

computer technologies

COMPUTER AND TECHNOLOGIES HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 46)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2008

The Board of Directors (the “Board”) of Computer And Technologies Holdings Limited (the “Company”) presents the unaudited condensed consolidated interim financial results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2008, together with the comparative amounts. These condensed consolidated interim financial information have been reviewed by the Company’s audit committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

		For the six months ended 30 June (Unaudited)	
	<i>Notes</i>	2008	2007
		<i>HK\$'000</i>	<i>HK\$'000</i>
REVENUE	4	175,127	117,321
Cost of sales		(122,588)	(73,604)
Gross profit		52,539	43,717
Other income and gains	4	12,327	7,577
Selling and distribution costs		(24,618)	(22,794)
General and administrative expenses		(18,407)	(16,737)
Other expenses, net		(450)	(310)
PROFIT BEFORE TAX	5	21,391	11,453
Tax	6	(2,819)	(1,246)
PROFIT FOR THE PERIOD		18,572	10,207
Attributable to:			
Equity holders of the Company		18,645	10,391
Minority interests		(73)	(184)
		18,572	10,207
DIVIDEND	7	Nil	Nil
EARNINGS PER SHARE			
ATTRIBUTABLE TO ORDINARY			
EQUITY HOLDERS OF THE COMPANY	8		
Basic		7.14 HK cents	3.92 HK cents
Diluted		N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		12,192	9,902
Investment properties		27,874	29,047
Goodwill		25,813	25,813
Held-to-maturity securities		498	498
Available-for-sale investments		3,779	2,587
Deferred tax assets		4,859	5,632
<i>Total non-current assets</i>		<u>75,015</u>	<u>73,479</u>
CURRENT ASSETS			
Held-to-maturity securities		—	767
Inventories		32,778	11,709
Trade receivables	9	84,455	82,887
Due from contract customers		8,362	7,984
Prepayments, deposits and other receivables		7,387	24,397
Equity investments at fair value through profit or loss		10,118	5,710
Tax recoverable		218	218
Pledged bank deposits		11,131	16,677
Cash and cash equivalents		188,286	190,348
<i>Total current assets</i>		<u>342,735</u>	<u>340,697</u>
CURRENT LIABILITIES			
Trade payables, other payables and accruals	10	68,386	65,427
Due to contract customers		—	1,377
Deferred income		12,053	10,009
Due to minority shareholders of subsidiaries		2,150	2,150
Tax payable		7,096	5,145
<i>Total current liabilities</i>		<u>89,685</u>	<u>84,108</u>
NET CURRENT ASSETS		<u>253,050</u>	<u>256,589</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>328,065</u>	<u>330,068</u>
NON-CURRENT LIABILITIES			
Deferred tax liabilities		969	773
<i>Total non-current assets</i>		<u>969</u>	<u>773</u>
<i>Net assets</i>		<u>327,096</u>	<u>329,295</u>
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital		25,960	26,340
Reserves		300,204	286,272
Proposed dividends		—	15,804
		<u>326,164</u>	<u>328,416</u>
Minority interests		932	879
<i>Total equity</i>		<u>327,096</u>	<u>329,295</u>

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. Corporate information

Computer And Technologies Holdings Limited is a limited liability company incorporated in Bermuda. The principal place of business of the Company is located at 30th Floor, Prosperity Millennia Plaza, 663 King's Road, North Point, Hong Kong.

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

- provision of system and network integration services, application development services, Information Technology ("IT") solutions implementation and related maintenance outsourcing services;
- provision of enterprise software applications and related operation outsourcing and e-business services;
- distribution and retail of digital media products and other computer accessories; and
- property and treasury investments.

2. Basis of preparation and accounting policies

This unaudited condensed consolidated interim financial information, which comprises the condensed consolidated balance sheet as at 30 June 2008 and the related condensed consolidated statement of income, changes in equity and cash flows for the six-month period then ended, and explanatory notes has been prepared in accordance with Hong Kong Accounting Standards ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

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 2007.

3. 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 2007, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs") (which include HKASs and Interpretations) issued by the HKICPA for the first time for the current period's unaudited interim condensed consolidated financial information.

HK(IFRIC)-Int 12

HK(IFRIC)-Int 14

Service Concession Arrangements [BC2]

HKAS 19 – The Limit on a Defined Benefit Asset,

Minimum Funding Requirements and their Interaction

The adoption of these new interpretations has had no material effect on this unaudited condensed consolidated interim financial information.

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these unaudited condensed consolidated interim financial information:

HKAS 1 (Revised)	<i>Presentation of Financial Statements</i>
HKAS 23 (Revised)	<i>Borrowing Costs</i>
HKAS 27 (Revised)	<i>Consolidated and Separate Financial Statements</i>
HKAS 32 and HKAS 1, Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation</i> and HKAS 1 <i>Presentation of Financial Statements – Puttable Financial Instruments and Obligations arising on Liquidation</i>
HKFRS 2 Amendment	Amendments to HKFRS 2 <i>Share-based Payment – Vesting Conditions and Cancellation</i>
HKFRS 3 (Revised)	<i>Business Combinations</i>
HKFRS 8	<i>Operating Segments</i>
HK(IFRIC)-Int 13	<i>Customer Loyalty Programme</i>

HKAS 1 (Revised), HKAS 23 (Revised) and HKAS 32 and HKAS 1 Amendments and HKFRS 8 shall be applied for annual periods beginning on or after 1 January 2009.

HKAS 27 (Revised) and HKFRS 3 (Revised) shall be applied for annual periods beginning on or after 1 July 2009.

HK(IFRIC)-Int 13 shall be applied for annual periods beginning on or after 1 July 2008.

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

4. Segment information

The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments. Summary details of the business segments are as follows:

- (a) the integration and solution services segment engages in the provision of system and network integration services, application development services, IT solutions implementation and related maintenance outsourcing services;
- (b) the application services segment engages in the provision of enterprise software applications and related operation outsourcing and e-business services;

- (c) the distribution segment engages in the distribution and retail of digital media products and other computer accessories; and
- (d) the investments segment primarily engages in various types of investing activities including, inter alia, property investments for rental income and treasury investments in listed securities and held-to-maturity securities for dividend income and interest income.

An analysis of the Group's revenue and profit/(loss) for the six months ended 30 June 2008 by the Group's business segments is as follows:

	Integration and Solutions Services		Application Services		Distribution		Investments		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue										
Sales to external customers	136,280	77,503	24,103	24,504	14,018	14,668	726	646	175,127	117,321
Other revenue, income and gains	5,898	539	68	60	813	886	2,131	2,738	8,910	4,223
Total	142,178	78,042	24,171	24,564	14,831	15,554	2,857	3,384	184,037	121,544
Segment results before significant non-cash expenses	20,264	10,467	5,256	4,671	(83)	(204)	1,674	3,426	27,111	18,360
Depreciation	(1,020)	(451)	(524)	(741)	(174)	(275)	(107)	(132)	(1,825)	(1,599)
Amortisation of deferred development costs	–	–	–	(1,033)	–	–	–	–	–	(1,033)
Impairment, write-off and (reversal of impairment) of trade receivables and amounts due from contract customers	(4)	–	(446)	(230)	–	(80)	–	–	(450)	(310)
Segment results	19,240	10,016	4,286	2,667	(257)	(559)	1,567	3,294	24,836	15,418
Unallocated interest income and gains									3,417	3,354
Corporate and other unallocated expenses									(6,862)	(7,319)
Profit before tax									21,391	11,453
Tax									(2,819)	(1,246)
Profit for the period									18,572	10,207

5. Profit before tax

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

	Unaudited	
	Six months ended 30 June	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation	1,900	1,697
Amortisation of deferred development costs [#]	—	1,033
Impairment, write-off and (reversal of impairment) of trade receivables and amounts due from contract customers, net [*]	450	310
Interest income	(2,123)	(3,218)

[#] This is included in "Cost of sales" on the face of the condensed consolidated income statement.

^{*} This is included in "Other expenses, net" on the face of the condensed consolidated income statement.

6. Tax

Hong Kong profits tax has been provided at the applicable rate of 16.5% (six months ended 30 June 2007: 17.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Unaudited	
	Six months ended 30 June	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current – Hong Kong		
Charge for the period	307	101
Current – Elsewhere		
Charge for the period	1,543	1,145
Deferred	969	—
Total tax charge for the period	2,819	1,246

7. Dividend

The Board does not recommend the payment of any dividends in respect of the period (2007: Nil).

8. Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the net profit for the period attributable to ordinary equity holders of the Company of HK\$18,645,000 (2007: HK\$10,391,000) and the weighted average number of 261,177,660 (2007: 265,006,000) ordinary shares of the Company in issue during the period.

(b) Diluted earnings per share

Diluted earnings per share amounts for the period ended 30 June 2008 and 2007 have not been disclosed as the exercise prices of the Company's outstanding share options are higher than the average market prices of the Company's ordinary shares during the two periods and accordingly, the Company's outstanding share options have no dilutive effect.

9. Trade receivables

An aged analysis of the trade receivables as at the balance sheet date, based on the payment due date and net of provisions, is as follows:

	Unaudited 30 June 2008 HK\$'000	Audited 31 December 2007 HK\$'000
Current	23,106	35,896
1 to 3 months	52,887	38,882
More than 3 months	8,462	8,109
	84,455	82,887

Credit terms

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 and may include cash on delivery, advance payment and on credit. For those customers who trade on credit, the overall credit period tie to the project implementation schedule is generally within 120 days, except for certain projects with longer implementation schedules where the period may extend beyond 120 days. The Group seeks to maintain strict control over its outstanding trade receivables and overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

10. Trade payables, other payables and accruals

Included in the balance is an amount of HK\$18,320,000 (31 December 2007: HK\$37,699,000) representing the Group's trade payables. An aged analysis of trade payables as at the balance sheet date, based on the payment due date, is as follows:

	Unaudited 30 June 2008 <i>HK\$'000</i>	Audited 31 December 2007 <i>HK\$'000</i>
Current	14,888	30,220
1 to 3 months	2,730	5,842
Over 3 months	702	1,637
	18,320	37,699

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

11. Commitments and contingent liabilities

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

At 30 June 2008, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Unaudited 30 June 2008 <i>HK\$'000</i>	Audited 31 December 2007 <i>HK\$'000</i>
Within one year	8,386	6,624
In the second to fifth years, inclusive	3,921	3,347
	12,307	9,971

Other than the normal course of business, the Group has no significant contingent liability as at 30 June 2008.

12. Approval of the interim financial statements

The interim financial statements were approved and authorised for issue by the board of directors on 26 August 2008.

CHAIRMAN'S STATEMENT

Dear Shareholders,

I am glad to present the interim results of Computer And Technologies Holdings Limited and its subsidiaries (collectively the "Group") for the six-month period ended 30 June 2008.

The Group's consolidated revenue recorded an increase of 49.3% and reached HK\$175.1 million (2007: HK\$117.3 million) and the net profit attributable to shareholders also soared by 79.4% to HK\$18.6 million (2007: HK\$10.4 million).

The improved results were primarily attributed to the continuous strong growth from the integration and solutions services business in China and the improvements of the operation efficiency from the Information Technology ("IT") outsourcing and e-Services businesses.

During the reporting period, the Group had continued its share repurchasing actions and bought approximately 3.8 million shares from the market at an averaged price of HK\$0.883 per share. The earnings per share for the six-month period, after taking the effects of the share repurchase, was 7.14 Hong Kong cents (2007: 3.92 Hong Kong cents) or an increase of 82.1% compared with the same period last year. The Board does not recommend payment of any interim dividend (2007: Nil).

As of 30 June 2008, the Group maintained a strong financial position with net cash balance of approximately HK\$188.3 million (HK\$190.3 million as of 31 December 2007) which already accounted for the cash outflows of HK\$3.3 million on share repurchase, HK\$4.3 million for purchase of shares on filling up the Restricted Share Award Scheme and HK\$15.7 million on payment of the 2007 final dividend. The healthy financial position provided the Group with good foundations in capturing growth opportunities once they emerge.

Prospect

Riding on the growing demands for the Group's services in China and Hong Kong, the Group has been maintaining strong orders backlog and has been taking part in tendering a number of sizable software development and outsourcing projects from both public and commercial sectors. The management is optimistic that, with the strong establishments in customer base and business network in China and Hong Kong, the integration and solutions business will continuously be a major profit contributor.

Besides, the growth in the Group's recurring incomes generated from its outsourcing service, e-Services and software maintenance service are stably on tracks. The management believes that the Group will continue to be benefited from such growing revenue streams while the operation efficiency and the economic scale are being improved.

In addition, the gradually establishing application development and support infrastructure leveraging the talent pools across Hong Kong and China will enable the Group to maintain a competitive cost structure and to capture more business opportunities.

Appreciation

I would like to extend my sincere thanks and appreciation to our shareholders, employees, customers, suppliers and business partners for their continuous confidence and support to the Group during the period.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS

The Group's overall revenue in the six months ended 30 June 2008 was HK\$175.1 million (2007: HK\$117.3 million) representing an increase of 49.3% compared with the same period last year. The revenue from Integration and Solutions Services increased by 75.8%, while Application Services and Distribution decreased by 1.6% and 4.4%, respectively. The overall gross profit increased by 20.2% to HK\$52.5 million (2007: HK\$43.7 million). The net profit attributable to shareholders was HK\$18.6 million (2007: HK\$10.4 million) or a growth of 79.4% compared with the same period last year.

As of the reporting date, the Group's orders on hand worth approximately HK\$327 million (2007: HK\$310 million) and none of them being recognized as revenue. Among them, approximately 59% were maintenance and outsourcing related services nature and approximately 48% of the total are scheduled to deliver by end of 2008.

Business demand for IT services from customers in China continued to be strong. Specifically, the Group continued to be benefited from the strong install base in the financial sector from which substantial business opportunities emerged. At the same time, the Group continued to generate stable outsourcing service revenue from its existing and new customers' contracts.

The Application Services business remained stable and its e-Services business achieved moderate growth both in transaction volume and subscription-based income. The management had increased its attention to realign and strengthen the resources of the Group's human resource management solutions business in order to improve the business performance of the related segment.

The overall results of the Group's distribution business remained unsatisfactory during the period. The Group is seriously looking into alternatives to improve the return on investment in that business segment.

FINANCIAL RESOURCES AND LIQUIDITY

As at 30 June 2008, the Group's cash and bank balances (excluded pledged bank deposit of HK\$11.1 million) was HK\$188.3 million compared with HK\$190.3 million as at 31 December 2007. The slight decrease was primarily due to cash outflows on repurchase of shares, purchase of shares for filling up the Restricted Share Award Scheme and the payment of 2007 final dividend.

The Group made no bank borrowings during the current period. As a result, gearing ratio comparing net debt (borrowing net of cash and bank balances available) to equity was zero as of 30 June 2008 and 31 December 2007.

CURRENCY AND FINANCIAL RISK MANAGEMENT

Over 98% of the Group's on hand funding is in Hong Kong, US and Renminbi currencies and keep in banks' savings and/or short-term deposits for operation needs and to earn interest incomes. The Group has not adopted any hedging policies, as all these currencies carry no or low exchange fluctuation risks.

REMUNERATION POLICY AND NUMBER OF EMPLOYEES

The remuneration policies adopted for the six months ended 30 June 2008 were consistent with those disclosed in the Group's 2007 Annual Report. As at 30 June 2008, the Group employed approximately 378 full time and 6 contract-based employees. (31 December 2007: 346 full time employees and 1 contract-based employee).

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the period, the Company repurchased 3,794,000 shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and these shares were subsequently cancelled by the Company. The share repurchase has enhanced the net asset value per share and the earnings per share, which the directors believe is in the best interests of the Company and the shareholders. Further details of these transactions are set out as below:

Month/year	Number of shares repurchased	Highest price paid per share HK\$	Lowest price paid per share HK\$	Aggregate price paid HK\$'000
January 2008	2,308,000	0.95	0.85	2,102
February 2008	64,000	0.85	0.85	54
June 2008	1,422,000	0.84	0.83	1,193

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.

CODE ON CORPORATE GOVERNANCE PRACTICE

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

Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. The Company does not have a separate chairman and chief executive officer and Mr. Ng Cheung Shing currently holds both positions. The Board believes that vesting the roles of both chairman and chief executive officer in the same individual provides the Group with strong and consistent leadership and allows for more effective planning and execution of long-term business strategies.

Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term and subject to re-election. Independent non-executive directors of the Company do not have a specific term of appointment but are subject to retirement by rotation in accordance with the provisions of the bye-laws of the Company. The Company therefore 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 specific enquiry of the Company’s directors, the directors have complied with the required standard set out in the Model Code throughout the accounting period covered by the interim report.

To comply with CG Code A.5.4, the Company has also adopted the Model Code as its code of conduct for dealings in securities of the Company by certain employees of the Company or any of its subsidiaries who are considered to be likely to be in possession of unpublished price sensitive information in relation to the Company or its securities.

AUDIT COMMITTEE

The Company has an audit committee which was established in compliance with Rule 3.21 of the Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee comprises the three independent non-executive directors of the Company. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters related to the preparation of the unaudited interim financial information for the six months ended 30 June 2008.

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

Hong Kong, 26 August 2008

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