	247,635,478	247,103,241
Effect of dilution – weighted average number of ordinary shares:		
Restricted shares awarded under the Company's restricted share award scheme	<u>1,108,465</u>	<u>1,257,799</u>
	<u>248,743,943</u>	<u>248,361,040</u>

10. PROPERTY, PLANT AND EQUIPMENT

	2021 (Unaudited) HK\$'000	2020 (Audited) HK\$'000
Net carrying amount, at 1 January	1,987	3,183
Additions	161	777
Acquisition of a subsidiary	-	106
Disposals	(3)	(656)
Depreciation provided during the period/year	(730)	(1,437)
Exchange realignment	3	14
	<u>1,418</u>	<u>1,987</u>
Net carrying amount, at 30 June/31 December	<u>1,418</u>	<u>1,987</u>

11. INVESTMENT PROPERTIES

	2021 (Unaudited) HK\$'000	2020 (Audited) HK\$'000
Carrying amount at 1 January	66,290	70,091
Disposals	-	(2,860)
Net gain/(loss) from fair value adjustments	500	(941)
	<u>66,790</u>	<u>66,290</u>
Carrying amount, at 30 June/31 December	<u>66,790</u>	<u>66,290</u>

12. LEASES

The Group as a lessee

The Group has lease contracts for various properties used in its operations. Leases of properties generally have lease terms between 1 and 3 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

The carrying amount of the Group's right-of-use assets and the movements during the period/year are as follows:

	Properties	
	2021 (Unaudited) HK\$'000	2020 (Audited) HK\$'000
As at 1 January	4,983	8,486
Additions	-	3,701
Remeasurement on lease modifications	-	(2,303)
Depreciation charge	(1,835)	(4,885)
Exchange realignment	244	(16)
	<u>3,392</u>	<u>4,983</u>
As at 30 June/31 December	<u>3,392</u>	<u>4,983</u>

12. LEASES (continued)

The Group as a lessee (continued)

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the period/year are as follows:

	2021 (Unaudited) HK\$'000	2020 (Audited) HK\$'000
Carrying amount at 1 January	7,038	9,674
New leases	-	3,701
Remeasurement on lease modifications	-	(2,303)
Accretion of interest recognised during the period/year	612	1,155
Payments	(3,647)	(5,173)
Exchange realignment	259	(16)
	<u>4,262</u>	<u>7,038</u>
Carrying amount at 30 June/31 December		
Analysed into:		
Current portion	2,523	4,614
Non-current portion	1,739	2,424

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	For the six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Interest on lease liabilities	612	378
Depreciation charge of right-of-use assets	1,835	2,771
Expenses relating to short-term leases	342	36
	<u>2,789</u>	<u>3,185</u>
Total amount recognised in profit or loss		

The Group as a lessor

The Group leases its investment properties (note 11) consisting of one (2020: one) commercial property in the People's Republic of China (the "PRC") and one (2020: one) industrial property in Hong Kong under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits. Rental income recognised by the Group during the period was HK\$1,003,000 (2020: HK\$98,000).

12. LEASES (continued)

The Group as a lessor (continued)

At the end of the reporting period, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Within one year	1,784	1,858
After one year but within two years	<u>296</u>	<u>1,222</u>
	<u>2,080</u>	<u>3,080</u>

13. GOODWILL

	(Unaudited) HK\$'000
30 June 2021	
Cost and carrying amount at 1 January 2021 and 30 June 2021	<u>135,001</u>
	(Audited) HK\$'000
31 December 2020	
Cost and carrying amount at 1 January 2020	134,485
Acquisition of a subsidiary	<u>516</u>
Cost and carrying amount at 31 December 2020	<u>135,001</u>

14. OTHER INTANGIBLE ASSETS

	Deferred development costs (Unaudited) <i>HK\$'000</i>	Customer relationships (Unaudited) <i>HK\$'000</i>	Software (Unaudited) <i>HK\$'000</i>	Total (Unaudited) <i>HK\$'000</i>
30 June 2021				
Cost at 1 January 2021, net of accumulated amortisation and impairment	31,311	5,666	23,979	60,956
Amortisation provided during the period	–	(827)	(2,419)	(3,246)
At 30 June 2021	<u>31,311</u>	<u>4,839</u>	<u>21,560</u>	<u>57,710</u>
At 30 June 2021:				
Cost	44,337	14,767	46,028	105,132
Accumulated amortisation and impairment	(13,026)	(9,928)	(24,468)	(47,422)
Net carrying amount	<u>31,311</u>	<u>4,839</u>	<u>21,560</u>	<u>57,710</u>
	Deferred development costs (Audited) <i>HK\$'000</i>	Customer relationships (Audited) <i>HK\$'000</i>	Software (Audited) <i>HK\$'000</i>	Total (Audited) <i>HK\$'000</i>
31 December 2020				
Cost at 1 January 2020, net of accumulated amortisation and impairment	26,468	7,322	26,209	59,999
Additions	4,843*	–	–	4,843
Acquisition of a subsidiary	–	–	2,347	2,347
Amortisation provided during the year	–	(1,656)	(4,577)	(6,233)
At 31 December 2020	<u>31,311</u>	<u>5,666</u>	<u>23,979</u>	<u>60,956</u>
At 31 December 2020 and at 1 January 2021:				
Cost	44,337	14,767	46,028	105,132
Accumulated amortisation and impairment	(13,026)	(9,101)	(22,049)	(44,176)
Net carrying amount	<u>31,311</u>	<u>5,666</u>	<u>23,979</u>	<u>60,956</u>

* In the prior year, additions of deferred development costs of HK\$4,843,000 were developed internally.

15. TRADE RECEIVABLES

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Trade receivables	54,846	48,359
Impairment	<u>(3,972)</u>	<u>(3,861)</u>
	<u>50,874</u>	<u>44,498</u>

The Group's trading terms with its customers vary from contract to contract or depending on the specific arrangements with individual customers, and may include cash on delivery, advance payment and on credit. For those customers who trade on credit, the overall credit period is generally within 60 days, except for certain projects with longer implementation schedules or for major or specific customers, where the period may be extended. The Group seeks to maintain strict control over its outstanding trade receivables and overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Within 1 month	39,054	34,828
1 to 3 months	8,136	6,163
4 to 6 months	2,782	2,548
7 to 12 months	<u>902</u>	<u>959</u>
	<u>50,874</u>	<u>44,498</u>

The movements in the loss allowance for impairment of trade receivables are as follows:

	2021 (Unaudited) HK\$'000	2020 (Audited) HK\$'000
At beginning of period/year	3,861	3,395
Impairment losses, net	182	408
Acquisition of a subsidiary	-	3
Exchange realignment	<u>(71)</u>	<u>55</u>
At end of period/year	<u>3,972</u>	<u>3,861</u>

16. CONTRACT ASSETS

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Contracts assets arising from:		
Sales of goods and provision of software, GETS and BPO services	3,538	3,060
Provision of software implementation and related services, IT solutions implementation and related services	17,169	16,448
Maintenance services	<u>393</u>	<u>740</u>
	<u>21,100</u>	<u>20,248</u>

Contract assets are mainly recognised for revenue earned from the provision of software implementation and related services, IT solutions implementation and related services as the receipt of consideration is based on the billing process. Included in contract assets for provision of software implementation and related services, IT solutions implementation and related services are unbilled amounts of revenue. Upon completion of the billing of the revenue from contract customers, the amounts recognised as contract assets are reclassified to trade receivables. The increase in contract assets during the six months ended 30 June 2021 was mainly the result of an increase in the provision of software implementation and related services at the end of the period.

The expected timing of recovery or settlement for contract assets is as follows:

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Within one year	<u>21,100</u>	<u>20,248</u>

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Debt investment, at fair value	2,100	2,100
Listed equity investments, at fair value	8,063	7,322
Derivative financial instruments, at fair value*	<u>61</u>	<u>61</u>
	10,224	9,483
Portion classified as current assets	<u>(8,124)</u>	<u>(7,383)</u>
Portion classified as non-current assets	<u>2,100</u>	<u>2,100</u>

* The derivative financial instruments represented call options to acquire addition 40% equity interest in a subsidiary.

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

The listed equity investments were classified as financial assets at fair value through profit or loss as they were held for trading.

The debt investment was mandatorily classified as financial asset at fair value through profit or loss as its contractual cash flows are not solely payments of principal and interest.

As at 30 June 2021, the Group's listed equity investments with a carrying value of approximately HK\$8,063,000 (31 December 2020: HK\$7,322,000) were pledged to secure general banking facilities granted to the Group.

18. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Trade payables	14,004	18,094
Other payables	26,634	26,709
Accruals	17,273	22,315
	<u>57,911</u>	<u>67,118</u>
Portion classified as current liabilities	<u>(57,413)</u>	<u>(66,581)</u>
	<u>498</u>	<u>537</u>
Portion classified as non-current liabilities		

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Within 1 month	9,531	10,008
1 to 3 months	3,274	7,181
4 to 6 months	557	216
Over 6 months	642	689
	<u>14,004</u>	<u>18,094</u>

The trade payables are non-interest-bearing and are normally settled on 30-day terms.

19. CONTRACT LIABILITIES

Details of contract liabilities are as follows:

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
<i>Advances received from customers</i>		
Sales of goods and provision of software, GETS and BPO services	1,921	5,898
Provision of software implementation and related services, IT solutions implementation and related services	20,734	21,229
Maintenance services	42,883	33,890
	<u>65,538</u>	<u>61,017</u>
Portion classified as current liabilities	<u>(64,440)</u>	<u>(58,708)</u>
Portion classified as non-current liabilities	<u>1,098</u>	<u>2,309</u>

The majority of the contract liabilities mainly include advances received to render software implementation and related services, IT solutions implementation and related services, and maintenance services. The increase in contract liabilities during the six months ended 30 June 2021 was mainly due to an increase in advances received from customers in relation to maintenance services at the end of the period.

20. DEFERRED TAX

The movements in deferred tax assets and liabilities during the period/year are as follows:

Deferred tax assets

	Losses available for offsetting against future taxable profits (Unaudited) HK\$'000	Temporary differences arising from contract liabilities (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
At 1 January 2021	824	2,320	3,144
Deferred tax credited/(charged) to the condensed consolidated statement of profit or loss during the period	(213)	41	(172)
Exchange realignment	<u>-</u>	<u>39</u>	<u>39</u>
Gross deferred tax assets at 30 June 2021	<u>611</u>	<u>2,400</u>	<u>3,011</u>

20. DEFERRED TAX (continued)

Deferred tax liabilities

	Revaluation of properties (Unaudited) <i>HK\$'000</i>	Deferred development costs (Unaudited) <i>HK\$'000</i>	Fair value adjustments arising from acquisition of subsidiaries (Unaudited) <i>HK\$'000</i>	Withholding taxes (Unaudited) <i>HK\$'000</i>	Total (Unaudited) <i>HK\$'000</i>
At 1 January 2021	386	5,166	7,071	764	13,387
Deferred tax charged/(credited) to the condensed consolidated statement of profit or loss during the period	-	-	(754)	121	(633)
Exchange realignment	-	-	-	3	3
Gross deferred tax liabilities at 30 June 2021	<u>386</u>	<u>5,166</u>	<u>6,317</u>	<u>888</u>	<u>12,757</u>

Deferred tax assets

	Losses available for offsetting against future taxable profits (Audited) <i>HK\$'000</i>	Temporary differences arising from contract liabilities (Audited) <i>HK\$'000</i>	Total (Audited) <i>HK\$'000</i>
At 1 January 2020	1,434	2,288	3,722
Deferred tax charged to the consolidated statement of profit or loss during the year	(610)	(134)	(744)
Exchange realignment	-	166	166
Gross deferred tax assets at 31 December 2020	<u>824</u>	<u>2,320</u>	<u>3,144</u>

20. DEFERRED TAX (continued)

Deferred tax liabilities

	Revaluation of properties (Audited) HK\$'000	Deferred development costs (Audited) HK\$'000	Fair value adjustments arising from acquisition of subsidiaries (Audited) HK\$'000	Withholding taxes (Audited) HK\$'000	Total (Audited) HK\$'000
At 1 January 2020	826	4,367	8,148	608	13,949
Acquisition of a subsidiary	-	-	387	-	387
Deferred tax charged/(credited) to the consolidated statement of profit or loss during the year	(314)	799	(1,464)	148	(831)
Exchange realignment	-	-	-	8	8
Disposal of an investment property	(126)	-	-	-	(126)
Gross deferred tax liabilities at 31 December 2020	<u>386</u>	<u>5,166</u>	<u>7,071</u>	<u>764</u>	<u>13,387</u>

For presentation purposes, certain deferred tax assets and liabilities have been offset in the condensed consolidated statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Net deferred tax assets recognised in the condensed consolidated statement of financial position	2,400	2,320
Net deferred tax liabilities recognised in the condensed consolidated statement of financial position	<u>(12,146)</u>	<u>(12,563)</u>
	<u>(9,746)</u>	<u>(10,243)</u>

21. CONTINGENT LIABILITIES

At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

Guarantees have been given to certain banks by the Company for performance bonds/guarantees issued by the banks in relation to certain contracts undertaken by the Group amounting to HK\$31,700,000 (31 December 2020: HK\$31,700,000), of which HK\$20,939,000 (31 December 2020: HK\$20,926,000) were utilised as at 30 June 2021.

CHAIRMAN'S STATEMENT

Dear Shareholders,

OVERVIEW

On behalf of the board of directors (the "Board") of Computer And Technologies Holdings Limited (the "Company"), I am pleased to present the unaudited interim results of the Company and its subsidiaries (collectively the "Group") for the six months period ended 30 June 2021.

The global economy took a big hit from the COVID-19 pandemic (the "Pandemic") in 2020. Although there is sight for recovery in 2021, the business sentiment was swayed by concerns over the worldwide economic outlook amid the Pandemic and the development of China-US relations. This sentiment had weakened the demand for some of the Group's products and services from the private sectors. Conversely, the orders from the governments and semi-government organisations remained steady during the reporting period. Accordingly, the Group's overall revenue rose by HK\$7.9 million, or 6.7% to HK\$125.3 million (2020: HK\$117.4 million).

As reported last year, the Group's Solutions Services business had adjourned the capitalisation of the development costs for software enhancement project of the Customer Care and Billing System (the "CCBS") and charged HK\$4.2 million (2020: capitalised HK\$4.3 million) to the profit or loss statement. As a result, the growth rate of cost of sales and services was larger than the revenue growth in the first half of 2021. The gross profit margin was dropped to 53.1% (2020: 56.1%) while the gross profit improved mildly by 1.1% to HK\$66.5 million (2020: HK\$65.8 million).

The total non-operating incomes rose by HK\$2.0 million, or 135.6% to HK\$3.4 million (2020: HK\$1.4 million). The increment was primarily attributed to the gains in valuation of the investment properties and stocks and partially offset by the absence of government subsidy related to the Pandemic and the fall in bank interest income. The overall expenses were generally maintained at the same level compared with same period last year. The income tax expense soared as an effect of the increase in assessable profits generated in Hong Kong.

With the abovementioned, the Group's consolidated net profit attributable to shareholders improved by 7.8% to HK\$21.4 million (2020: HK\$19.9 million). The basic earnings per share also increased to 8.64 HK cents (2020: 8.03 HK cents).

In view of a sustained healthy financial position, the Board declared the distribution of an interim dividend of 6 HK cents (2020: 5 HK cents) per ordinary share for the six months ended 30 June 2021.

BUSINESS REVIEW

Application Software

The Group's Application Software^[1] business recorded a mild growth in revenue and maintained its profit contributions to the Group.

BUSINESS REVIEW *(continued)*

Application Software *(continued)*

The performance of the Group's Human Resources Management Software ("HRMS") business was steady during the reporting period. The gradual recovery of some industry sectors released the accumulated demands for those add-on modules and services from the Group's installed customer base. However, the Pandemic continued to put pressure and uncertainty to the economy causing corporations to defer their new investment decisions or to reduce their new project size. Despite this setback, the HRMS business managed to conclude new orders from various sectors including leading biopharmaceutical companies, a specialist in sanitation industry and a digital asset management with Financial Technology ("Fintech") company. The business is actively developing new customers with Software as a Service ("SaaS") revenue which may compete with its on-premise software licence income stream. In long term, the development of SaaS business model, which meant to generate more sustainable recurring incomes, could compliment to its strong recurrent maintenance revenue from the existing customers.

The Group's enterprise software business continued its growth momentum during the reporting period. Both Enterprise Information Management Software ("EIMS") business and Enterprise Procurement Management Software ("EPMS") business achieved healthy growths in revenue and double-digit increment in their profit contributions. However, these strong results were partially offset by the sluggish retail market that the Group's Enterprise Retail Management Software ("ERMS") business was facing.

The strong customer base continued to provide the Group's EIMS business with stable recurring maintenance income and new opportunities. The business continued to acquire new clients from the healthcare industry and the financial service sector. The upgraded modules of VITOVA workflow and e-Form also generated promising market demands.

The Group's EPMS flagship product, ProSmart, remained a proven and competitive solution to enterprises in uplifting the procurement practices and the compliance procedures conforming the corporate governance standard. During the reporting period, the business was managed to sign up one of the largest non-profit organisations in Hong Kong. The strong and expanding installation base of ProSmart not only provided the business strong recurring SaaS and maintenance incomes, but also established a strong reference to attract new prospects.

As mentioned, the Group's ERMS business faced difficult operating environment as the retail industry outside of China was not recovering well from the Pandemic. Despite the business reported a lower profit contribution to the Group, it was expected that the performance would be improved in the second half of the year as some clients would resume their on-hold projects.

With years of experiences in developing a strong foundation framework to linkup various software products, the evolution had been realised during the reporting period. The form builder module and workflow engine were integrated smoothly in the software products' architecture and generated a new form of business through self-sustainable automation. Benefit from the investment in CISC Limited ("CISC") in 2020, the Group also started a series of research related to big data and artificial intelligence ("AI") that would enrich the software business offerings in the future.

Apart from our investment in research and development ("R&D"), the Group is actively expanding the technical resources and exploring business expansion in the Greater Bay Area. Additional management and support resources were recruited to promote the Group's software business in such area.

Solutions and Integration Services

The revenue of the Group's Solutions and Integration Services^[2] business improved by HK\$1.4 million, or 3.2% to HK\$45.2 million (2020: HK\$43.8 million). On the contrary, the profit contribution dropped by HK\$3.7 million, or 34.6% to HK\$6.9 million (2020: HK\$10.6 million) as the Solutions Services business had stopped the capitalisation and directly absorbed the development costs for the CCBS's software enhancements project of HK\$4.2 million (2020: capitalised HK\$4.3 million) in the current period's profit or loss statement. The performance of the business would be improved by 4.7% if the development costs were booked as per previous practice.

BUSINESS REVIEW *(continued)*

Solutions and Integration Services *(continued)*

Benefiting from the variation orders awarded last year, the Managed Services^[2] under the Group's Solutions Services business generated more revenue from the CCBS of the Water Supplies Department under the HKSAR Government (the "Government"). Besides, the implementation schedule of the CCBS's software enhancements project was on track with completion target in 2022.

The performance of Development Services^[2] under the Group's Solutions Services business was stable during the reporting period. Various Government departments, a public transportation body and a power utility conglomerate had awarded new orders to the Group continuously.

The Group's Integration Services^[2] business in the PRC was improved in the first two quarters of 2021 and contributed to increase in both revenue and profit contribution.

e-Service and related business

The Group's GETS^[3] business was benefitted from recovery of the global trading environment and recorded growth in revenue during the reporting period. Apart from the revenue growth, the performance was further improved by the effective control of various operating costs of the business.

Investments

The Group's Investments segment experienced a turnaround and recorded profit of HK\$2.5 million (2020: loss of HK\$4.5 million) during the reporting period. The difference was made through the increased rental income and valuation gains from investment properties and financial assets because of the strengthened financial markets.

PROSPECT

The prospects of the Group in the rest of the year will be hinged critically on how fast the Pandemic can be fully contained. Looking forward, the Pandemic will have continuous impact in different business segments and the life of every individual. The Group will stay alert to the Pandemic and impose necessary measures to minimise any negative impact to our business and our people. Focusing on the product R&D, exploring business acquisition opportunities and expanding the Group's businesses in the Greater Bay Area in post Pandemic period will be the key management directions in the foreseeable future.

Footnotes:

- [1] The Group's Application Services business engages in the provision of enterprise applications software and e-business services for enterprises including (i) the provision of enterprise applications software with implementation and ongoing support services for Human Resource Management, Enterprise Procurement Management, Enterprise Information Management and Enterprise Retail Management (collectively the "Application Software"); and (ii) the Government Electronic Trading Services ("GETS"), cloud services and other related-value added services (collectively the "e-Service and related business").
- [2] The Group's Solutions and Integration Services business mainly includes (i) Development Services for the provision of IT solutions implementation and application software development; (ii) Managed Services for the provision of IT and related operation /infrastructure outsourcing services; and (iii) Integration Services for the provision of IT systems and network infrastructure with related design, implementation and ongoing support services.
- [3] Since 2004, the Group has been granted a licence (the "GETS Licence") from the Government for the provision of front-end Government Electronic Trading Services for processing certain official trade-related documents. The Group's GETS Licence was further renewed in early 2018 for operation of additional six years until the end of 2024.

FINANCIAL REVIEW

Revenue and gross profit

The Group's revenue increased by HK\$7.9 million, or 6.7% to HK\$125.3 million (2020: HK\$117.4 million). The increment was attributed to the improved performances from all business segments during the reporting period.

However, the cost of sales and services rose by HK\$7.1 million, or 13.8% to HK\$58.7 million (2020: HK\$51.6 million). The increase was primarily due to the fact that the Group's Solutions Services business had stopped capitalising the development costs for the CCBS software enhancement project and charged HK\$4.2 million (2020: capitalised HK\$4.3 million) to the profit or loss statement. The cost of the Group's Application Software also went up following the increase in its R&D spending and the acquisition of CISC in July 2020. As a result, the gross profit slightly improved by HK\$0.7 million, or 1.1% to HK\$66.5 million (2020: HK\$65.8 million) while the gross profit margin was dropped to 53.1% (2020: 56.1%).

Non-operating incomes and gains, net (included other income and gains, net, foreign exchange differences, net and fair value gains/(losses), net)

Non-operating incomes and gains, net (included other income and gains, net, foreign exchange differences, net, and fair value gains/(losses), net) increased by HK\$2.0 million, or 135.6% to HK\$3.4 million (2020: HK\$1.4 million). The strengthened Hong Kong stock and property markets in the first half of this year contributed valuation gains of HK\$1.2 million (2020: loss of HK\$4.1 million) to the Group, whereas the interest rate cut and the absence of government subsidies under Employment Support Scheme reduced the non-operating incomes by HK\$0.9 million and HK\$2.4 million, respectively.

Expenses

Overall expenses were generally in line with the last period. The income tax expense soared as an effect of the increase in assessable profits generated in Hong Kong.

Non-current assets

Owing to the amortisation of other intangible assets and the depreciation of property, plant and equipment, the Group's non-current assets as at 30 June 2021 slightly decreased by HK\$4.9 million, or 1.8% to HK\$269.3 million (31 December 2020: HK\$274.3 million).

Current assets

The Group's current assets as at 30 June 2021 decreased by 2.5% to HK\$383.2 million (31 December 2020: HK\$393.0 million). The change was mainly attributed to the net effect of (i) the increase in trade receivables and contract assets as there were increased number of progress developments billed and pending to bill by end of June 2021; (ii) the decrease in prepayments, deposits and other receivables in view of less prepayment made to the suppliers; and (iii) the decrease in cash and bank balances after the despatch of 2020 final dividend in June 2021.

The Group maintains strict controls over its outstanding trade receivables and considered that the trade receivables (net of loss allowance) were all recoverable in the foreseeable future.

Current liabilities and non-current liabilities

The Group's current and non-current liabilities dropped by HK\$6.9 million, or 4.6% to HK\$144.8 million (31 December 2020: HK\$151.7 million). The change was the net effect of the decrease in trade payables, bonus provision and lease liabilities and the increase in deferred maintenance services revenue under contract liabilities.

FINANCIAL REVIEW(continued)

Segment assets and liabilities

Segment assets and segment liabilities of Applications Services business dropped in line with the decrease in other intangible assets, trade receivables, trade payables, accruals and contract liabilities.

Segment assets of Solutions and Integration Services business increased owing to the increase in trade receivables while the segment liabilities of the business increased due to the increase in contract liabilities.

Segment assets of Investments business increased as there were valuation gains for both investment properties and financial assets.

Equity attributable to owners of the parent

Total equity attributable to owners of the parent as at 30 June 2021 slightly dropped by HK\$7.6 million, or 1.5% to HK\$505.6 million (31 December 2020: HK\$513.2 million). The change was mainly the net results of the profit earned in first half of 2021, the purchase of shares held under the restricted share award scheme and the payment of 2020 final dividend.

TREASURY POLICIES

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the period under review. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

PLEDGE OF ASSETS

As at 30 June 2021, the Group had pledged an investment property with a fair value of HK\$63.5 million (31 December 2020: HK\$63.0 million), listed debt and equity securities of HK\$8.1 million (31 December 2020: HK\$7.3 million) and bank balances of HK\$0.9 million (31 December 2020: HK\$0.7 million) to secure certain general bank facilities including guarantee/performance bonds facilities granted to the Group/subsidiaries of the Company in aggregate of HK\$112.1 million (31 December 2020: HK\$112.0 million) of which HK\$21.6 million (31 December 2020: HK\$21.6 million) have been utilised as at 30 June 2021.

FINANCIAL RESOURCES AND LIQUIDITY

As at 30 June 2021, the Group's cash and cash equivalents were HK\$283.2 million (31 December 2020: HK\$295.6 million).

All of the Group's on hand fundings are in Hong Kong dollars, Renminbi and US dollars. The Group has not adopted any hedging policies, as these currencies carry relatively low exchange fluctuation risks. Nevertheless, the Group had been monitoring the foreign exchange exposures closely and hedging any significant foreign currency exposure in order to minimise the exchange risk should the needs arose.

As at 30 June 2021, the Group had no bank borrowings (31 December 2020: Nil). The Group's current ratio representing current assets divided by current liabilities was 3.0 (31 December 2020: 2.9) and the gearing ratio, representing total liabilities divided by total assets, was 22.2% (31 December 2020: 22.7%).

REMUNERATION POLICY AND NUMBER OF EMPLOYEES

The Group remunerates its employees based on their performance, working experience and prevailing market conditions. Apart from basic salary, discretionary bonus and other incentives are offered to employees of the Group to reward their performance and contributions.

The remuneration policies adopted for the six months ended 30 June 2021 are consistent with those disclosed in the Group's 2020 Annual Report. As at 30 June 2021, the Group employed 354 full time employees and 8 part time employees (31 December 2020: 373 full time employees and 6 part time employees).

As at 30 June 2021, the Company operates a share option scheme and a share award scheme for the purpose of providing incentives and rewards to the employees who contribute to the success of the Group's operations as well as to retain them for the continual development of the Group.

SIGNIFICANT INVESTMENTS

Save as disclosed in the announcement, the Group had no significant investments held as at 30 June 2021.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

The Group did not have any material acquisition or disposal of subsidiaries during the period and up to the date of this announcement.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

There was no specific plan for material investments or capital assets as at 30 June 2021.

CONTINGENT LIABILITIES

Save as disclosed in the announcement, the Group has no material contingent liabilities as at 30 June 2021.

INTERIM DIVIDEND

The Board declared the payment of an interim dividend of HK\$0.06 (2020: an interim dividend of HK\$0.05) per ordinary share for the six months ended 30 June 2021.

CLOSURE OF THE REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Wednesday, 1 September 2021 to Thursday, 2 September 2021, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Tuesday, 31 August 2021. The dividend will be distributed on or about Wednesday, 15 September 2021 to shareholders whose names appear on the Register of Members of the Company on Thursday, 2 September 2021.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the period, the trustee of the Company's restricted share award scheme had, pursuant to the terms of the rules and trust deed of such scheme, purchased from the market a total of 174,000 shares of the Company being the awarded restricted shares. The total amount paid to acquire these shares during the period was approximately HK\$471,000.

Except as disclosed above, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standard of corporate governance within a sensible framework with an emphasis on the principles of integrity, transparency and accountability. The Board believes that good corporate governance is essential to the success of the Company and to the enhancement of shareholders' value.

The Board opined that the Company has complied with the code provision set out in the Corporate Governance Code (the "CG code") as stipulated in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") during the reporting period except on the deviations noted below.

The CG code provision A.2.1 stipulates that the roles of chairman and chief executive officer ("CEO") should be separate and should not be performed by the same individual. As disclosed in the announcement dated 30 December 2019, Mr. Cheung Wai Lam has been re-designated from an executive director of the Company and the CEO to an executive director effective 1 January 2020.

Mr. Poon Ka Chi, William has been appointed as the deputy CEO of the Group with effect from 1 August 2018. Deputy CEO mainly focuses on certain business operations and administrative functions of the Group, assists the Board to formulate strategies for the Group and to make sure they are implemented successfully. With the present board structure and scope of business, the Board considers that there is no imminent need to appoint a CEO. However, the Board will continue to review the effectiveness of the Group's corporate governance structure and will consider whether any changes, including the appointment of a CEO, are necessary.

The Company considers that sufficient measures have been taken to ensure that its corporate governance practices are similar to those provided in the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its code of conduct for dealings in securities of the Company by the directors. Based on a specific enquiry of the Company's directors, the directors have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2021.

RISK MANAGEMENT FRAMEWORK

The Group has established an effective risk governance and management framework in line with the requirements set out by the Listing Rules and other regulations. This framework was built around a structure that enables the Board and the management to discharge their risk management-related responsibilities with appropriate delegation as well as checks and balances. These responsibilities included defining risk appetite in accordance with the Group's business strategies and objectives, formulating risk policies that govern the execution of those strategies, and establishing procedures and limits for the approval, control, monitoring and remedy of risks.

The members of the Risk Management Committee positioned at the highest level of the Group's risk governance structure under the Board. Members included three executive directors and one independent non-executive director. The Risk Management Committee had direct involvements in formulating the Group's risk appetite, and determined the levels of risk that the Group is willing to undertake with reference to its financial capacity, strategic direction, prevailing market conditions and regulatory requirements.

The Risk Management Committee will continuously ensure the Group's risk appetite is realistically reflected in the policies and procedures that the management adopted in executing its business functions. The Risk Management Committee will regularly review the Group's risk management framework and ensure that all important risk-related tasks are performed according to established policies and with appropriate resources.

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, risk management and internal controls. The Audit Committee comprises three independent non-executive directors of the Company. The interim condensed consolidated financial statements for the six months ended 30 June 2021 have not been audited, but the Audit Committee has discussed with the management of the Company and the external auditors, Ernst & Young, on the appropriateness and consistency of the accounting policies that have been adopted by the Company. The Audit Committee has reviewed the interim results and the interim report of the Group for the six months ended 30 June 2021.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This announcement is published on the Stock Exchange's website (www.hkexnews.hk) and the Company's website (www.ctil.com). The 2021 interim report will be published on the Stock Exchange's website (www.hkexnews.hk) and the Company's website (www.ctil.com) and also to be despatched to the shareholders of the Company in due course.

APPRECIATIONS

On behalf of the Board and the management, I would like to express our sincere thanks to all employees, shareholders, customers and business partners for their supports to the Group during the reporting period.

By Order of the Board
Computer And Technologies Holdings Limited
Ng Cheung Shing
Chairman

Hong Kong, 16 August 2021

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