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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 2018

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 2018 together with the comparative figures. These 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	
		2018	2017
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
REVENUE	5	130,818	118,193
Cost of sales and services		<u>(57,563)</u>	<u>(54,515)</u>
Gross profit		73,255	63,678
Other income and gains, net	5	4,637	5,101
Foreign exchange differences, net		32	3
Fair value gains/(losses), net:			
Financial assets at fair value through profit or loss		(285)	738
Investment properties		3,000	1,440
Selling and distribution expenses		(16,197)	(16,225)
General and administrative expenses, net		(27,063)	(27,188)
Other expenses		<u>(3,011)</u>	<u>(3,011)</u>
PROFIT BEFORE TAX	6	<u>34,368</u>	<u>24,536</u>

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

		For the six months ended 30 June	
		2018	2017
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
PROFIT BEFORE TAX	6	34,368	24,536
Income tax expense	7	<u>(4,178)</u>	<u>(1,727)</u>
PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT		<u>30,190</u>	<u>22,809</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
	9	HK cents	HK cents
Basic		<u>12.47</u>	<u>9.42</u>
Diluted		<u>12.45</u>	<u>9.39</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2018 (Unaudited) <i>HK\$'000</i>	2017 (Unaudited) <i>HK\$'000</i>
PROFIT FOR THE PERIOD	<u>30,190</u>	<u>22,809</u>
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>(1,463)</u>	<u>1,816</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT	<u>28,727</u>	<u>24,625</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2018 (Unaudited) <i>HK\$'000</i>	31 December 2017 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment	10	3,522	3,950
Investment properties	11	74,255	71,255
Goodwill	12	134,485	134,485
Other intangible assets	13	50,970	49,706
Available-for-sale investment	14	-	1,780
Financial assets at fair value through profit or loss	16	4,312	2,544
Deferred tax assets	18	2,599	2,984
		270,143	266,704
CURRENT ASSETS			
Inventories		1,382	1,433
Trade receivables	15	59,443	41,363
Prepayments, deposits and other receivables		20,512	15,466
Due from contract customers		19,122	16,276
Financial assets at fair value through profit or loss	16	10,584	10,857
Tax recoverable		8,433	8,433
Pledged bank deposits		1,411	1,071
Cash and cash equivalents		258,902	246,547
		379,789	341,446
CURRENT LIABILITIES			
Trade payables, other payables and accruals	17	100,870	74,274
Due to contract customers		25,685	20,407
Deferred revenue		45,582	35,969
Tax payable		12,543	9,285
		184,680	139,935
NET CURRENT ASSETS		195,109	201,511
TOTAL ASSETS LESS CURRENT LIABILITIES		465,252	468,215
NON-CURRENT LIABILITIES			
Deferred tax liabilities	18	14,883	15,247
Net assets		450,369	452,968

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

	30 June 2018 (Unaudited) HK\$'000	31 December 2017 (Audited) HK\$'000
EQUITY		
Equity attributable to owners of the parent		
Issued capital	24,419	24,419
Share premium account	38,493	38,493
Shares held under the restricted share award scheme	(4,478)	(1,919)
Other reserves	391,935	362,879
Proposed final and special dividends	-	29,096
	<hr/>	<hr/>
Total equity	450,369	452,968

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the parent											
	Issued capital	Share premium account	Shares held under the restricted share award scheme	Other reserves							Proposed final and special dividends	Total equity
				Share-based payment reserve	Goodwill reserve	Asset revaluation reserve	Available-for-sale investment revaluation reserve	Reserve funds	Exchange fluctuation reserve	Retained profits		
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 2017	24,419	38,493	(2,447)	2,745	(7,227)	1,972	721	733	(1,749)	359,615	24,207	441,482
Profit for the period	-	-	-	-	-	-	-	-	-	22,809	-	22,809
Other comprehensive income for the period:												
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	-	1,816	-	-	1,816
Total comprehensive income for the period	-	-	-	-	-	-	-	-	1,816	22,809	-	24,625
Vesting of shares held under the restricted share award scheme	-	-	260	(260)	-	-	-	-	-	-	-	-
Share award arrangements	-	-	-	350	-	-	-	-	-	-	-	350
Transferred from retained profits	-	-	-	-	-	-	-	13	-	(13)	-	-
Final and special 2016 dividends declared	-	-	-	-	-	-	-	-	-	(20)	(24,207)	(24,227)
At 30 June 2017	24,419	38,493	(2,187)	2,835	(7,227)	1,972	721	746	67	382,391	-	442,230

	Attributable to owners of the parent											
	Issued capital	Share premium account	Shares held under the restricted share award scheme	Other reserves							Proposed final and special dividends	Total equity
				Share-based payment reserve	Goodwill reserve	Asset revaluation reserve	Available-for-sale investment revaluation reserve	Reserve funds	Exchange fluctuation reserve	Retained profits		
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 2018	24,419	38,493	(1,919)	2,908	(7,227)	1,972	621	746	3,271	360,588	29,096	452,968
Effect of adoption of new accounting standard (Note 3.2)	-	-	-	-	-	-	(621)	-	-	621	-	-
At 1 January 2018 (restated)	24,419	38,493	(1,919)	2,908	(7,227)	1,972	-	746	3,271	361,209	29,096	452,968
Profit for the period	-	-	-	-	-	-	-	-	-	30,190	-	30,190
Other comprehensive loss for the period:												
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	-	(1,463)	-	-	(1,463)
Total comprehensive income for the period	-	-	-	-	-	-	-	-	(1,463)	30,190	-	28,727
Purchase of shares held under the restricted share award scheme	-	-	(2,811)	-	-	-	-	-	-	-	-	(2,811)
Vesting of shares held under the restricted share award scheme	-	-	252	(252)	-	-	-	-	-	-	-	-
Share award arrangements	-	-	-	491	-	-	-	-	-	-	-	491
Final and special 2017 dividends declared	-	-	-	-	-	-	-	-	-	90	(29,096)	(29,006)
At 30 June 2018	24,419	38,493	(4,478)	3,147	(7,227)	1,972	-	746	1,808	391,489	-	450,369

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

		For the six months ended 30 June	
		2018	2017
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		34,368	24,536
Adjustments for:			
Bank interest income	5	(3,228)	(1,594)
Dividend income from listed investments	5	(326)	(314)
Loss on disposal of items of property, plant and equipment, net	5	-	26
Fair value losses/(gains), net:			
Financial assets at fair value through profit or loss		285	(738)
Investment properties		(3,000)	(1,440)
Depreciation	6	1,320	1,431
Impairment of trade receivables	6	270	651
Reversal of impairment of trade receivables	6	(32)	(34)
Amortisation of other intangible assets	6	3,011	3,011
Equity-settled share-based payment expense		491	350
		<u>33,159</u>	<u>25,885</u>
Decrease/(increase) in inventories		51	(527)
Increase in trade receivables		(18,318)	(7,186)
Decrease/(increase) in prepayments, deposits and other receivables		(5,046)	758
Decrease/(increase) in amounts due from contract customers		(2,846)	1,422
Decrease in trade payables, other payables and accruals		(2,410)	(9,222)
Increase/(decrease) in amounts due to contract customers		5,278	(1,856)
Increase in deferred revenue		9,613	8,812
Cash generated from operations		<u>19,481</u>	<u>18,086</u>
Overseas taxes paid		(943)	(1,114)
Net cash flows from operating activities		<u>18,538</u>	<u>16,972</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash flows from operating activities	<u>18,538</u>	<u>16,972</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Bank interest received	3,228	1,594
Dividends received from listed investments	326	314
Purchases of items of property, plant and equipment	(897)	(553)
Additions to other intangible assets	(4,275)	-
Payment of acquisition consideration payable	-	(14,795)
Proceeds from disposal of items of property, plant and equipment	5	6
Decrease/(increase) in pledged bank deposits	(340)	1,690
Decrease in non-pledged bank deposits with original maturity of more than three months when acquired	46,847	44,920
Net cash flows from investing activities	<u>44,894</u>	<u>33,176</u>
CASH FLOWS USED IN FINANCING ACTIVITIES		
Purchase of shares under the restricted share award scheme	(2,811)	-
Dividends paid	-	(24,227)
Net cash flows used in financing activities	<u>(2,811)</u>	<u>(24,227)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		
	60,621	25,921
Cash and cash equivalents at beginning of period	198,700	170,393
Effect of foreign exchange rate changes, net	(1,419)	1,708
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>257,902</u>	<u>198,022</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents as stated in the condensed consolidated statement of financial position	258,902	212,113
Non-pledged time deposits with original maturity of more than three months when acquired	<u>(1,000)</u>	<u>(14,091)</u>
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	<u>257,902</u>	<u>198,022</u>

NOTES TO FINANCIAL STATEMENTS

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 related services, business process outsourcing, e-business, and related maintenance services;
- provision of system and network integration, information technology (“IT”) solutions development and implementation, and related maintenance 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 2018 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 Standards (“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 financial statements for the year ended 31 December 2017.

3.1 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial information are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2017, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) (which also included HKASs and Interpretations) that affect the Group and are adopted for the first time for the current period’s financial statements.

3.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current period’s financial statements.

Amendments to HKFRS 2	<i>Classification and Measurement of Share-based Payment Transactions</i>
Amendments to HKFRS 4	<i>Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts</i>
HKFRS 9	<i>Financial Instruments</i>
HKFRS 15	<i>Revenue from Contracts with Customers</i>
Amendments to HKFRS 15	<i>Clarifications to HKFRS 15 Revenue from Contracts with Customers</i>
Amendments to HKAS 40	<i>Transfers of Investment Property</i>
HK(IFRIC)-Int 22	<i>Foreign Currency Transactions and Advance Consideration</i>
<i>Annual Improvements to HKFRSs 2014-2016 Cycle</i>	<i>Amendments to HKFRS 1 and HKAS 28</i>

3.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

Except for HKFRS 9 and HKFRS 15 as further explained below, the adoption of the above new and revised standards has had no significant financial effect on these financial statements.

As further explained below, HKFRS 9 and HKFRS 15 were generally adopted by the Group without restating comparative information. As a result of the changes in the Group's accounting policies, certain reclassifications and adjustments are therefore not reflected in the restated statement of financial position as at 31 December 2017, but are recognised in the opening statement of financial position on 1 January 2018.

The following table shows the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. The adjustments are explained in more detail below.

Condensed consolidated statement of financial position (extract)	Balance at 31 December 2017 as originally presented	Re-classification due to HKFRS 9	Balance at 1 January 2018 Restated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Available-for-sale investment	1,780	(1,780)	-
Financial assets at fair value through profit or loss	2,544	1,780	4,324
Available-for-sale investment revaluation reserve	621	(621)	-
Retained profits	<u>360,588</u>	<u>621</u>	<u>361,209</u>

HKFRS 9 Financial Instruments

HKFRS 9 Financial Instruments replaces HKAS 39 Financial Instruments: Recognition and Measurement for annual periods on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting. The Group has applied HKFRS 9 with the initial application date of 1 January 2018. The Group did not restate comparative information and recognised the transition adjustments against the opening balance of equity at 1 January 2018. The effects of adopting HKFRS 9 are summarised as follows:

(a) Classification and measurement

Under HKFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss (FVPL), amortised cost, or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent solely payments of principal and interest on the principal amount outstanding (the 'SPPI criterion').

The assessment of the Group's business model was made as of the date of initial application, 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of HKFRS 9 did not have a significant impact to the Group. The Group continued measuring at fair value all financial assets previously held at fair value under HKAS 39. Investment in a club membership debenture previously classified as available-for-sale investment is now classified and measured as a financial asset at fair value through profit or loss. The available-for-sale investment revaluation reserve of HK\$621,000 related to the investment in a club membership debenture that was previously presented under accumulated other comprehensive income, was reclassified to retained profits as at 1 January 2018.

There are no changes in classification and measurement for the Group's financial liabilities.

(b) Impairment

The adoption of HKFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing HKAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. HKFRS 9 requires the Group to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets. The Group has applied the standard simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic conditions.

3.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

HKFRS 9 Financial Instruments (continued)

(b) Impairment (continued)

The Group has determined that there is no significant impact on the provision for impairment upon the initial adoption of the standard.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 supersedes HKAS 11 Construction Contracts, HKAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

HKFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Group adopted HKFRS 15 using the modified retrospective method of adoption with the date of initial application of 1 January 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group elected to apply the standard to all contracts as at 1 January 2018.

The cumulative effect of initially applying HKFRS 15 is recognised at the date of initial application as an adjustment to the opening balance of retained profits. Therefore, the comparative information was not restated and continues to be reported under HKAS 18 and related Interpretations.

The Group has assessed its performance obligations under its arrangements pursuant to HKFRS 15 and has concluded that the adoption of HKFRS 15 does not have a significant impact and thus, no adjustment was made to the opening balance of retained profits at 1 January 2018.

3.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensation</i> ¹
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ³
HKFRS 16	<i>Leases</i> ¹
HKFRS 17	<i>Insurance Contracts</i> ²
Amendments to HKAS 19	<i>Plan Amendment, Curtailment or Settlement</i> ¹
Amendments to HKAS 28	<i>Long-term Interests in Associates and Joint Ventures</i> ¹
HK(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments</i> ¹
<i>Annual Improvements to HKFRSs 2015-2017 Cycle</i>	Amendments to a number of HKFRSs ¹

¹ Effective for annual periods beginning on or after 1 January 2019

² Effective for annual periods beginning on or after 1 January 2021

³ No mandatory effective date yet determined but available for adoption

The Group is in the process of making an assessment of the impact of the new and revised HKFRSs upon initial application but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on the Group's result of operations and financial position.

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 related operation outsourcing, business process outsourcing and e-business, and related maintenance services;
- (b) the integration and solutions services segment that primarily engages in the sales of computer networks and system platforms, and the provision of system and network integration, IT solutions development and implementation, and related maintenance 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 resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that unallocated interest income, unallocated foreign exchange differences, net, corporate and other unallocated depreciation, 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 period.

4. OPERATING SEGMENT INFORMATION (continued)

(a) Operating segments

	Application Services		Integration and Solutions Services		Investments		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:								
Sales to external customers	76,645	69,584	52,756	47,346	1,417	1,263	130,818*	118,193*
Other income and gains, net	1,082	3,219	-	(26)	327	314	1,409^	3,507^
Total	77,727	72,803	52,756	47,320	1,744	1,577	132,227	121,700
Segment results	26,450	25,851	15,045	8,319	4,147	3,364	45,642	37,534
<i>Reconciliation:</i>								
Unallocated interest income							3,228^	1,594^
Unallocated foreign exchange differences, net							32	3
Corporate and other unallocated depreciation							(885)	(934)
Corporate and other unallocated expenses							(13,649)	(13,661)
Profit before tax							34,368	24,536

	Application Services		Integration and Solutions Services		Investments		Total	
	30 June 2018	31 December 2017	30 June 2018	31 December 2017	30 June 2018	31 December 2017	30 June 2018	31 December 2017
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	213,453	209,600	70,782	47,422	90,041	87,349	374,276	344,371
<i>Reconciliation:</i>								
Corporate and other unallocated assets							275,656	263,779
Total assets							649,932	608,150
Segment liabilities	93,469	87,935	45,229	34,230	813	936	139,511	123,101
<i>Reconciliation:</i>								
Corporate and other unallocated liabilities							60,052	32,081
Total liabilities							199,563	155,182

* This represents the consolidated revenue of HK\$130,818,000 (2017: HK\$118,193,000) in the condensed consolidated statement of profit or loss.

^ These comprise the consolidated other income and gains, net, of HK\$4,637,000 (2017: HK\$5,101,000) in the condensed consolidated statement of profit or loss.

4. OPERATING SEGMENT INFORMATION (continued)

(a) Operating segments (continued)

	Application Services		Integration and Solutions Services		Investments		Total	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Other segment information:								
Net fair value gains on investment properties	-	-	-	-	3,000	1,440	3,000	1,440
Net fair value gains/(losses) on financial assets at fair value through profit or loss	-	-	-	-	(285)	738	(285)	738
Amortisation of other intangible assets	3,011	3,011	-	-	-	-	3,011	3,011
Depreciation	273	323	145	157	17	17	435	497
Corporate and other unallocated depreciation							885	934
							1,320	1,431
Impairment losses recognised in the condensed consolidated statement of profit or loss, net*	238	617	-	-	-	-	238	617
Capital expenditure**	755	126	4,299	12	-	-	5,054	138
Corporate and other unallocated capital expenditure							118	415
							5,172	553

* Including impairment losses recognised in the condensed consolidated statement of profit or loss attributable to the application services segment of HK\$270,000 (2017: HK\$651,000) and impairment losses reversed in the condensed consolidated statement of profit or loss attributable to the application services segment of HK\$32,000 (2017: HK\$34,000).

** 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	
	2018	2017	2018	2017	2018	2017
	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>
Segment revenue:						
Sales to external customers	100,024	88,630	30,794	29,563	130,818	118,193

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

(ii) Non-current assets

	30 June 2018 (Unaudited) <i>HK\$'000</i>	31 December 2017 (Audited) <i>HK\$'000</i>
Hong Kong	122,097	115,465
Mainland China	141,135	143,931
	263,232	259,396

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

(c) Information about major customers

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

For the period ended 30 June 2018, revenue from a major customer of HK\$34,182,000 was derived from the application services segment and the integration and solutions services segment.

For the period ended 30 June 2017, revenue from a major customer of HK\$30,893,000 was derived from the application services segment and the integration and solutions services segment.

5. REVENUE, OTHER INCOME AND GAINS, NET

Revenue represents the aggregate of the invoiced value of goods sold, net of trade discounts, returns and sales related tax, where applicable; fees earned from the provision of enterprise applications software, related operation outsourcing, business process outsourcing, e-business, system and network integration, IT solutions development and implementation and related services; fees earned from the provision of maintenance services; gross rental income earned from investment properties; and interest income earned from treasury investments during the period.

An analysis of revenue, other income and gains, net is as follows:

	For the six months ended 30 June	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Revenue		
Provision of enterprise applications software and related operation outsourcing, business process outsourcing and e-business, and related maintenance services	76,645	69,584
Sales of computer networks and system platforms, and the provision of system and network integration, IT solutions development and implementation, and related maintenance services	52,756	47,346
Gross rental income from investment properties and interest income from treasury investments	<u>1,417</u>	<u>1,263</u>
	<u>130,818</u>	<u>118,193</u>
Other income and gains, net		
Tax refund received	904	3,218
Bank interest income	3,228	1,594
Dividend income from listed investments	326	314
Loss on disposal of items of property, plant and equipment, net	-	(26)
Others	<u>179</u>	<u>1</u>
	<u>4,637</u>	<u>5,101</u>

6. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2018	2017
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Depreciation [^]	1,320	1,431
Amortisation of other intangible assets**	3,011	3,011
Minimum lease payments under operating leases	3,334	3,331
Impairment of trade receivables	270	651
Reversal of impairment of trade receivables	<u>(32)</u>	<u>(34)</u>

[^] Depreciation for the period of HK\$9,000 (2017: HK\$8,000) 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\$3,011,000 (2017: 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% (six months ended 30 June 2017: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

	For the six months ended 30 June	
	2018	2017
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Current – Hong Kong		
Charge for the period	3,152	2,433
Current – Elsewhere		
Charge for the period	936	744
Under/(over)provision in prior years	119	(8)
Deferred	<u>(29)</u>	<u>(1,442)</u>
Total tax charge for the period	<u>4,178</u>	<u>1,727</u>

8. DIVIDENDS

- a. Subsequent to the end of the interim period, the Board has determined that an interim dividend of 9 HK cents (2017: an interim dividend of 7 HK cents and a special dividend of 3 HK cents) in cash per ordinary share should be paid to the shareholders of the Company whose names appear in the Register of Members on Thursday, 6 September 2018.
- b. Dividends attributable to the previous financial year approved during the interim period.

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Final and special dividends in respect of the previous financial year, approved and paid during the interim period of HK\$0.12 (2017: final and special dividends of HK\$0.10) per ordinary share	29,303	24,420
<i>Less:</i> Dividend for shares held under the Company's restricted share award scheme	<u>(297)</u>	<u>(193)</u>
	<u>29,006</u>	<u>24,227</u>

At the Board meeting held on 13 March 2018, the board of directors recommended the payment of a final dividend of 7 HK cents and a special dividend of 5 HK cents per ordinary share of the Company for the year ended 31 December 2017 (the "2017 Dividends") by way of cash, with a scrip dividend alternative. The 2017 Dividends were approved at the annual general meeting of the Company held on 23 May 2018 and were payable to shareholders of the Company whose names appeared on the register of members of the Company on 30 May 2018. Accordingly, a liability of HK\$29,006,000 had been recognised as at 30 June 2018. Further details of the 2017 Dividends were set out in the Company's circulars dated 20 April 2018 and 12 June 2018. The 2017 Dividends were paid and/or despatched on 11 July 2018.

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

The calculation of 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 242,056,126 (2017: 242,137,734) in issue during the period, as adjusted to exclude the shares held under the restricted share award scheme of the Company.

The calculation of 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 exercise or conversion of all dilutive potential ordinary shares granted under the share option scheme of the Company and the deemed vesting of all dilutive restricted shares of the Company awarded under the restricted share award scheme of the Company into ordinary shares.

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT *(continued)*

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.

	Number of shares	
	2018	2017
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	242,056,126	242,137,734
Effect of dilution – weighted average number of ordinary shares:		
Restricted shares awarded under the Company’s restricted share award scheme	<u>490,360</u>	<u>729,420</u>
	<u>242,546,486</u>	<u>242,867,154</u>

10. PROPERTY, PLANT AND EQUIPMENT

	30 June	31 December
	2018	2017
	(Unaudited)	(Audited)
	HK\$’000	HK\$’000
Net carrying amount, at 1 January	3,950	5,860
Additions	897	914
Disposals (net book value)	(5)	(34)
Depreciation provided during the period/year	(1,320)	(2,833)
Exchange realignment	<u>-</u>	<u>43</u>
Net carrying amount, at 30 June/31 December	<u>3,522</u>	<u>3,950</u>

11. INVESTMENT PROPERTIES

	30 June	31 December
	2018	2017
	(Unaudited)	(Audited)
	HK\$’000	HK\$’000
Carrying amount at 1 January	71,255	67,665
Net gains from fair value adjustments	<u>3,000</u>	<u>3,590</u>
Carrying amount, at 30 June/31 December	<u>74,255</u>	<u>71,255</u>

12. GOODWILL

HK\$'000

31 December 2017

Cost and carrying amount at 1 January 2017 and 31 December 2017

134,485

HK\$'000

30 June 2018

Cost and carrying amount at 1 January 2018 and 30 June 2018

134,485

13. OTHER INTANGIBLE ASSETS

	Deferred development costs* <i>HK\$'000</i>	Customer relationships <i>HK\$'000</i>	Software <i>HK\$'000</i>	Total <i>HK\$'000</i>
30 June 2018				
Cost at 1 January 2018, net of accumulated amortisation and impairment	4,127	10,634	34,945	49,706
Additions	4,275	-	-	4,275
Amortisation provided during the period	<u>-</u>	<u>(827)</u>	<u>(2,184)</u>	<u>(3,011)</u>
At 30 June 2018	<u>8,402</u>	<u>9,807</u>	<u>32,761</u>	<u>50,970</u>
At 30 June 2018				
Cost	21,428	14,767	43,681	79,876
Accumulated amortisation and impairment	<u>(13,026)</u>	<u>(4,960)</u>	<u>(10,920)</u>	<u>(28,906)</u>
Net carrying amount	<u>8,402</u>	<u>9,807</u>	<u>32,761</u>	<u>50,970</u>

13. OTHER INTANGIBLE ASSETS *(continued)*

	Deferred development costs* <i>HK\$'000</i>	Customer relationships <i>HK\$'000</i>	Software <i>HK\$'000</i>	Total <i>HK\$'000</i>
31 December 2017				
Cost at 1 January 2017, net of accumulated amortisation and impairment	-	12,290	39,313	51,603
Additions	4,127	-	-	4,127
Amortisation provided during the year	-	(1,656)	(4,368)	(6,024)
At 31 December 2017	<u>4,127</u>	<u>10,634</u>	<u>34,945</u>	<u>49,706</u>
At 31 December 2017				
Cost	17,153	14,767	43,681	75,601
Accumulated amortisation and impairment	<u>(13,026)</u>	<u>(4,133)</u>	<u>(8,736)</u>	<u>(25,895)</u>
Net carrying amount	<u>4,127</u>	<u>10,634</u>	<u>34,945</u>	<u>49,706</u>

* During the period, additions of other intangible assets of HK\$4,275,000 (31 December 2017: HK\$4,127,000) were developed internally.

14. AVAILABLE-FOR-SALE INVESTMENT

	30 June 2018 (Unaudited) <i>HK\$'000</i>	31 December 2017 (Audited) <i>HK\$'000</i>
Club membership debenture, at fair value	<u>-</u>	<u>1,780</u>

15. TRADE RECEIVABLES

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

	30 June 2018 (Unaudited) HK\$'000	31 December 2017 (Audited) HK\$'000
Within 1 month	45,021	29,190
1 to 3 months	8,949	9,366
4 to 6 months	2,286	1,084
7 to 12 months	<u>3,187</u>	<u>1,723</u>
	<u>59,443</u>	<u>41,363</u>

For system integration projects and the provision of maintenance services and software development services, 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 90 days, except for certain projects with longer implementation schedules where the period may extend beyond 90 days, or may be extended for major or specific customers. 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 these balances. Trade receivables are non-interest-bearing.

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2018 (Unaudited) HK\$'000	31 December 2017 (Audited) HK\$'000
Debt investments, at market value	4,312	2,544
Listed equity investments, at market value	<u>10,584</u>	<u>10,857</u>
	14,896	13,401
Portion classified as current assets	<u>(10,584)</u>	<u>(10,857)</u>
	4,312	2,544
Portion classified as non-current assets		

The debt investments were designated upon initial recognition as financial assets at fair value through profit or loss as they are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the investment is provided internally on that basis to the Group's key management personnel.

The listed equity investments were all included under current assets at 30 June 2018 and 31 December 2017 and were classified as held for trading.

17. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	30 June 2018 (Unaudited) HK\$'000	31 December 2017 (Audited) HK\$'000
Trade payables	28,139	25,306
Other payables	30,409	29,874
Accruals	13,316	19,094
2017 Dividends payable to ordinary shareholders	29,006	-
	<u>100,870</u>	<u>74,274</u>

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 2018 (Unaudited) HK\$'000	31 December 2017 (Audited) HK\$'000
Within 1 month	25,118	21,493
1 to 3 months	1,945	2,807
4 to 6 months	678	547
Over 6 months	398	459
	<u>28,139</u>	<u>25,306</u>

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

18. DEFERRED TAX

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

Deferred tax assets

	2018 Temporary differences of deferred revenue HK\$'000
At 1 January 2018	2,984
Deferred tax charged to the condensed consolidated statement of profit or loss during the period	(335)
Exchange differences	(50)
At 30 June 2018	<u>2,599</u>

18. DEFERRED TAX (continued)

Deferred tax liabilities

	2018			
	Revaluation of properties <i>HK\$'000</i>	Fair value adjustments arising from acquisition of subsidiaries <i>HK\$'000</i>	Withholding taxes <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2018	1,526	11,008	2,713	15,247
Deferred tax charged/(credited) to the condensed consolidated statement of profit or loss during the period	-	(715)	351	(364)
At 30 June 2018	<u>1,526</u>	<u>10,293</u>	<u>3,064</u>	<u>14,883</u>

Deferred tax assets

	2017 Temporary differences of deferred revenue <i>HK\$'000</i>
At 1 January 2017	2,994
Deferred tax charged to the consolidated statement of profit or loss during the year	(214)
Exchange differences	<u>204</u>
At 31 December 2017	<u>2,984</u>

Deferred tax liabilities

	2017			
	Revaluation of properties <i>HK\$'000</i>	Fair value adjustments arising from acquisition of subsidiaries <i>HK\$'000</i>	Withholding taxes <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2017	1,378	12,438	3,658	17,474
Deferred tax charged/(credited) to the Consolidated statement of profit or loss during the year	148	(1,430)	(665)	(1,947)
Tax paid	-	-	(280)	(280)
At 31 December 2017	<u>1,526</u>	<u>11,008</u>	<u>2,713</u>	<u>15,247</u>

19. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 11) under operating lease arrangements, with leases negotiated for terms ranging from one to two years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 30 June 2018, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 June 2018 (Unaudited) HK\$'000	31 December 2017 (Audited) HK\$'000
Within one year	2,708	2,797
In the second to fifth years, inclusive	<u>783</u>	<u>2,089</u>
	<u>3,491</u>	<u>4,886</u>

(b) As lessee

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to four years.

At 30 June 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2018 (Unaudited) HK\$'000	31 December 2017 (Audited) HK\$'000
Within one year	3,144	5,754
In the second to fifth years, inclusive	<u>2,330</u>	<u>2,998</u>
	<u>5,474</u>	<u>8,752</u>

20. CONTINGENT LIABILITIES

At the end of the reporting period, contingent liabilities not provided for in the financial information 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\$27,800,000 (31 December 2017: HK\$27,800,000), of which HK\$22,626,000 (31 December 2017: HK\$20,537,000) were utilised as at 30 June 2018.

21. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

The interim financial statements were approved and authorised for issue by the board of directors on 21 August 2018.

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-month ended 30 June 2018.

Attributed to the improved performances from both Application Software^[1] and Solutions Services^[2] businesses, the Group's overall revenue rose by HK\$12.6 million, or 10.7% to HK\$130.8 million (2017: HK\$118.2 million). The overall gross profit of the Group improved by HK\$9.6 million, or 15.0% to HK\$73.3 million and more positively, the gross profit margin also increased 2.1% to 56.0% (2017: 53.9%) comparing same period last year.

The total non-operating incomes during the reporting period were almost the same as previous period in effect that the increased bank interest income and revaluation gain from investment properties were offset by the decrease in tax refund received from PRC operation and insignificant valuation loss in the financial assets.

As a result of the increased assessable profits and the absence of reversal of tax provision, income tax expense increased significantly by 141.9% to HK\$4.2 million (2017: HK\$1.7 million) compared with same period last year.

With the abovementioned, the Group's consolidated net profit attributable to shareholders jumped up by 32.4% to HK\$30.2 million (2017: HK\$22.8 million). The basic earnings per share soared to 12.47 HK cents (2017: 9.42 HK cents) or improved by 32.4% compared with same period last year.

In view of improved business performance and in return to the continuous supports from the shareholders, the Board declared the distribution of an interim dividend of 9 HK cents (2017: an interim dividend of 7 HK cents and a special dividend of 3 HK cents) per ordinary share for the six-month ended 30 June 2018 to the shareholders.

BUSINESS REVIEW

Application Software

The Group's Application Software business recorded double-digit growth in both revenue and operating profit excluding the value added tax ("VAT") refund.

The Group's Human Resources Management Software ("HRMS") business continued to expand its customer base and successfully acquired new orders from various industries in the region, including a market leader in local property and facility management industry, a leading environmental services company in Hong Kong and a global language school in PRC. In addition, the Group has been expanding its HRMS on cloud and has successfully recruited a number of new customers during the reporting period. The management believes that there would be increasing demand on the Group's HRMS cloud services which would create additional recurring income stream for the Group.

Apart from the business performance, the Group was recently invited to the China Internet+ Industrial Innovation Development BBS 2018 and the China Economic Summit 2018 in Beijing. At these two major conferences, the Group's HRMS was honoured with three industry accolades, including the "China Internet+ Most Influential HRM Software", "China's Top 10 Innovation Brands: HR Industry" and "Best Payroll Management Software in Greater China"^[3].

BUSINESS REVIEW *(continued)*

Application Software *(continued)*

Building on existing customer base with strong recurring business, the revenue from the Group's Enterprise Retail Management Software ("ERMS") business continued to grow with its ongoing service and maintenance incomes. During the reporting period, the business was awarded major contracts from an international luxury brand and the local major community benefactor to upgrade their existing ERMS throughout the region in the coming years.

The revenue contributed by the Group's Enterprise Procurement Management Software ("EPMS") business was also improved with various new orders acquired in the first half of the year. In particular, the management is glad to report that our EPMS solutions on cloud were awarded long term contracts by The Hong Kong and China Gas Company Limited ("Towngas") and a note-issuing bank in Hong Kong during the reporting period.

On the contrary, the revenue of the Group's Enterprise Information Management Software ("EIMS") was decreased with delay in contract conclusion for new software license sales. The management foresees the performance of EIMS would be rebound in the second half of the year upon the finalisation of the numerous new orders under negotiation.

The Group's R&D efforts continued to solidify with enhanced products/modules launched to the market. During the reporting period, the Group enhanced its HRMS cloud services platform and Work Force Management ("WFM") modules and released Webscan, a smart scanning function embedded in the web-based VitalDoc, an EIMS's flagship product, document management solution.

Solutions and Integration Services

During the reporting period, the Group's Solutions Services team managed to catch up with the project delivery progress left over from previous years. Together with new business concluded during the reporting period, the revenue and profit contributions of Solutions and Integration Services business rose by 11.4% and 80.9%, respectively.

The Group continued to carry on the Managed Services^[2] in supporting the second 10-year services contract (the "Contract") of the Customer Care and Billing System ("CCBS") for the Water Supplies Department under the HKSAR Government (the "Government"). During the reporting period, the Group had incurred development costs of HK\$4.3 million for the certain enhancements of the CCBS under the Contract. It is expected that the related development would be continued for the next 18 to 24 months with the peak demand of resources during the coming twelve months. Consistent with last year's practice, the related development costs were capitalised as deferred development costs during the period under review.

Leveraging on various multi-year service engagements and long term customer relationships established, the Development Services^[2] business continued to acquire new service orders from both the government and commercial enterprises, including Hong Kong Airport Authority, Census and Statistics Department and Marine Department under the Government, during the first half of the year. The management is also delighted to report that the business had successfully acquired a number of new customers including a major property developer and a local note-issuing bank during the reporting period.

The performance of the Group's Integration Services business^[2] in PRC was maintained with no material fluctuation compared with same period last year.

Furthermore, in order to strengthen the management bandwidth and speed up the related business development, the Group had recruited a senior executive with strong background in Solution and Integration business to join the Group in August 2018.

BUSINESS REVIEW *(continued)*

e-Service and related business

The revenue and profit contribution as well as market share of the Group's GETS^[4] business was stably maintained during the reporting period. The business is in the process of providing a full range of e-services with the latest technology to facilitate electronic transmission between our Ge-TS system and the Government gateways under the renewed contract period starting from 1 January 2019.

The Group's BPO^[5] business was dropped slightly during the reporting period.

Investments

Due to the increase in fair value gain of the investment properties, the Group's investments segment recorded an increase in profit of 23.3% to HK\$4.1 million (2017: HK\$3.4 million).

PROSPECT

Looking ahead, the outbreak of the US-China trade war and the impact of US interest rate hikes will continue to impact the global economy in 2018. Amid all the uncertainties, the Group will keep monitoring the business environment cautiously, remain committed to the development of the Application Software and Solutions businesses and accelerate its growth through acquisitions in the region.

Footnotes:

- [1] The Group's Application Services business engages in the provision of application software and e-business services for enterprises including (i) the provision of enterprise application 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, business process outsourcing ("BPO") services and other related value added services (collectively the "e-Service and related business").
- [2] The Group's Solutions and Integration Services business 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 on-going support services.
- [3] The China Internet+ Industrial Innovation Development BBS 2018 was organised by China Information Industry Association in April 2018, gathering the country's internet industry leaders, specialists, enterprises, associations, etc. for in-depth discussion of the borderless internet+ era. The conference also selected and awarded the leaders, enterprises, technologies, product solutions and success cases that are influential to the internet+ market. The Group's HRMS won the "China Internet+ Most Influential HRM Software" in recognition of the product's excellent system design and mobile tech integration.

As an annual recognition event for China's financial industry, the 2018 China Economic Summit attracted nationwide political and trade leaders, economists, entrepreneurs and more than 100 media. In the selection of the "China's Top 10 Innovation Brands: HR Industry", the Group's HRMS was awarded in recognition of its strong industrial influence and outstanding market performance.

PROSPECT *(continued)*

Footnotes: *(continued)*

- ^[4] Since 2004, the Group has been granted a license (the “GETS License”) from the Government for the provision of front-end Government Electronic Trading Services for processing certain official trade-related documents. The Group’s GETS License was further renewed in early 2018 for operation of additional six years until the end of 2024.
- ^[5] The Group’s BPO business comprises the provision of services for the operations and support of specific business functions or processes of customers.

FINANCIAL REVIEW

Revenue and gross profit

Benefited from the improved performance of both Application Software and Solutions Services businesses, the Group’s overall turnover and gross profit for the reporting period increased by 10.7% to HK\$130.8 million (2017: HK\$118.2 million) and 15.0% to HK\$73.3 million (2017: HK\$63.7 million), respectively.

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

Non-operating incomes and gains (included other incomes and gains, net, foreign exchange differences, net, and fair value gains/(losses), net) maintained at around HK\$7.4 million (2017: HK\$7.3 million). The change was primarily due to a mix of the following matters.

VAT refund

In the absence of VAT refund for sales of software license in prior years, the refund amount for the period was significantly dropped by 71.9% to HK\$0.9 million (2017: HK\$3.2 million).

Interest income

Bank interest income increased by 102.5% to HK\$3.2 million resulting from the increase in amount of cash available for deposits and the upward trend of the deposit rates being offered.

Fair value gain on investment properties, net

The continuous appreciation in an investment property held by the Group contributed a fair value gain of HK\$3.0 million (2017: HK\$1.4 million) during the reporting period.

Expenses

The Group’s overall expenses incurred were basically in line with same period last year.

Income tax expense

Due to the increase in assessable profits and the absence of reversal of tax provision, the income tax expense increased significantly by 141.9% to HK\$4.2 million (2017: HK\$1.7 million) compared with same period last year.

The Group’s overall effective tax rate in 2018 had been moved up to 12.2% from 7.0% in 2017. The effective tax rate was lower than the Hong Kong statutory profits tax rate because several types of onshore incomes/gain, including dividend, bank interest income and fair value gain from the revaluation of an investment property, were not subject to the Hong Kong profits tax. Moreover, the effective tax rate was further driven down by the recognition of deferred tax credit arising from the amortisation of other intangible assets.

FINANCIAL REVIEW *(continued)*

Net profit

Profit for the period attributable to shareholders increased to HK\$30.2 million (2017: HK\$22.8 million) while the net profit margin (profit for the period attributable to shareholders divided by the revenue) rose to 23.1% (2017: 19.3%). The improvement was in line with the increase in gross profit of the Group.

Non-current assets

The Group's non-current assets as at 30 June 2018 slightly increased by 1.3% to HK\$270.1 million from HK\$266.7 million as at 31 December 2017. The change was primarily arrived after charging of amortisation of other intangible assets and depreciation of property, plant and equipment and addition of deferred development costs arising from a solution project, appreciation of investment properties held and purchase of fixed assets during the period.

Current assets

The Group's current assets as at 30 June 2018 rose by 11.2% to HK\$379.8 million (31 December 2017: HK\$341.4 million). The increment was mainly caused by (i) the increase in cash and bank balances generated from the business operations; (ii) the increase in trade receivable and amount due from contract customers as there were more progress developments billed and pending to be billed by end of June 2018; and (iii) the increase in prepayments, deposits and other receivables due to a prepayment for license support fee with support period starting from the second half of the year.

The Group maintains strict control over its outstanding trade receivables and considers that the trade receivables (net of impairment provision) were all recoverable in the foreseeable future.

Current liabilities

The Group's current liabilities as at 30 June 2018 increased by 32.0% to HK\$184.7 million (31 December 2017: HK\$139.9 million). The increase was primarily due to the recognition of 2017 final and special dividends as a liability and the recognition of deferred income from various maintenance services to be provided by the Application Services and the Solutions Services businesses.

Segment assets and liabilities

Segment assets of Applications Services business increased owing to the increase in trade receivables and amount due from contract customers while the segment liabilities of the business increased in line with the increase in deferred revenue.

Segment assets of Solutions and Integration Services business increased in line with the increase in deferred development costs, trade receivables, prepayments, deposits and other receivables while the segment liabilities increased in line with the increase in deferred revenue.

Segment assets of Investments business increased due to the appreciation in value of an investment property held.

Equity

Total equity as at 30 June 2018 slightly decreased by 0.6% to HK\$450.4 million (2017: HK\$453.0 million). The change was mainly due to the profit earned in first half of 2018 offset by the purchase of shares held under the restricted share award scheme and the declaration of dividends payable for 2017 final results in the annual general meeting held in May 2018.

TREASURY POLICY

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 2018, the Group had pledged an investment property with a fair value of HK\$63.0 million (31 December 2017: HK\$60.0 million), listed debt and equity securities of HK\$13.1 million (31 December 2017: HK\$13.4 million) and bank balances of HK\$1.4 million (31 December 2017: HK\$1.1 million) to secure certain general bank facilities including guarantee/performance bonds facilities granted to the Group/subsidiaries of the Company in aggregate of HK\$106.8 million (31 December 2017: HK\$106.8 million) of which HK\$22.6 million (31 December 2017: HK\$20.5 million) have been utilised as at 30 June 2018.

FINANCIAL RESOURCES AND LIQUIDITY

As at 30 June 2018, the Group's bank balances and cash (excluded pledged bank deposit of HK\$1.4 million) was HK\$258.9 million (31 December 2017: HK\$246.5 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 2018, the Group had no bank borrowings (31 December 2017: Nil). The Group's current ratio representing current assets divided by current liability was 2.1 (31 December 2017: 2.4) and the gearing ratio, representing total liabilities divided by total assets, was 30.7% (31 December 2017: 25.5%).

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 2018 are consistent with those disclosed in the Group's 2017 Annual Report. As at 30 June 2018, the Group employed 331 full time employees and 6 contract-based employees (31 December 2017: 327 full time employees and 6 contract-based employees).

As at 30 June 2018, 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 retain them for the continual development of the Group.

SIGNIFICANT INVESTMENTS

Save as disclosed in the announcement, the Group has no significant investments held as at 30 June 2018.

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 2018.

CONTINGENT LIABILITIES

Save as disclosed in the announcement, the Group has no material contingent liabilities as at 30 June 2018.

INTERIM DIVIDEND

The Board declared the payment of an interim dividend of 9 HK cents (30 June 2017: an interim dividend of 7 HK cents and a special dividend of 3 HK cents) per ordinary share for the six months ended 30 June 2018.

CLOSURE OF THE REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Wednesday, 5 September 2018 to Thursday, 6 September 2018, 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 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Tuesday, 4 September 2018. The dividend will be distributed on or about Friday, 21 September 2018 to shareholders whose names appear on the Register of Members of the Company on Thursday, 6 September 2018.

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 940,000 shares of the Company being the awarded restricted shares. The total amount paid to acquire these 940,000 shares during the year was approximately HK\$2,811,000.

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 reporting 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.

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 2018.

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 Audit Committee has reviewed the Group's consolidated financial statements for the period ended 30 June 2018 with the management the accounting principles and practices adopted by the Group and discussed risk management and internal controls and financial reporting matters related to the preparation of the unaudited interim financial information for the six months ended 30 June 2018.

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 2018 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, 21 August 2018

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.