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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 2020

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 2020 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

	Notes	For the six months ended 30 June	
		2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
REVENUE	5	117,408	133,848
Cost of sales and services		<u>(51,591)</u>	<u>(58,866)</u>
Gross profit		65,817	74,982
Other income and gains, net	5	5,662	4,664
Foreign exchange differences, net		(104)	(246)
Fair value gains/(losses), net:			
Financial assets at fair value through profit or loss		(2,695)	1,410
Investment properties		(1,425)	3,000
Selling and distribution expenses		(16,592)	(17,443)
General and administrative expenses, net		(27,922)	(29,605)
Finance costs		(378)	(614)
Other expenses		<u>(3,011)</u>	<u>(3,011)</u>
PROFIT BEFORE TAX	6	<u>19,352</u>	<u>33,137</u>

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

		For the six months ended 30 June	
		2020	2019
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
PROFIT BEFORE TAX	<i>6</i>	19,352	33,137
Income tax credit/(expense)	<i>7</i>	<u>498</u>	<u>(4,357)</u>
PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT		<u>19,850</u>	<u>28,780</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	<i>9</i>	HK cents	HK cents
Basic		<u>8.03</u>	<u>11.66</u>
Diluted		<u>7.99</u>	<u>11.60</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2020 (Unaudited) <i>HK\$'000</i>	2019 (Unaudited) <i>HK\$'000</i>
PROFIT FOR THE PERIOD	<u>19,850</u>	<u>28,780</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>56</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT	<u>19,906</u>	<u>28,780</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2020 (Unaudited) <i>HK\$'000</i>	31 December 2019 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment	<i>10</i>	2,986	3,183
Investment properties	<i>11</i>	68,666	70,091
Right-of-use assets	<i>12(a)</i>	4,233	8,486
Goodwill	<i>13</i>	134,485	134,485
Other intangible assets	<i>14</i>	61,295	59,999
Financial assets at fair value through profit or loss – debt investment	<i>17</i>	2,100	2,100
Deposits		1,812	1,812
Deferred tax assets	<i>20</i>	2,319	2,288
		277,896	282,444
TOTAL non-current assets			
CURRENT ASSETS			
Inventories		8	597
Trade receivables	<i>15</i>	51,136	50,159
Prepayments, deposits and other receivables		15,705	14,745
Contract assets	<i>16</i>	20,038	20,226
Financial assets at fair value through profit or loss – listed equity investments	<i>17</i>	7,352	10,121
Tax recoverable		5,222	6,674
Pledged bank deposits		2,471	2,541
Financial assets at fair value through profit or loss – money market certificate and debt investments	<i>17</i>	–	45,728
Cash and cash equivalents		249,316	200,730
		351,248	351,521
TOTAL current assets			
CURRENT LIABILITIES			
Trade payables, other payables and accruals	<i>18</i>	(63,746)	(65,023)
Contract liabilities	<i>19</i>	(61,206)	(55,712)
Lease liabilities	<i>12(b)</i>	(5,014)	(5,886)
Tax payable		(4,552)	(9,662)
		(134,518)	(136,283)
TOTAL current liabilities			
NET CURRENT ASSETS		216,730	215,238
TOTAL ASSETS LESS CURRENT LIABILITIES		494,626	497,682

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

		30 June 2020 (Unaudited) <i>HK\$'000</i>	31 December 2019 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
NON-CURRENT LIABILITIES			
Lease liabilities	<i>12(b)</i>	(808)	(3,788)
Deferred tax liabilities	<i>20</i>	<u>(11,805)</u>	<u>(12,515)</u>
Total non-current liabilities		<u>(12,613)</u>	<u>(16,303)</u>
Net assets		<u>482,013</u>	<u>481,379</u>
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		(4,543)	(5,462)
Other reserves		408,503	389,028
Proposed final dividend		<u>-</u>	<u>19,760</u>
Total equity		<u>482,013</u>	<u>481,379</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the parent											
	Issued capital <i>HKS'000</i>	Share premium account <i>HKS'000</i>	Shares held under the restricted share award scheme <i>HKS'000</i>	Other reserves						Retained profits <i>HKS'000</i>	Proposed final dividend <i>HKS'000</i>	Total equity <i>HKS'000</i>
				Share-based payment reserve <i>HKS'000</i>	Goodwill reserve <i>HKS'000</i>	Asset revaluation reserve <i>HKS'000</i>	Reserve funds <i>HKS'000</i>	Exchange fluctuation reserve <i>HKS'000</i>				
At 1 January 2019 (audited)	24,949	53,104	(5,809)	4,246	(7,227)	1,972	746	(1,022)	377,506	29,599	478,064	
Profit for the period	-	-	-	-	-	-	-	-	28,780	-	28,780	
Total comprehensive income for the period	-	-	-	-	-	-	-	-	28,780	-	28,780	
Vesting of shares held under the restricted share award scheme	-	-	907	(907)	-	-	-	-	-	-	-	
Share award arrangements	-	-	-	906	-	-	-	-	-	-	906	
Final 2018 dividend declared	-	-	-	-	-	-	-	-	(56)	(29,599)	(29,655)	
At 30 June 2019 (unaudited)	<u>24,949</u>	<u>53,104</u>	<u>(4,902)</u>	<u>4,245</u>	<u>(7,227)</u>	<u>1,972</u>	<u>746</u>	<u>(1,022)</u>	<u>406,230</u>	<u>-</u>	<u>478,095</u>	

	Attributable to owners of the parent											
	Issued capital <i>HKS'000</i>	Share premium account <i>HKS'000</i>	Shares held under the restricted share award scheme <i>HKS'000</i>	Other reserves						Retained profits <i>HKS'000</i>	Proposed final dividend <i>HKS'000</i>	Total equity <i>HKS'000</i>
				Share-based payment reserve <i>HKS'000</i>	Goodwill reserve <i>HKS'000</i>	Reserve funds <i>HKS'000</i>	Exchange fluctuation reserve <i>HKS'000</i>					
At 1 January 2020 (audited)	24,949	53,104	(5,462)	5,386	(7,227)	746	(3,191)	393,314	19,760	481,379		
Profit for the period	-	-	-	-	-	-	-	19,850	-	19,850		
Other comprehensive income for the period:												
Exchange differences on translation of foreign operations	-	-	-	-	-	-	56	-	-	56		
Total comprehensive income for the period	-	-	-	-	-	-	56	19,850	-	19,906		
Purchase of shares held under the restricted share award scheme	-	-	(235)	-	-	-	-	-	-	(235)		
Vesting of shares held under the restricted share award scheme	-	-	1,154	(1,154)	-	-	-	-	-	-		
Share award arrangements	-	-	-	752	-	-	-	-	-	752		
Final 2019 dividend declared	-	-	-	-	-	-	-	(29)	(19,760)	(19,789)		
At 30 June 2020 (unaudited)	<u>24,949</u>	<u>53,104</u>	<u>(4,543)</u>	<u>4,984</u>	<u>(7,227)</u>	<u>746</u>	<u>(3,135)</u>	<u>413,135</u>	<u>-</u>	<u>482,013</u>		

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	<i>Notes</i>	For the six months ended 30 June	
		2020	2019
		(Unaudited) HK\$'000	(Unaudited) HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		19,352	33,137
Adjustments for:			
Finance costs		378	614
Bank interest income	5	(2,022)	(3,187)
Dividend income from listed investments at fair value through profit or loss	5	(280)	(320)
Fair value losses/(gains), net:			
Financial assets at fair value through profit or loss		2,695	(1,410)
Investment properties		1,425	(3,000)
Depreciation of property, plant and equipment	6	691	718
Depreciation of right-of-use assets	6	2,771	3,530
Impairment/(reversal of impairment) of trade receivables, net	6	363	(48)
Reversal of impairment of contract assets, net	6	–	(68)
Amortisation of other intangible assets	6	3,011	3,011
Equity-settled share-based payment expense		752	906
		29,136	33,883
Decrease/(increase) in inventories		589	(2,261)
Increase in trade receivables		(1,340)	(14,100)
Decrease/(increase) in prepayments, deposits and other receivables		(960)	5,595
Decrease/(increase) in contract assets		188	(4,502)
Decrease in trade payables, other payables and accruals		(1,277)	(5,599)
Increase in contract liabilities		5,494	3,220
Cash generated from operations		31,830	16,236
Hong Kong profits tax paid		(3,578)	–
Overseas taxes paid		(322)	(1,213)
Net cash flows from operating activities		27,930	15,023

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

	For the six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash flows from operating activities	<u>27,930</u>	<u>15,023</u>
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		
Bank interest received	2,022	3,187
Dividends received from listed investments		
at fair value through profit or loss	280	320
Purchases of items of property, plant and equipment	(494)	(765)
Additions to other intangible assets	(4,307)	(6,323)
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 in pledged bank deposits	70	155
Decrease in non-pledged bank deposits with original maturity of more than three months when acquired	53,560	688
Net cash flows from/(used in) investing activities	<u>96,933</u>	<u>(2,738)</u>
CASH FLOWS USED IN FINANCING ACTIVITIES		
Purchase of shares under the restricted share award scheme	(235)	-
Principal portion of lease payments	(2,368)	(3,298)
Dividend paid	(19,789)	(29,655)
Interest paid	(378)	(614)
Net cash flows used in financing activities	<u>(22,770)</u>	<u>(33,567)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		
	102,093	(21,282)
Cash and cash equivalents at beginning of period	147,170	254,857
Effect of foreign exchange rate changes, net	53	(2)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>249,316</u>	<u>233,573</u>
ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	<u>249,316</u>	<u>233,573</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 2020 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 2019.

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 2019, 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 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

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

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

- (a) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedge relationships.
- (c) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. The amendments did not have any impact on the Group's unaudited condensed consolidated interim financial information.

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, 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	
	2020	2019	2020	2019	2020	2019	2020	2019
	(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)	73,557	81,335	43,713	51,150	138	1,363	117,408*	133,848*
Other income and gains, net	888	1,156	85	–	280	320	1,253^	1,476^
Total	74,445	82,491	43,798	51,150	418	1,683	118,661	135,324
Segment results	21,958	28,207	10,581	13,677	(4,457)	5,611	28,082	47,495
<i>Reconciliation:</i>								
Unallocated interest income							2,022^	3,188^
Unallocated other income and gains, net							2,387^	–^
Unallocated foreign exchange differences, net							(104)	(246)
Corporate and other unallocated depreciation							(241)	(2,623)
Corporate and other unallocated expenses							(12,794)	(14,677)
Profit before tax							19,352	33,137
	Application Services		Solutions and Integration Services		Investments		Total	
	30 June 2020	31 December 2019	30 June 2020	31 December 2019	30 June 2020	31 December 2019	30 June 2020	31 December 2019
	(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	203,316	213,743	81,776	70,463	78,813	128,760	363,905	412,966
<i>Reconciliation:</i>								
Corporate and other unallocated assets							265,239	220,999
Total assets							629,144	633,965
Segment liabilities	86,514	91,920	31,474	25,727	47	47	118,035	117,694
<i>Reconciliation:</i>								
Corporate and other unallocated liabilities							29,096	34,892
Total liabilities							147,131	152,586

* This represents the consolidated revenue of HK\$117,408,000 (2019: HK\$133,848,000) in the condensed consolidated statement of profit or loss.

^ These comprise the consolidated other income and gains, net, of HK\$5,662,000 (2019: HK\$4,664,000) 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	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Other segment information:								
Net fair value gains/(losses) on investment properties	-	-	-	-	(1,425)	3,000	(1,425)	3,000
Net fair value gains/(losses) on financial assets at fair value through profit or loss	-	-	-	-	(2,695)	1,410	(2,695)	1,410
Amortisation of other intangible assets	3,011	3,011	-	-	-	-	3,011	3,011
Depreciation	1,167	1,369	271	239	17	17	1,455	1,625
Corporate and other unallocated depreciation							2,007	2,623
							3,462	4,248
Impairment losses, net recognised/ (reversed) in the condensed consolidated statement of profit or loss*	306	(142)	57	26	-	-	363	(116)
Capital expenditure**	316	277	4,395	6,366	-	-	4,711	6,643
Corporate and other unallocated capital expenditure							90	445
							4,801	7,088

* Including impairment losses recognised in the condensed consolidated statement of profit or loss attributable to the application services segment of HK\$699,000 (2019: HK\$382,000) and the solutions and integration services segment of HK\$125,000 (2019: HK\$39,000), respectively and impairment losses reversed in the condensed consolidated statement of profit or loss attributable to the application services segment of HK\$393,000 (2019: HK\$524,000) and the solutions and integration services segment of HK\$68,000 (2019: HK\$13,000), 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	
	2020	2019	2020	2019	2020	2019
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Segment revenue:						
Sales to external customers	<u>95,431</u>	<u>102,632</u>	<u>21,977</u>	<u>31,216</u>	<u>117,408</u>	<u>133,848</u>

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

(ii) Non-current assets

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Hong Kong	142,968	146,486
Mainland China	<u>128,697</u>	<u>129,758</u>
	<u>271,665</u>	<u>276,244</u>

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

(c) Information about a major customer

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

For the period ended 30 June 2020, revenue from a major customer of HK\$29,548,000 was derived from the application services segment and the solutions and integration services segment.

For the period ended 30 June 2019, revenue from a major customer of HK\$33,658,000 was derived from 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	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Revenue from contracts with customers	117,270	132,485
Revenue from other sources		
Gross rental income from investment properties and interest income from treasury investments	<u>138</u>	<u>1,363</u>
	<u>117,408</u>	<u>133,848</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 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>

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 2019			
<i>Segments</i>			
Types of goods or services			
Sales of goods and provision of software, GETS and BPO services	26,165	5,407	31,572
Provision of software implementation and related services, IT solutions implementation and related services	26,465	21,232	47,697
Maintenance services	28,705	24,511	53,216
Total revenue from contracts with customers	81,335	51,150	132,485
Geographical markets			
Hong Kong and others	53,359	48,216	101,575
Mainland China	27,976	2,934	30,910
Total revenue from contracts with customers	81,335	51,150	132,485
Timing of revenue recognition			
Goods and services transferred at a point in time	26,165	5,407	31,572
Services transferred over time	55,170	45,743	100,913
Total revenue from contracts with customers	81,335	51,150	132,485

(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 and payment is generally due within 30 to 60 days from delivery, where payment in advance is normally required.

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 contracts.

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 and are billed based on the time incurred.

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

Revenue from contracts with customers *(continued)*

(ii) Performance obligations *(continued)*

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

	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Amounts expected to be recognised as revenue:		
Within one year	<u>61,206</u>	<u>60,174</u>

All the 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	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Other income and gains, net		
Bank interest income	2,022	3,187
Government subsidies	2,387	–
Value-added tax refund received	330	659
Dividend income from listed investments at fair value through profit or loss	280	320
Others	<u>643</u>	<u>498</u>
	<u>5,662</u>	<u>4,664</u>

6. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Depreciation of property, plant and equipment [^]	691	718
Depreciation of right-of-use assets	2,771	3,530
Amortisation of other intangible assets**	3,011	3,011
Impairment of financial and contract assets, net:		
Impairment/(reversal of impairment) of trade receivables, net	363	(48)
Reversal of impairment of contract assets, net	<u>–</u>	<u>(68)</u>

[^] Depreciation for the period of HK\$62,000 (2019: HK\$61,000) 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 (2019: 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% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the period, except for a subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 (2019: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% and the remaining assessable profits are taxed at 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	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Current – Hong Kong		
Charge for the period	551	2,268
Overprovision in prior periods	(402)	–
Current – Elsewhere		
Charge for the period	94	688
Deferred (note 20)	<u>(741)</u>	<u>1,401</u>
Total tax charge/(credit) for the period	<u>(498)</u>	<u>4,357</u>

8. DIVIDENDS

- a. Subsequent to the end of the interim period, the Board has determined that an interim dividend of HK\$0.05 (2019: an interim dividend of HK\$0.09) in cash per ordinary share should be paid to the shareholders of the Company whose names appear in the Register of Members on Thursday, 3 September 2020.
- b. Dividend attributable to the previous financial year approved during the interim period.

	For the six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Final dividend in respect of the previous financial year, approved and paid during the interim period of HK\$0.08 (2019: final dividend of HK\$0.12) per ordinary share	19,959	29,939
Less: Dividend for shares held under the Company's restricted share award scheme	<u>(170)</u>	<u>(284)</u>
	<u>19,789</u>	<u>29,655</u>

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 247,103,241 (2019: 246,818,981) 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 of 247,103,241 (2019: 246,818,981) in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares of 1,257,799 (2019: 1,358,942) 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.

	Number of shares For the six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	247,103,241	246,818,981
Effect of dilution – weighted average number of ordinary shares:		
Restricted shares awarded under the Company’s restricted share award scheme	<u>1,257,799</u>	<u>1,358,942</u>
	<u>248,361,040</u>	<u>248,177,923</u>

10. PROPERTY, PLANT AND EQUIPMENT

	2020 (Unaudited) HK\$’000	2019 (Audited) HK\$’000
Net carrying amount, at 1 January	3,183	3,120
Additions	494	1,460
Depreciation provided during the period/year	(691)	(1,388)
Exchange realignment	<u>-</u>	<u>(9)</u>
Net carrying amount, at 30 June/31 December	<u>2,986</u>	<u>3,183</u>

11. INVESTMENT PROPERTIES

	2020 (Unaudited) <i>HK\$'000</i>	2019 (Audited) <i>HK\$'000</i>
Carrying amount at 1 January	70,091	75,661
Disposals	-	(9,196)
Net gain/(loss) from fair value adjustments	<u>(1,425)</u>	<u>3,626</u>
Carrying amount, at 30 June/31 December	<u>68,666</u>	<u>70,091</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 2 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 amounts of the Group's right-of-use assets and the movements during the period/year are as follows:

	Properties	
	2020 (Unaudited) <i>HK\$'000</i>	2019 (Audited) <i>HK\$'000</i>
As at 1 January	8,486	15,715
Additions	-	1,225
Remeasurement	(1,427)	(1,510)
Depreciation charge	(2,771)	(6,885)
Exchange realignment	<u>(55)</u>	<u>(59)</u>
As at 30 June/31 December	<u>4,233</u>	<u>8,486</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:

	2020 (Unaudited) HK\$'000	2019 (Audited) HK\$'000
Carrying amount at 1 January	9,674	15,715
New leases	-	1,225
Remeasurement	(1,427)	(1,510)
Accretion of interest recognised during the period/year	378	1,102
Payments	(2,746)	(6,799)
Exchange realignment	(57)	(59)
	<hr/>	<hr/>
Carrying amount at 30 June/31 December	5,822	9,674
	<hr/>	<hr/>
Analysed into:		
Current portion	5,014	5,886
Non-current portion	808	3,788
	<hr/>	<hr/>

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

	For the six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Interest on lease liabilities	378	614
Depreciation charge of right-of-use assets	2,771	3,530
Expenses relating to short-term leases	36	-
	<hr/>	<hr/>
Total amount recognised in profit or loss	3,185	4,144
	<hr/>	<hr/>

The Group as a lessor

The Group leases its investment properties (note 11) consisting of two commercial properties in People's Republic of China (the "PRC") and 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\$98,000 (2019: HK\$1,323,000).

12. LEASES (continued)

The Group as a lessor (continued)

The undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Within one year	214	35
After one year but within two years	<u>142</u>	<u>-</u>
	<u>356</u>	<u>35</u>

13. GOODWILL

	(Unaudited) HK\$'000
30 June 2020	
Cost and carrying amount at 1 January 2020 and 30 June 2020	<u>134,485</u>
	(Audited) HK\$'000
31 December 2019	
Cost and carrying amount at 1 January 2019 and 31 December 2019	<u>134,485</u>

14. OTHER INTANGIBLE ASSETS

	Deferred development costs* (Unaudited) HK\$'000	Customer relationships (Unaudited) HK\$'000	Software (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
30 June 2020				
Cost at 1 January 2020, net of accumulated amortisation and impairment	26,468	7,322	26,209	59,999
Additions	4,307	-	-	4,307
Amortisation provided during the period	<u>-</u>	<u>(827)</u>	<u>(2,184)</u>	<u>(3,011)</u>
At 30 June 2020	<u>30,775</u>	<u>6,495</u>	<u>24,025</u>	<u>61,295</u>
At 30 June 2020:				
Cost	43,801	14,767	43,681	102,249
Accumulated amortisation and impairment	<u>(13,026)</u>	<u>(8,272)</u>	<u>(19,656)</u>	<u>(40,954)</u>
Net carrying amount	<u>30,775</u>	<u>6,495</u>	<u>24,025</u>	<u>61,295</u>

14. OTHER INTANGIBLE ASSETS (continued)

	Deferred development costs* (Audited) HK\$'000	Customer relationships (Audited) HK\$'000	Software (Audited) HK\$'000	Total (Audited) HK\$'000
31 December 2019				
Cost at 1 January 2019, net of accumulated amortisation and impairment	14,507	8,978	30,577	54,062
Additions	11,961	-	-	11,961
Amortisation provided during the year	-	(1,656)	(4,368)	(6,024)
At 31 December 2019	<u>26,468</u>	<u>7,322</u>	<u>26,209</u>	<u>59,999</u>
At 31 December 2019 and at 1 January 2020:				
Cost	39,494	14,767	43,681	97,942
Accumulated amortisation and impairment	(13,026)	(7,445)	(17,472)	(37,943)
Net carrying amount	<u>26,468</u>	<u>7,322</u>	<u>26,209</u>	<u>59,999</u>

* During the period/year, additions of other intangible assets of HK\$4,307,000 (31 December 2019: HK\$11,961,000) were developed internally.

15. TRADE RECEIVABLES

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Trade receivables	54,895	53,554
Impairment	(3,759)	(3,395)
	<u>51,136</u>	<u>50,159</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.

15. TRADE RECEIVABLES (continued)

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 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Within 1 month	38,551	25,945
1 to 3 months	5,234	15,065
4 to 6 months	4,329	7,976
7 to 12 months	<u>3,022</u>	<u>1,173</u>
	<u>51,136</u>	<u>50,159</u>

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

	2020 (Unaudited) HK\$'000	2019 (Audited) HK\$'000
At beginning of period/year	3,395	3,532
Impairment/(reversal of impairment) losses, net	363	(108)
Exchange realignment	<u>1</u>	<u>(29)</u>
At end of period/year	<u>3,759</u>	<u>3,395</u>

16. CONTRACT ASSETS

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Contracts assets arising from:		
Sales of goods and provision of software, GETS and BPO services	1,716	3,130
Provision of software implementation and related services, IT solutions implementation and related services	17,839	16,645
Maintenance services	<u>483</u>	<u>451</u>
	<u>20,038</u>	<u>20,226</u>

16. CONTRACT ASSETS (continued)

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 decrease in contract assets as at 30 June 2020 was the result of the decrease in the sales of goods, provision of software and related services at the end of the period.

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

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Within one year	<u>20,038</u>	<u>20,226</u>

The movements in the loss allowance for impairment of contract assets are as follows:

	2020 (Unaudited) HK\$'000	2019 (Audited) HK\$'000
At beginning of period/year	-	68
Reversal of impairment losses, net	<u>-</u>	<u>(68)</u>
At end of period/year	<u>-</u>	<u>-</u>

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Debt investments, at fair value	2,100	4,633
Listed equity investments, at fair value	7,352	10,121
Money market certificate, at fair value	<u>-</u>	<u>43,195</u>
	9,452	57,949
Portion classified as current assets	<u>(7,352)</u>	<u>(55,849)</u>
Portion classified as non-current assets	<u>2,100</u>	<u>2,100</u>

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 investments and money market certificate were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

As at 30 June 2020, the Group's listed equity investments with a carrying value of approximately HK\$7,352,000 (31 December 2019: debt and listed equity investments of HK\$12,654,000) were pledged to secure general banking facilities granted to the Group.

18. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Trade payables	13,509	15,561
Other payables	34,898	29,355
Accruals	<u>15,339</u>	<u>20,107</u>
	<u>63,746</u>	<u>65,023</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 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Within 1 month	8,682	11,411
1 to 3 months	3,183	3,070
4 to 6 months	1,056	385
Over 6 months	<u>588</u>	<u>695</u>
	<u>13,509</u>	<u>15,561</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 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
<i>Short-term advances received from customers</i>		
Sales of goods and provision of software, GETS and BPO services	1,864	2,801
Provision of software implementation and related services, IT solutions implementation and related services	17,015	18,430
Maintenance services	<u>42,327</u>	<u>34,481</u>
Total contract liabilities	<u>61,206</u>	<u>55,712</u>

Contract liabilities mainly include short-term advances received to render software implementation and related services, IT solutions implementation and related services, and maintenance services. The increase in contract liabilities as at 30 June 2020 was mainly due to the increase in short-term advances received from customers in relation to the 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 of contract liabilities (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
At 1 January 2020	1,434	2,288	3,722
Deferred tax credited to the condensed consolidated statement of profit or loss during the period	<u>794</u>	<u>31</u>	<u>825</u>
Gross deferred tax assets at 30 June 2020	<u>2,228</u>	<u>2,319</u>	<u>4,547</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 2020	826	4,367	8,148	608	13,949
Deferred tax charged/(credited) to the condensed consolidated statement of profit or loss during the period	<u>(57)</u>	<u>711</u>	<u>(715)</u>	<u>145</u>	<u>84</u>
Gross deferred tax liabilities at 30 June 2020	<u>769</u>	<u>5,078</u>	<u>7,433</u>	<u>753</u>	<u>14,033</u>

Deferred tax assets

	Losses available for offsetting against future taxable profits (Audited) <i>HK\$'000</i>	Temporary differences of contract liabilities (Audited) <i>HK\$'000</i>	Total (Audited) <i>HK\$'000</i>
At 1 January 2019	-	2,713	2,713
Deferred tax credited/(charged) to the consolidated statement of profit or loss during the year	1,434	(330)	1,104
Exchange realignment	<u>-</u>	<u>(95)</u>	<u>(95)</u>
Gross deferred tax assets at 31 December 2019	<u>1,434</u>	<u>2,288</u>	<u>3,722</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 2019	1,578	-	9,578	1,574	12,730
Deferred tax charged/(credited) to the consolidated statement of profit or loss during the year	266	4,367	(1,430)	411	3,614
Exchange realignment	-	-	-	(2)	(2)
Tax paid	(1,018)	-	-	(1,375)	(2,393)
Gross deferred tax liabilities at 31 December 2019	<u>826</u>	<u>4,367</u>	<u>8,148</u>	<u>608</u>	<u>13,949</u>

For presentation purpose, 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 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Net deferred tax assets recognised in the condensed consolidated statement of financial position	2,319	2,288
Net deferred tax liabilities recognised in the condensed consolidated statement of financial position	(11,805)	(12,515)
Net deferred tax liabilities	<u>(9,486)</u>	<u>(10,227)</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 2019: HK\$31,700,000), of which HK\$21,003,000 (31 December 2019: HK\$21,237,000) were utilised at the end of the reporting period.

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 2020.

During the period under review, the global economy was adversely affected by the outbreak of COVID-19 (the "Outbreak"). The Outbreak has been causing material disruptions almost to every aspect of the Group's operations. On top of the weakening demand caused by the economic recession, the tightened public health measures including work from home and social distancing policies had also caused postponements or cancellations of various business meetings and sales activities which resulted in the delay in project delivery and new contract conclusion.

As a result, the Group's overall revenue dropped by HK\$16.4 million, or 12.3% to HK\$117.4 million (2019: HK\$133.8 million). The Group's gross profit accordingly recorded a decrease of HK\$9.2 million, or 12.2% to HK\$65.8 million (2019: HK\$75.0 million) while the gross profit margin maintained at 56.1% (2019: 56.0%).

The sharp economic contraction had also been reflected in the valuation of the Group's financial assets and investment properties which had incurred losses of HK\$4.1 million (2019: gains of HK\$4.4 million).

Benefiting from the HK\$2.4 million (2019: Nil) wage subsidies granted by the HKSAR Government (the "Government") under the Employment Support Scheme (the "ESS") during the reporting period, the Group's other income and gains increased by HK\$1.0 million, or 21.4% to HK\$5.7 million (2019: HK\$4.7 million).

Overall expenses and tax provision had been reduced owing to better cost control by the Group and more accommodative policies launched by the PRC and HKSAR governments.

With the abovementioned, the Group's consolidated net profit attributable to shareholders reduced by 31.0% to HK\$19.9 million (2019: HK\$28.8 million). The basic earnings per share also dropped to 8.03 HK cents (2019: 11.66 HK cents).

In view of the solid cash position of the Group, the Board declared the distribution of an interim dividend of HK\$0.05 (2019: HK\$0.09) per ordinary share for the six months period ended 30 June 2020.

BUSINESS REVIEW

Application Software

The Group's Application Software^[1] business recorded a moderate drop in both revenue and profit contributions for the reporting period.

With backlog order carried forward from previous year, the performance of Human Resources Management Software ("HRMS") business in Hong Kong was comparable with the same period last year. However, the HRMS business in Mainland China impacted seriously by the Outbreak and revenue generated from Mainland China decreased by around 30% in first quarter. The situation had been gradually improving as the spread of the coronavirus was mostly under control in the second quarter.

BUSINESS REVIEW *(continued)*

Application Software *(continued)*

The management observed that quite a number of potential and existing customers of the business have slowed down their business activities and decided to defer their plan for new HRMS and enhancement of the existing systems. Despite the weakened demand, the business still kept its pace with expansion of customer base. During the reporting period, contracts have been awarded from prestigious new customers from diversified industry sectors, including one of the largest logistic company, a German luxury fashion brand and a famous fast food chain.

Considering the current backlog orders and recurring maintenance contracts on hand, the management believed that the HRMS business will remain stable in the second half of the year and will endeavor to restore its growth momentum when the market is resumed from the COVID-19 pandemic situation.

The Outbreak had turned retail industries into frozen mode. Demand for the Group's Enterprise Retail Management Software ("ERMS") on-premise software was markedly weakened and the business recorded double-digit fall in both revenue and profit contributions. The recovery of the retail industry may take a considerably long period of time and the management anticipated that the performance of the ERMS business will continue to be under pressure for the remaining of the year.

Nevertheless, the innovation and productivity gain brought along by the new Mobile POS ("mPOS") Module of ChainStorePlus with more flexible software licensing model continued to attract market interest. Several pilot of mPOS were implemented successfully during the reporting period. It is expected that mPOS may bring additional revenue stream for the Group in the near future.

Benefiting from the recurring Software as a Service ("SaaS") income and professional services backlog brought forward, the revenue of the Group's Enterprise Procurement Management Software ("EPMS") business recorded double-digit growth during the reporting period. The Group had deployed various projects successfully and secured repeated orders for additional services from both quasi-government organisations and commercial sectors. However, the Outbreak is causing most of the potential new customers to defer their procurement processes. It is anticipated that a few of them may resume the processes that may bring new opportunities to the EPMS business in the second half of the year.

The performance of the Group's Enterprise Information Management Software ("EIMS") business was stable comparing with the same period last year. The strong customer base and sustainable prospects from Hong Kong and Macau public sectors have established a relatively stable environment to the EIMS business during the unfavorable economic atmosphere. It is anticipated that the business would remain steady in the second half of the year.

With further expansion of the open technology eco-system, the Group's research and development ("R&D") team has been developing the Human Capital Management (the "HCM") platform into an open platform focusing on performance tuning and improving information security. Beyond just a platform that connects all our products, it is also an open platform to connect with our partners to provide a more integrated business solutions to our customers. For example, payroll partners can utilise the advanced platform as a consolidated human resource portal for a multi-region HCM solution. Functions of office administration and finance have been included in the enhanced platform to provide expense claim, purchase request and service request modules.

BUSINESS REVIEW *(continued)*

Solutions and Integration Services

The revenue and profit contribution of the Group's Solutions and Integration Services^[2] business dropped by 14.4% and 22.6% respectively for the reporting period.

The Managed Services^[2] under the Group's Solutions Services business kept generating stable maintenance revenue from the second 10-year services contract (the "Contract") of the Customer Care and Billing System ("CCBS") for the Water Supplies Department under the Government. However, due to the delays in contract award, the revenue generated from the variation orders was reduced during the reporting period.

The delivery schedule of software enhancements on the CCBS had been slipped further in the wake of the Outbreak. The management is working on a revised schedule according to the current situation and will put extra attention and best endeavors to meet the revised implementation schedule. During the reporting period, related development costs of around HK\$4.3 million had been capitalised as deferred development costs.

The performance of Development Services^[2] under the Group's Solutions Services business was stable during the reporting period. A number of new orders were secure from various government organisations and a public transportation body during the reporting period. In addition, the management anticipated that a few projects carried forward from previous years could reach the delivery milestones from which potential new maintenance incomes would be generated in the near future.

The performance of the Group's Integration Services^[2] business in the PRC was comparable with the same period last year.

The Outbreak caused cancellation of various tradeshows in Hong Kong which adversely affected the service revenue earned by the Group's BPO^[3] business. The management had deployed almost all the related resources to support other businesses of the Group in order to minimise the related cost.

e-Service and related business

As a result of global economic recession and drop in trading activities, the Group's GETS^[4] business recorded fall in both revenue and profit contribution during the reporting period.

The revenue drop was also due to the termination of the collaboration with Hongkong Post in providing paper-to-electronic trade declaration services in early 2020 but the impact to the profit contribution was minimal. Despite the downturn, the market share of the business was stably maintained. The management will continue to find ways to transform the business in order to improve its performance in long term.

Investments

During the reporting period, the Group recorded significant drop in rental income and valuation losses from investment properties and financial assets resulting in loss of HK\$4.5 million (2019: profit of HK\$5.6 million) to the Group's Investments segment.

PROSPECT

The impacts of coronavirus, economic recession and political instability in Hong Kong will continue to pose threats to the Group. The management is of the view that the overall difficult business environment may last for some time. The Group will continue to stay alert with strengthened risk and business continuity management, respond rapidly to the changes of the surrounding environments in order to navigate through this crisis and resume our growth in the post COVID-19 period.

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 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; (iii) business process outsourcing ("BPO") services; and (iv) Integration Services for the provision of IT systems and network infrastructure with related design, implementation and ongoing support services.
- [3] The Group's BPO business comprises the provision of services for the operations and support of specific business functions or processes of customers.
- [4] 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 License 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 dropped by HK\$16.4 million, or 12.3% to HK\$117.4 million (2019: HK\$133.8 million) during the reporting period.

The decrease in overall revenue of the Group was primarily due to the delay in project delivery and new contract conclusion because of the Outbreak. The Group's gross profit also decreased by HK\$9.2 million, or 12.2% to HK\$65.8 million (2019: HK\$75.0 million) while the gross profit margin maintained at 56.1% (2019: 56.0%).

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

Other income and gains, net increased by 21.4% to HK\$5.7 million (2019: HK\$4.7 million). The change was due to the mixed effects of the recognition of the wage subsidies of HK\$2.4 million (2019: Nil) granted by the Government under the ESS and decrease in bank interest income, dividend incomes and tax refund.

On the contrary, the sharp economic contraction had resulted in the losses of HK\$4.1 million (2019: gains of HK\$4.4 million) to the valuation of the Group's financial assets and investment properties.

Expenses

Primarily due to decrease in incentive driven staff costs and reduced marketing activities, the selling and distribution expenses of the Group decreased by 4.9% to HK\$16.6 million (2019: HK\$17.4 million).

Owing to better cost control by the Group and more accommodative policies launched by the PRC and HKSAR governments, the overall general and administrative expenses were reduced by 5.7% to HK\$27.9 million (2019: HK\$29.6 million).

FINANCIAL REVIEW (continued)

Income tax expense

Primarily due to the reversal of over-provision and the decrease in assessable profits being generated, the income tax recognised tax credit of HK\$0.5 million (2019: tax expense of HK\$4.4 million).

The Group's overall effective tax rate for the tax charge in 2020 was around -2.6%, whereas in 2019 was 13.1%. The effective tax rate was lower than the Hong Kong statutory profits tax rate because several types of onshore incomes, including dividend and bank interest incomes were not subject to the Hong Kong profits tax. Besides, the R&D activities of certain local subsidiaries of the Group were assessed as qualifying R&D activities and thus entitled enhanced tax deductions under the Hong Kong Inland Revenue Ordinance. The effective tax rate had further been driven down by the recognition of deferred tax credit arising from amortisation of other intangible assets.

Net profit

Profit for the period attributable to shareholders reduced significantly by 31.0% to HK\$19.9 million (2019: HK\$28.8 million) while the net profit margin (profit for the period attributable to shareholders divided by the revenue) also dropped to 16.9% (2019: 21.5%). The fall was in line with the decrease in gross profit and the increase in valuation losses incurred to the Group's investment properties and financial assets.

Non-current assets

Primarily due to the depreciation of right-of-use assets and the valuation loss of investment properties, the Group's non-current assets as at 30 June 2020 decreased slightly by 1.6% to HK\$277.9 million (31 December 2019: HK\$282.4 million).

Current assets

No significant change was noted to the Group's current assets as at 30 June 2020 when compared with the position as at 31 December 2019.

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

Primarily due to the combined effect of the increase in contract liabilities derived from various maintenance services to be provided by the Group's Solutions business and the decrease in tax payable following various tax payments during the period, the Group's current liabilities as at 30 June 2020 decreased slightly by 1.3% to HK\$134.5 million (31 December 2019: HK\$136.3 million).

Non-current liabilities

The Group's non-current liabilities as at 30 June 2020 dropped by 22.6% to HK\$12.6 million (31 December 2019: HK\$16.3 million) following the recognition of lease liabilities over the lease term.

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, accruals and contract liabilities.

Segment assets of Solutions and Integration Services business increased owing to the increase in deferred development costs and trade receivables while the segment liabilities of the business increased in line with the increase in trade payables and contract liabilities.

Segment assets of Investments business dropped because of the disposal of a money market certificate acquired last year and the fair value losses recorded for both investment properties and financial assets.

FINANCIAL REVIEW *(continued)*

Equity

Total equity as at 30 June 2020 was slightly increased by HK\$0.6 million, or 0.1% to HK\$482.0 million, (31 December 2019: HK\$481.4 million).

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 2020, the Group had pledged an investment property with a fair value of HK\$63.0 million (31 December 2019: HK\$64.2 million), listed equity securities of HK\$7.4 million (31 December 2019: HK\$12.7 million) and bank balances of HK\$2.5 million (31 December 2019: HK\$2.5 million) to secure certain general bank facilities including guarantee/performance bonds facilities granted to the Group/subsidiaries of the Company in aggregate of HK\$112.0 million (31 December 2019: HK\$112.0 million) of which HK\$21.4 million (31 December 2019: HK\$21.7 million) have been utilised as at 30 June 2020.

FINANCIAL RESOURCES AND LIQUIDITY

As at 30 June 2020, the Group's cash and cash equivalents were HK\$249.3 million (31 December 2019: HK\$200.7 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 arise.

As at 30 June 2020, the Group had no bank borrowings (31 December 2019: Nil). The Group's current ratio representing current assets divided by current liabilities was 2.6 (31 December 2019: 2.6) and the gearing ratio, representing total liabilities divided by total assets, was 23.4% (31 December 2019: 24.1%).

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 2020 are consistent with those disclosed in the Group's 2019 Annual Report. As at 30 June 2020, the Group employed 386 full time employees and 6 contract-based employees (31 December 2019: 407 full time employees and 5 contract-based employees).

As at 30 June 2020, 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 had no significant investments held as at 30 June 2020.

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 2020.

CONTINGENT LIABILITIES

Save as disclosed in the announcement, the Group has no material contingent liabilities as at 30 June 2020.

INTERIM DIVIDEND

The Board declared the payment of an interim dividend of HK\$0.05 (2019: an interim dividend of HK\$0.09) per ordinary share for the six months ended 30 June 2020.

CLOSURE OF THE REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Wednesday, 2 September 2020 to Thursday, 3 September 2020, 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, 1 September 2020. The dividend will be distributed on or about Wednesday, 16 September 2020 to shareholders whose names appear on the Register of Members of the Company on Thursday, 3 September 2020.

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 110,000 shares of the Company being the awarded restricted shares. The total amount paid to acquire these shares during the period was approximately HK\$235,000.

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 of the Group 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.

CORPORATE GOVERNANCE PRACTICES *(continued)*

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 2020.

RISK MANAGEMENT FRAMEWORK

The Group has established an effective risk governance and management framework in line with the requirements set out by the Hong Kong 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 one independent non-executive director and three executive directors. 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 Audit Committee has reviewed with the management the Group's unaudited condensed consolidated interim financial information for the six months ended 30 June 2020 and 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 condensed consolidated interim financial information for the six months ended 30 June 2020.

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 2020 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, 13 August 2020

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.