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 2012

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 2012, together with the comparative amounts. These condensed consolidated interim financial results have been reviewed by the Company's audit committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

		For the six months ended 30 June	
		2012	2011
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
			(Restated)
REVENUE	*5*	**110,402**	201,730
Cost of sales and services		**(64,976)**	(146,723)
Gross profit		**45,426**	55,007
Other income and gains, net	*5*	**3,601**	5,733
Fair value gains/(losses), net:			
Financial assets at fair value through profit or loss		**3,607**	(798)
Investment properties		**13,556**	8,614
Selling and distribution costs		**(16,303)**	(16,979)
General and administrative expenses		**(26,034)**	(26,543)
Other expenses, net		**20**	2,041
Finance costs		**(100)**	(237)
PROFIT BEFORE TAX	*6*	**23,773**	26,838

CONDENSED CONSOLIDATED INCOME STATEMENT *(continued)*

	Notes	For the six months ended 30 June **2012** **(Unaudited)** ***HK$'000***	2011 (Unaudited) *HK$'000* (Restated)
PROFIT BEFORE TAX	*6*	**23,773**	26,838
Income tax expense	*7*	**(2,481)**	(1,729)
PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT		**21,292**	25,109
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*9*	**HK cents**	HK cents (Restated)
Basic		**8.83**	10.24
Diluted		**8.74**	10.16

Details of the dividends proposed for the period are disclosed in note 8 to the announcement.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
		(Restated)
PROFIT FOR THE PERIOD	**21,292**	25,109
OTHER COMPREHENSIVE INCOME FOR THE PERIOD		
Exchange differences on translation of foreign operations	**-**	812
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**-**	812
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT	**21,292**	25,921

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 June 2012 (Unaudited) *HK$'000***	31 December 2011 (Restated) *HK$'000*	1 January 2011 (Restated) *HK$'000*
NON-CURRENT ASSETS				
Property, plant and equipment		**6,130**	5,660	7,649
Investment properties		**44,528**	30,972	32,278
Goodwill		**25,813**	25,813	25,813
Available-for-sale investments		**2,000**	2,000	1,850
Financial assets at fair value through profit or loss		**3,187**	3,187	847
Total non-current assets		**81,658**	67,632	68,437
CURRENT ASSETS				
Inventories		**5,154**	12,431	18,482
Trade and bills receivables	*10*	**66,165**	67,615	74,441
Prepayments, deposits and other receivables		**7,730**	6,313	9,076
Due from contract customers		**3,476**	3,999	7,530
Financial assets at fair value through profit or loss		**14,488**	20,100	10,648
Tax recoverable		**4,837**	2,226	1,907
Derivative financial assets		**-**	91	-
Pledged bank deposits		**9,989**	31,774	37,560
Cash and cash equivalents		**305,069**	311,837	287,501
Total current assets		**416,908**	456,386	447,145
CURRENT LIABILITIES				
Trade payables, other payables and accruals	*11*	**(70,314)**	(90,017)	(95,140)
Derivative financial liabilities		**-**	(221)	(202)
Interest-bearing bank borrowings	*12*	**-**	(22,526)	(26,520)
Due to contract customers		**(2,644)**	(3,019)	(2,658)
Deferred revenue		**(19,620)**	(5,937)	(6,186)
Tax payable		**(15,438)**	(15,223)	(11,739)
Total current liabilities		**(108,016)**	(136,943)	(142,445)
NET CURRENT ASSETS		**308,892**	319,443	304,700
TOTAL ASSETS LESS CURRENT LIABILITES		**390,550**	387,075	373,137

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

	Notes	**30 June 2012 (Unaudited) *HK$'000***	31 December 2011 (Restated) *HK$'000*	1 January 2011 (Restated) *HK$'000*
TOTAL ASSETS LESS CURRENT LIABILITES		**390,550**	387,075	373,137
NON-CURRENT LIABILITIES				
Deferred tax liabilities		**(981)**	(917)	(803)
Net assets		**389,569**	386,158	372,334
EQUITY				
Equity attributable to owners of the parent				
Issued capital		**24,604**	24,604	25,273
Reserves		**364,965**	344,659	332,253
Proposed final dividend		**-**	16,895	14,808
Total equity		**389,569**	386,158	372,334

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the parent											
	Issued capital *HK$'000*	Share premium account *HK$'000*	Contributed surplus *HK$'000*	Shares held under the restricted share award scheme *HK$'000*	Share-based payment reserve *HK$'000*	Goodwill reserve *HK$'000*	Available-for-sale investment revaluation reserve *HK$'000*	Reserve funds *HK$'000*	Exchange fluctuation reserve *HK$'000*	Retained profits *HK$'000*	Proposed final dividend *HK$'000*	Total equity *HK$'000*
At 1 January 2011												
As previously reported	25,273	38,493	146,986	(6,405)	2,876	(7,227)	690	733	1,866	151,615	14,808	369,708
Effect of adoption of Amendments to HKAS 12 (note 3)	–	–	–	–	–	–	–	–	–	2,626	–	2,626
As restated	25,273	38,493	146,986	(6,405)	2,876	(7,227)	690	733	1,866	154,241	14,808	372,334
Profit for the period	–	–	–	–	–	–	–	–	–	25,109	–	25,109
Other comprehensive income for the period	–	–	–	–	–	–	–	–	812	–	–	812
Repurchase of shares	(397)	–	(6,963)	–	–	–	–	–	–	–	–	(7,360)
Share award arrangements	–	–	–	–	557	–	–	–	–	–	–	557
Vesting of shares held under the restricted share award scheme	–	–	–	1,192	(1,192)	–	–	–	–	–	–	–
Final 2010 dividend declared	–	–	193	–	–	–	–	–	–	–	(14,808)	(14,615)
At 30 June 2011	24,876	38,493	140,216	(5,213)	2,241	(7,227)	690	733	2,678	179,350	–	376,837

	Attributable to owners of the parent											
	Issued capital *HK$'000*	Share premium account *HK$'000*	Contributed surplus *HK$'000*	Shares held under the restricted share award scheme *HK$'000*	Share-based payment reserve *HK$'000*	Goodwill reserve *HK$'000*	Available-for-sale investment revaluation reserve *HK$'000*	Reserve funds *HK$'000*	Exchange fluctuation reserve *HK$'000*	Retained profits *HK$'000*	Proposed final dividend *HK$'000*	Total equity *HK$'000*
At 1 January 2012												
As previously reported	24,604	38,493	104,770	(5,176)	2,704	(7,227)	840	733	4,305	203,159	16,895	384,100
Effect of adoption of Amendments to HKAS 12 (note 3)	–	–	–	–	–	–	–	–	–	2,058	–	2,058
As restated	24,604	38,493*	104,770*	(5,176)*	2,704*	(7,227)*	840*	733*	4,305*	205,217*	16,895	386,158
Profit for the period	–	–	–	–	–	–	–	–	–	21,292	–	21,292
Purchase of shares held under the restricted share award scheme	–	–	–	(1,372)	–	–	–	–	–	–	–	(1,372)
Share award arrangements	–	–	–	–	359	–	–	–	–	–	–	359
Vesting of shares held under the restricted share award scheme	–	–	–	884	(884)	–	–	–	–	–	–	–
Final 2011 dividend declared	–	–	27	–	–	–	–	–	–	–	(16,895)	(16,868)
At 30 June 2012	24,604	38,493*	104,797*	(5,664)*	2,179*	(7,227)*	840*	733*	4,305*	226,509*	–	389,569

* *These reserve accounts comprise the consolidated reserves of HK$364,965,000 (31 December 2011: HK$344,659,000 as restated) in the condensed consolidated statement of financial position.*

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES	**1,039**	(34,573)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	**(33,227)**	(31,484)
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES	**(40,766)**	506
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(72,954)**	(65,551)
Cash and cash equivalents at beginning of period	**305,609**	281,590
Effect of foreign exchange rate changes, net	**-**	940
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**232,655**	216,979
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents as stated in the condensed consolidated statement of financial position	**305,069**	222,906
Less: Non-pledged time deposits with original maturity of more than three months when acquired	**(72,414)**	(5,927)
Cash and cash equivalents for the purpose of the condensed consolidated statement of cash flows	**232,655**	216,979

NOTES:

1. CORPORATE 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 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:

- sales of computer networks and system platforms, the provision of system and network integration, information technology ("IT") solutions development and implementation, and related maintenance services;

- provision of enterprise software applications and related operation outsourcing, business process outsourcing and e-business, and related maintenance services; and

- property and treasury investments.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

This unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2012 has been prepared in accordance with the applicable provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and Hong Kong Accounting Standards ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The unaudited condensed consolidated interim financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2011.

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 2011, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs") (which also included HKASs and Interpretations) that affect the Group and are adopted for the first time for the current period's financial statements.

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosure – Transfers of Financial Assets*
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*

Other than as further explained below regarding the impact of HKAS 12 Amendments, the adoption of the new and revised HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

Amendments to HKAS 12 were issued in December 2010 which introduce a rebuttable presumption that deferred tax on investment property measured using the fair value model in HKAS 40 *Investment Property* should be determined on the basis that its carrying amount will be recovered through sale. The amendments are effective for annual periods beginning on or after 1 January 2012.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

As a result of the change in accounting policy arising from amendments to HKAS 12, the Group now measures the deferred tax liability arising from the fair value changes of their investment properties using tax rate that would apply on recovery of the assets through sale, rather than through use as applied prior to adoption of these amendments. This change in accounting policy has been applied retrospectively and the effects of the adoption of the above amendments to the Group are summarised as follows:

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Condensed consolidated income statement		
Decrease in income tax expense and increase in profit for the period attributable to owners of the parent	**2,178**	1,421
	HK cents	HK cents
	HK$'000	*HK$'000*
Increase in basic earnings per share attributable to owners of the parent	**0.90**	0.58
Increase in diluted earnings per share attributable to owners of the parent	**0.89**	0.58

	As at 30 June 2012	As at 31 December 2011	As at 1 January 2011
	(Unaudited)	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*	*HK$'000*
Condensed consolidated statement of financial position			
Decrease in deferred tax liabilities and increase in retained profits	**2,178**	2,058	2,626

3. **SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

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

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans*[2]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*[2]
HKFRS 9	*Financial Instruments*[4]
HKFRS 10	*Consolidated Financial Statements*[2]
HKFRS 11	*Joint Arrangements*[2]
HKFRS 12	*Disclosure of Interests in Other Entities*[2]
HKFRS 13	*Fair Value Measurement*[2]
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*[1]
HKAS 19 (2011)	*Employee Benefits*[2]
HKAS 27 (2011)	*Separate Financial Statements*[2]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*[2]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[3]
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*[2]
Annual Improvements 2009-2011 Cycle	Amendments to a number of HKFRSs contained in *Annual improvements 2009-2011 Cycle* issued in June 2012[2]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Amendments to HKFRS 10 *Consolidated Financial Statements*, HKFRS 11 *Joint Arrangements* and HKFRS 12 *Disclosure of Interests in Other Entities – Transition Guidance*[2]

[1] Effective for annual periods beginning on or after 1 July 2012
[2] Effective for annual periods beginning on or after 1 January 2013
[3] Effective for annual periods beginning on or after 1 January 2014
[4] Effective for annual periods beginning on or after 1 January 2015

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

4. OPERATING SEGMENT INFORMATION

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

(a) the integration and solutions services segment engages in the sales of computer networks and system platforms, and the provision of system and network integration, IT solutions development and implementation, and related maintenance services;

(b) the application services segment engages in the provision of enterprise software applications and related operation outsourcing, business process outsourcing and e-business, and related maintenance services; and

(c) the investments segment primarily engages in various types of investing activities including, inter alia, property investment for rental income and treasury investment in listed securities for dividend income and interest income.

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

Segment assets exclude derivative financial assets, 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 derivative financial instruments, interest bearing bank borrowings, 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

Group

	Integration and Solutions Services		Application Services		Investments		Total	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:								
Sales to external customers	**70,358**	162,025	**39,152**	38,813	**892**	892	**110,402***	201,730*
Other income and gains, net	**49**	1,940	**6**	(31)	**(1,271)**	600	**(1,216)^**	2,509^
Total	**70,407**	163,965	**39,158**	38,782	**(379)**	1,492	**109,186**	204,239
Segment results	**41**	12,776	**11,977**	11,217	**16,436**	9,090#	**28,454**	33,083
Reconciliation:								
Unallocated interest income							**4,629^**	2,300^
Unallocated other income and gains, net							**188^**	924^
Corporate and other unallocated depreciation							**(93)**	(138)
Corporate and other unallocated expenses							**(9,305)**	(9,094)#
Finance costs							**(100)**	(237)
Profit before tax							**23,773**	26,838

	Integration and Solutions Services		Application Services		Investments		Total	
	30 June 2012	31 December 2011	**30 June 2012**	31 December 2011	**30 June 2012**	31 December 2011	**30 June 2012**	31 December 2011
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)	**(Unaudited)**	(Audited)	**(Unaudited)**	(Restated)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**74,025**	82,664	**35,385**	35,049	**67,970**	60,054	**177,380**	177,767
Reconciliation:								
Corporate and other unallocated assets							**321,186**	346,251
Total assets							**498,566**	524,018
Segment liabilities	**57,563**	63,530	**33,904**	32,989	**609**	580	**92,076**	97,099
Reconciliation:								
Corporate and other unallocated liabilities							**16,921**	40,761
Total liabilities							**108,997**	137,860

4. OPERATING SEGMENT INFORMATION *(continued)*

(a) Operating segments *(continued)*

* *This represents the consolidated revenue of HK$110,402,000 (2011: HK$201,730,000) in the condensed consolidated income statement.*

^ *These comprise the consolidated other income and gains, net, of HK$3,601,000 (2011: HK$5,733,000) in the condensed consolidated income statement.*

The comparative amounts of certain items in the announcement have been reclassified to conform with the current periods presentation.

Group

	Integration and Solutions Services		Application Services		Investments		Total	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Other segment information:								
Net fair value gains on investment properties	–	–	–	–	**13,556**	8,614	**13,556**	8,614
Net fair value gains/(losses) on financial assets at fair value through profit or loss	–	–	–	–	**3,607**	(798)	**3,607**	(798)
Depreciation	**495**	457	**302**	248	**47**	66	**844**	771
Corporate and other unallocated depreciation							**93**	138
							937	909
Other material non-cash items, net*	–	1,717	**20**	324	**–**	–	**20**	2,041
Capital expenditure**	**863**	119	**504**	168	**–**	–	**1,367**	287
Corporate and other unallocated capital expenditure							**40**	6
							1,407	293

* *Including impairment losses recognised in the condensed consolidated income statement attributable to the application services segment of HK$36,000 (2011: HK$117,000) and impairment losses reversed in the condensed consolidated income statement attributable to the integration and solutions services segment and the application services segment of HK$Nil (2011: HK$1,717,000) and HK$56,000 (2011: HK$441,000), respectively.*

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

4. OPERATING SEGMENT INFORMATION *(continued)*

(b) Geographical information

Group

	Hong Kong		Mainland China		Consolidated	
	2012	2011	**2012**	2011	**2012**	2011
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
(i) ***Revenue from external customers***						
Segment revenue:						
Sales to external customers	**77,994**	66,325	**32,408**	135,405	**110,402**	201,730

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

(ii) ***Non-current assets***	Consolidated	
	30 June 2012	31 December 2011
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Hong Kong	**67,150**	53,961
Mainland China	**9,321**	8,484
	76,471	62,445

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

(c) Information about major customers

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

For the period ended 30 June 2012, revenue from a customer of HK$27,482,000, individually amounting to 10% or more of the Group's total revenue, was derived from the integration and solutions services segment.

For the period ended 30 June 2011, revenues from two customers of HK$42,033,000 and HK$30,642,000, individually amounting to 10% or more of the Group's total revenue, were derived from the integration and solutions services segment.

5. REVENUE, OTHER INCOME AND GAINS, NET

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

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

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Revenue		
Sale of computer networks and system platforms, and the provision of system and network integration, IT solutions development and implementation, and related maintenance services	**70,358**	162,025
Provision of enterprise software applications and related operation outsourcing, business process outsourcing and e-business, and related maintenance services	**39,152**	38,813
Gross rental income from investment properties and interest income from treasury investments	**892**	892
	110,402	201,730
Other income and gains, net		
Bank interest income	**4,629**	2,300
Dividend income from listed investments	**453**	247
Fair value gain on derivative financial instruments - transactions not qualifying as hedges	**130**	-
Gain/(loss) on disposal of financial assets at fair value through profit or loss	**(1,724)**	189
Foreign exchange differences, net	**38**	2,977
Others	**75**	20
	3,601	5,733

6. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Depreciation	**937**	909
Impairment of trade receivables*	**36**	117
Reversal of impairment of trade receivables and trade receivables written off*	**(56)**	(1,785)
Reversal of impairment of amounts due from contract customers and amount due from contract customers written off*	**-**	(373)
Bank interest income	**(4,629)**	(2,300)

* *These items are included in "other expenses, net" on the face of the condensed consolidated income statement.*

7. INCOME TAX

Hong Kong profits tax has been provided at the applicable rate of 16.5% (six months ended 30 June 2011: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
		(Restated)
Current – Hong Kong		
Charge for the period	**1,367**	1,898
Current – Elsewhere		
Charge for the period	**1,470**	170
Overprovision in prior years	**(420)**	(339)
Deferred	**64**	-
Total tax charge for the period	**2,481**	1,729

8. DIVIDENDS

a. The Board has determined that an interim dividend of 6 HK cents (2011: 6 HK cents) in cash per share should be paid to the shareholders of the Company whose names appear in the Register of Members on 5 September 2012.

b. Dividends attributable to the previous financial year, approved and paid during the interim period.

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Final dividends in respect of the previous financial year, approved and paid during the interim period of HK$0.07 (2011: HK$0.06) per ordinary share	**17,223**	14,957
Less: Dividend for shares held under the Company's restricted share award scheme	**(355)**	(342)
	16,868	14,615

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

(a) Basic earnings per share

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 241,195,605 (2011: 245,109,690) in issue during the period, as adjusted to exclude the shares held under the restricted share award scheme of the Company.

(b) Diluted earnings per share

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

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 for the period attributable to ordinary equity holders of the parent.

	Number of shares	
	2012	2011
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**241,195,605**	245,109,690
Effect of dilution – weighted average number of ordinary shares:		
Restricted shares awarded under the Company's restricted share award scheme	**2,286,331**	2,035,081
	243,481,936	247,144,771

10. TRADE AND BILLS RECEIVABLES

An aged analysis of the trade and bills receivables as at the end of the reporting period, based on the payment due date and net of provisions, is as follows:

	30 June 2012 (Unaudited) *HK$'000*	31 December 2011 (Audited) *HK$'000*
Not past due nor impaired	**50,419**	32,579
Within 3 months	**10,432**	29,763
4 to 6 months	**1,539**	4,155
More than 6 months	**3,775**	1,118
	66,165	67,615

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 120 days, except for certain projects with longer implementation schedules where the period may extend beyond 120 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. Trade and bills receivables are non-interest-bearing.

11. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	30 June 2012 (Unaudited) *HK$'000*	31 December 2011 (Audited) *HK$'000*
Trade payables	**35,690**	52,555
Other payables	**23,064**	23,276
Accruals	**11,560**	14,186
	70,314	90,017

An aged analysis of trade payables as at the end of the reporting period, based on the payment due date, is as follows:

	30 June 2012 (Unaudited) *HK$'000*	31 December 2011 (Audited) *HK$'000*
Current	**30,883**	50,743
1 to 3 months	**1,849**	1,569
4 to 6 months	**2,041**	106
Over 6 months	**917**	137
	35,690	52,555

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

12. INTEREST-BEARING BANK BORROWINGS

	30 June 2012			31 December 2011		
	Contractual Interest rate (%)	**Maturity**	**(Unaudited) *HK$'000***	Contractual Interest rate (%)	Maturity	(Audited) *HK$'000*
Current						
Bank loans – secured	**Nil**	**Nil**	**-**	1.10-1.85	2012	22,526
Analysed into:						
Bank loans repayable:						
Within one year or on demand (Note a)			**-**			22,526

Notes:

(a) These bank loans contain a clause that gives the lender the unconditional right to call the loans at any time and, accordingly, are classified as current liabilities. Not taking into account the repayment on demand clause, based on the maturing terms of these loans, these loans are repayable within one year.

(b) These bank loans are denominated in United States dollars.

Pledge of assets

The Group's bank loans and other banking facilities are secured by:

(i) certain of the Group's time deposit amounting to HK$Nil at 30 June 2012 (31 December 2011: HK$31,774,000); and

(ii) an investment property of the Group with a carrying value of HK$40,000,000 as at 30 June 2012 (31 December 2011: HK$26,800,000).

13. COMMITMENTS AND CONTINGENT LIABILITIES

(a) As lessor

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

At at 30 June 2012, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 June 2012 (Unaudited) ***HK$'000***	31 December 2011 (Audited) *HK$'000*
Within one year	**901**	1,683
In the second to fifth years, inclusive	**120**	343
	1,021	2,026

(b) As lessee

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

At 30 June 2012, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2012 (Unaudited) ***HK$'000***	31 December 2011 (Audited) *HK$'000*
Within one year	**6,591**	6,238
In the second to fifth years, inclusive	**4,392**	7,479
	10,983	13,717

Other than the normal course of business, the Group has no significant contingent liability as at 30 June 2012.

14. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

The interim financial statements were approved and authorised for issue by the board of directors on 16 August 2012.

CHAIRMAN'S STATEMENT

Dear Shareholders,

OVERVIEW

I am glad to present the unaudited interim results of Computer And Technologies Holdings Limited and its subsidiaries (collectively the "Group") for the six-month period ended 30 June 2012. The Group's consolidated net profit attributable to shareholders for the reporting period decreased by 15.2% to HK$21.3 million (2011: HK$25.1 million as restated). The basic earnings per share was 8.83 HK cents (2011: 10.24 HK cents as restated) or a decrease of 13.8% compared with the same period last year.

The decline was primarily attributed to the significant decrease in revenue from reselling of low margin hardware products during the course of its business transformation period and the reduction in foreign exchange gain recognized. Such decline was partly compensated by the appreciations in the Group's financial assets and investment properties valuation during the reporting period.

Despite the less than satisfactory operating results, the Group has been maintaining robust liquidity position with more than HK$300 million cash on hand as at the end of June 2012 irrespective of the HK$16.9 million payment for 2011 final dividend. In view of the sustainable healthy financial position, the Board recommended the distribution of an interim dividend of 6 HK cents (2011: 6 HK cents).

BUSINESS REVIEW

As part of the long term business strategy, the Group has been transforming its Integration Services[1] business in Mainland China from a hardware driven business to a service and solutions driven business. Such move had caused a significant drop in revenue from selling of low margin third party hardware products and adversely impacted the Group's consolidated revenue for the reporting period to fall by 45.3% to HK$110.4 million (2011: HK$201.7 million). On the other hand, the overall gross profit margin increased from 27.3% for the same period last year to 41.1%.

The Management has spent tremendous efforts in transforming the Integration Services business by building up new service team and targeting on new services revenue in Mainland China. However, the full benefits from such business transformation may take a longer period to be materialized.

Despite keen competitive operating environment and weakened economy in HK market, the Group's Solutions Services[2] business continued to benefit from its long term services contracts with the HKSAR Government and several large corporations in Hong Kong. In order to maintain a stable revenue stream and strengthen its order backlog, the Group is actively taking part in bidding for a number of sizable solution and services outsourcing projects from both public and commercial sectors.

BUSINESS REVIEW *(continued)*

During the reporting period, the Group's Application Services[3] business managed to secure a number of new contracts of its HRM[4] product suite from a number of large local and multinational enterprises. Moreover, the business continued to generate increasing recurring maintenance and services income from its enlarging customer base. The Management is optimistic that the demands for the Group's software product driven solutions and services will remain strong in the rest of the year.

In March 2012, the Group renewed a multi-year BPO[5] contract with a leading trade promotion organization in Hong Kong. The Management believes that such renewal will strengthen the Group's market position in BPO activities and continue to bring stable revenue stream in the coming years to the Group.

The Group's GETS[6] and related business profit contribution during the reporting period was stably maintained. The business, however, is inevitably impacted by motionless import and export trading activities in Hong Kong and also suffered from severe competition. To meet the challenges, the Management is actively pursuing new Cloud[7] based applications and services to broaden the revenue streams.

The investments segment recorded segment results of HK$16.5 million (2011: HK$9.0 million), representing an increase of 80.8%, which was primarily due to the appreciation of the financial assets and investment properties held during the reporting period.

PROSPECT

Looking ahead, a further slowdown in the global economy including China is expected and the Group will continue to operate in a challenging economic environment for the time being. Leveraging the strong recurring revenue streams generated from its Solutions and Applications Services business and the solid financial position, the Management is confident that the Group could cope with any adverse impact due to unforeseeable events in the economy and capture any growth opportunities once they arrive. In addition, the Management is prudently optimistic that its effort in the business transformation toward high value added services would be solidified in the foreseeable future and be able to improve the long-term contribution of its Integration Services business from market in Mainland China.

Footnotes:

[1] The Group's **Integration Services** business covers the provision of IT systems and network infrastructure with related design, implementation and on-going support services.

[2] The Group's **Solution Services** business includes (i) Development Services for the provision of IT solutions implementation and application software development; and (ii) Managed Services for the provision of IT and related operation / infrastructure outsourcing services.

[3] The Group's **Application Services** business engages in the provision of business application solutions and e-business services for enterprises including (i) human resource management ("HRM") as well as related application software, maintenance and payroll outsourcing services; (ii) e-procurement, e-tendering and related services; (iii) the document and workflow management solutions, (iv) business process outsourcing ("BPO") services and (v) the Government Electronic Trading Services ("GETS"), cloud and other related value added services.

[4] The Group's **HRM** business comprises the provision of human resource management as well as related application software and payroll outsourcing services.

[5] The Group's **BPO** business comprises the provision of services for the operations and support of specific business functions or processes of customers.

[6] Since 2004, the Group has been granted a license (the "GETS License") from the HKSAR Government for the provision of front-end GETS for processing certain official trade-related documents. The Group's **GETS** license was renewed in 2009 for operation of additional 7 years until the end of 2016.

[7] **Cloud** computing is the delivery of computing and storage capacity as a service to a community of end-recipients through Internet.

FINANCIAL REVIEW

Revenue

The overall revenue decreased by 45.3% to HK110.4 million (2011: HK$ 201.7 million) when compared with the same period last year. The decline was mainly attributed to the significant decrease in revenue contributed by the Group's Integration Services business as the division is in its course of business transformation as previously reported. Accordingly, the Integration and Solutions Services segment also recorded a less than satisfactory segment result during the reporting period.

Gross profit

The Group's gross profit for the reporting period was HK$45.4 million, representing a decrease of 17.4% as compared with the amount of HK$55.0 million for the same period last year. Nevertheless, the Group's overall gross profit margin improved significantly to 41.1% (2011: 27.3%). The increment were the combined results of the increasing contributions from higher margin Solutions Services and the decreased sales in third party hardware products that the margin are generally low.

Other income and gains (including fair value gains/losses)

Other income and gains, including the fair value gains or losses, recorded an increase of 53.3% to HK$20.8 million (2011: HK$13.5 million). The increase was primarily due to the effects of the followings.

a. HK$13.6 million, or an increase of 57.4% in fair value gain on investment properties (2011: HK$8.6 million) as due to the appreciation in market values;

b. HK$4.6 million, or an increase of 101.3% in bank interest income (2011: HK$2.3 million) as the Group placed larger amount of free cash into deposits with longer tenor in order to earn a higher interest yield;.

c. HK$1.9 million realized and unrealized gain, net on Hong Kong listed securities investment (2011: loss of HK$0.6 million) due to the stock price rebound in first half of 2012; and

d. HK$0.04 million, or a decrease of 98.7% in foreign exchange gain (2011: HK$3.0 million) as the RMB against HKD become static during the reporting period.

Expenses

Selling and distribution costs slightly decreased by 4.0% to HK$16.3 million (2011: HK$17.0 million). The decrease was mainly attributable to the decrease in sales expenses incurred by the Integration Services business.

General and administrative expenses decreased by 1.9% to HK$26.0 million (2011: HK$26.5 million) resulting from tightened controls.

As there is no material reversal of impairment losses in 2012, the other expenses has reduced to HK$0.02 million (2011: HK$2.0 million).

FINANCIAL REVIEW *(continued)*

Net profit

Profit for the period attributable to shareholders decreased 15.2% to HK$21.3 million (2011: HK$25.1 million as restated) while the net profit margin (profit for the period attributable to shareholders divided by revenue) was increased to 19.3% from 12.4% in the same period last year. The increase in net profit margin was in line with the increase in gross profit margin and other income and gains as mentioned above.

Non-Current Assets

The Group's non-current assets as at 30 June 2012 increased to HK$81.7 million from HK$67.6 million as at 31 December 2011. The increase was primarily due to the appreciation in market value of investment properties in 2012.

Current Assets

The Group's current assets as at 30 June 2012 decreased to HK$416.9 million from HK$456.4 million as at 31 December 2011. The decrease was mainly due to the decrease in pledged bank deposits that were used for the repayment of bank borrowings and the decrease in inventories held for the Integration Services business.

Current Liabilities

The Group's current liabilities as at 30 June 2012 decreased to HK$108.0 million from HK$136.9 million as at 31 December 2011. The decrease was mainly due to the full repayment of bank borrowings during the period.

Segment Assets and Liabilities

Both segment assets and liabilities of the Integration and Solutions Services business decreased in respect of lower in Integration Services business activities.

The investment segment's assets as at 30 June 2012 increased to HK$68.0 million from HK$60.0 million as at 31 December 2011. The increase was a result of the increase in market value of investment properties held, partly offset by the decrease in investments in Hong Kong listed securities.

Equity

There was no change in share capital during the period. Total equity as at 30 June 2012 rose by 0.9% to HK$389.6 million from HK$386.2 million (as restated) as at 31 December 2011. The change was mainly a result of the retention of the net profit earned in first half of 2012, partially offset by the reclassification of 2011 final dividend to current liability upon the approval of the dividend at the annual general meeting held in May 2012.

FINANCIAL RESOURCES AND LIQUIDITY

As at 30 June 2012, the Group's cash and bank balances (excluded pledged bank deposit of HK$10.0 million) was HK$305.1 million (31 December 2011: HK$311.8 million).

All of the Group's on hand fundings are in Hong Kong dollars, Renminbi and US dollars. During the reporting period, the Group entered into certain forward currency contracts and interest rate swaps to manage its exchange rate and interest rate exposures and closed all positions as of the end of June 2012. Save as disclosed, the Group has not adopted any hedging policies, as these currencies carry low exchange fluctuation risks.

As at 30 June 2012, the Group had no bank borrowings (31 December 2011: HK$22.5 million). The Group's current ratio representing current assets divided by current liability was 3.9 (31 December 2011: 3.3) and the gearing ratio, representing total liabilities divided by total assets, was 21.9% (31 December 2011: 26.3% as restated).

PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

As at 30 June 2012, the Group had pledged certain of its investment properties with a carrying value of HK$40.0 million (31 December 2011: HK$26.8 million) and bank balances of HK$10.0 million (31 December 2011: HK$31.8 million) to secure certain general bank facilities including interest-bearing bank borrowings, guarantee/performance bonds facilities granted to the Group in aggregate of HK$114.3 million (31 December 2011: HK$113.7 million) of which HK$5.4 million (31 December 2011: HK$27.8 million) had been utilised as at 30 June 2012.

INTERIM DIVIDEND

The Board recommends the payment of an interim dividend of HK6 cents (30 June 2011: HK6 cents) per share for the six months ended 30 June 2012. The interim dividend will be distributed on or about 14 September 2012 to shareholders whose names appear on the Register of Members of the Company on 5 September 2012.

CLOSURE OF THE REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 3 September 2012 to 5 September 2012, both days inclusive, during which period no transfer of shares will be registered. In order to qualify 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 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30p.m. on 31 August 2012.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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 should be separate and should not be performed by the same individual. The Company does not have a separate Chairman and Chief Executive and Mr. Ng Cheung Shing ("Mr. Ng") currently holds both positions. The Board believes that vesting the roles of both chairman and chief executive 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.

In order to reinforce its compliance to CG Code as provided in the Listing Rules to separate the responsibilities of the chairman and chief executive officer by two individuals, with effect from 1 April 2012, Mr. Ng relinquished his role as the chief executive officer and remains as the chairman of the Group; and Mr. Yan King Shun, who is currently an executive director, has been appointed as the chief executive officer of the Group.

Code Provision A.4.1 stipulates that non-executive directors ("NED") should be appointed for a specific term and subject to re-election. Independent non-executive directors of the Company ("INEDs") 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.

In order to reinforce its compliance to CG Code to appoint NED for a specific term, with effect from 1 April 2012, all INEDs renewed their appointments with the Company for specific terms but are subject to retirement by rotation in accordance with the provisions of the bye-laws of the Company.

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 2012.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This announcement is published on the Stock Exchange's website (www.hkex.com.hk) and the Company website (www.ctil.com). The 2012 interim report will be published on the Stock Exchange's website (www.hkex.com.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 Group and the Board, I would like to extend my sincere thanks and appreciations to our shareholders, customers, suppliers, business partners and all the employees for their continuous supports and trusts to the Group during the period.

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

Hong Kong, 16 August 2012

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