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# computer technologies

## COMPUTER AND TECHNOLOGIES HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 00046)

### ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

#### GROUP RESULTS

The Board of Directors (the “Board”) of Computer And Technologies Holdings Limited (the “Company”) herein presents the annual results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2018 together with comparative figures for the corresponding period in 2017 as follows:

#### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2018

	<i>Notes</i>	<b>2018</b> <i>HK\$'000</i>	2017 <i>HK\$'000</i>
<b>REVENUE</b>	5	<b>281,427</b>	253,915
Cost of sales and services		<u>(121,492)</u>	<u>(110,424)</u>
Gross profit		<b>159,935</b>	143,491
Other income and gains, net	5	<b>10,084</b>	9,264
Foreign exchange differences, net		<b>329</b>	(905)
Fair value gains/(losses), net:			
Financial assets at fair value through profit or loss		<b>(384)</b>	1,380
Investment properties		<b>4,406</b>	3,590
Selling and distribution expenses		<b>(35,358)</b>	(34,497)
General and administrative expenses, net		<b>(57,788)</b>	(55,453)
Other expenses		<u>(6,024)</u>	<u>(6,024)</u>
<b>PROFIT BEFORE TAX</b>	6	<u><b>75,200</b></u>	<u>60,846</u>

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

Year ended 31 December 2018

	<i>Notes</i>	<b>2018</b> <b><i>HK\$'000</i></b>	2017 <i>HK\$'000</i>
<b>PROFIT BEFORE TAX</b>	6	<b>75,200</b>	60,846
Income tax expense	7	<u>(7,172)</u>	<u>(6,517)</u>
<b>PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT</b>		<b><u>68,028</u></b>	<u>54,329</u>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>	9	<b>HK cents</b>	HK cents
Basic		<u>27.85</u>	<u>22.43</u>
Diluted		<u>27.78</u>	<u>22.36</u>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2018

	<b>2018</b> <i>HK\$'000</i>	2017 <i>HK\$'000</i>
<b>PROFIT FOR THE YEAR</b>	<u><b>68,028</b></u>	<u>54,329</u>
<b>OTHER COMPREHENSIVE INCOME</b>		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Available-for-sale investment:		
Change in fair value	-	(100)
Exchange differences on translation of foreign operations	<u>(4,293)</u>	<u>5,020</u>
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	<u>(4,293)</u>	<u>4,920</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT</b>	<u><b>63,735</b></u>	<u>59,249</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

31 December 2018

	<i>Notes</i>	<b>2018</b> <b><i>HK\$'000</i></b>	<b>2017</b> <b><i>HK\$'000</i></b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	10	3,120	3,950
Investment properties	11	75,661	71,255
Goodwill	12	134,485	134,485
Other intangible assets	13	54,062	49,706
Available-for-sale investment	14	-	1,780
Financial assets at fair value through profit or loss	16	4,633	2,544
Deposits		2,260	-
Deferred tax assets	18	2,713	2,984
		<u>276,934</u>	<u>266,704</u>
<b>CURRENT ASSETS</b>			
Inventories		723	1,433
Trade receivables	15	43,572	41,363
Prepayments, deposits and other receivables		14,999	15,466
Due from contract customers		-	16,276
Contract assets		20,627	-
Financial assets at fair value through profit or loss	16	10,164	10,857
Tax recoverable		6,681	8,433
Pledged bank deposits		2,100	1,071
Cash and cash equivalents		255,545	246,547
		<u>354,411</u>	<u>341,446</u>
<b>CURRENT LIABILITIES</b>			
Trade payables, other payables and accruals	17	(74,096)	(74,274)
Due to contract customers		-	(20,407)
Deferred revenue		-	(35,969)
Contract liabilities		(56,954)	-
Tax payable		(9,501)	(9,285)
		<u>(140,551)</u>	<u>(139,935)</u>
<b>NET CURRENT ASSETS</b>		<u>213,860</u>	<u>201,511</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITES</b>		<u>490,794</u>	<u>468,215</u>

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**CONSOLIDATED STATEMENT OF FINANCIAL POSITION** *(continued)*

31 December 2018

	<i>Note</i>	<b>2018</b> <b><i>HK\$'000</i></b>	2017 <i>HK\$'000</i>
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities	18	<u>(12,730)</u>	<u>(15,247)</u>
Net assets		<u><b>478,064</b></u>	<u>452,968</u>
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Issued capital		24,949	24,419
Share premium account		53,104	38,493
Shares held under the restricted share award scheme		(5,809)	(1,919)
Other reserves		376,221	362,879
Proposed final and special dividends		<u>29,599</u>	<u>29,096</u>
Total equity		<u><b>478,064</b></u>	<u>452,968</u>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2018

	Attributable to owners of the parent											
	Issued capital	Share premium account	Shares held under the restricted share award scheme	Other reserves							Proposed final and special dividends	Total equity
				Share-based payment reserve	Goodwill reserve	Asset revaluation reserve	Available-for-sale investment revaluation reserve	Reserve funds	Exchange fluctuation reserve	Retained profits		
HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	
At 1 January 2017	24,419	38,493	(2,447)	2,745	(7,227)	1,972	721	733	(1,749)	359,615	24,207	441,482
Profit for the year	-	-	-	-	-	-	-	-	-	54,329	-	54,329
Other comprehensive income for the year:												
Change in fair value of an available-for-sale investment	-	-	-	-	-	-	(100)	-	-	-	-	(100)
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	-	5,020	-	-	5,020
Total comprehensive income for the year	-	-	-	-	-	-	(100)	-	5,020	54,329	-	59,249
Vesting of shares held under the restricted share award scheme	-	-	528	(528)	-	-	-	-	-	-	-	-
Share award arrangements	-	-	-	691	-	-	-	-	-	-	-	691
Transferred from retained profits	-	-	-	-	-	-	-	13	-	(13)	-	-
Final and special 2016 dividends declared	-	-	-	-	-	-	-	-	-	(20)	(24,207)	(24,227)
Interim and special 2017 dividends	-	-	-	-	-	-	-	-	-	(24,227)	-	(24,227)
Proposed final and special 2017 dividends	-	-	-	-	-	-	-	-	-	(29,096)	29,096	-
At 31 December 2017	24,419	38,493	(1,919)	2,908	(7,227)	1,972	621	746	3,271	360,588	29,096	452,968

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

Year ended 31 December 2018

	Attributable to owners of the parent											Total equity HK\$'000
	Issued capital HK\$'000	Share premium account HK\$'000	Shares held under the restricted share award scheme HK\$'000	Share-based payment reserve HK\$'000	Goodwill reserve HK\$'000	Asset revaluation reserve HK\$'000	Other reserves				Proposed final and special dividends HK\$'000	
							Available-for-sale investment revaluation reserve HK\$'000	Reserve funds HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000		
At 1 January 2018	24,419	38,493	(1,919)	2,908	(7,227)	1,972	621	746	3,271	360,588	29,096	452,968
Effect of adoption of HKFRS 9 (Note 3)	-	-	-	-	-	-	(621)	-	-	621	-	-
At 1 January 2018 (restated)	24,419	38,493	(1,919)	2,908	(7,227)	1,972	-	746	3,271	361,209	29,096	452,968
Profit for the year	-	-	-	-	-	-	-	-	-	68,028	-	68,028
Other comprehensive loss for the year:												
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	-	(4,293)	-	-	(4,293)
Total comprehensive income for the year	-	-	-	-	-	-	-	-	(4,293)	68,028	-	63,735
Purchase of shares held under the restricted share award scheme	-	-	(4,410)	-	-	-	-	-	-	-	-	(4,410)
Vesting of shares held under the restricted share award scheme	-	-	520	(520)	-	-	-	-	-	-	-	-
Shares issued in lieu of dividend	530	14,611	-	-	-	-	-	-	-	-	-	15,141
Share award arrangements	-	-	-	1,858	-	-	-	-	-	-	-	1,858
Final and special 2017 dividends declared	-	-	-	-	-	-	-	-	-	90	(29,096)	(29,006)
Interim 2018 dividend	-	-	-	-	-	-	-	-	-	(22,222)	-	(22,222)
Proposed final 2018 dividend	-	-	-	-	-	-	-	-	-	(29,599)	29,599	-
At 31 December 2018	24,949	53,104	(5,809)	4,246	(7,227)	1,972	-	746	(1,022)	377,506	29,599	478,064

## CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2018

	<i>Notes</i>	<b>2018</b> <i>HK\$'000</i>	2017 <i>HK\$'000</i>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		<b>75,200</b>	60,846
Adjustments for:			
Bank interest income	5	<b>(7,274)</b>	(3,849)
Dividend income from listed investments at fair value through profit or loss	5	<b>(675)</b>	(689)
Loss/(gain) on disposal of items of property, plant and equipment, net	6	<b>(1)</b>	18
Fair value losses/(gains), net:			
Financial assets at fair value through profit or loss	6	<b>384</b>	(1,380)
Investment properties	6	<b>(4,406)</b>	(3,590)
Depreciation	6	<b>2,051</b>	2,833
Impairment of trade receivables, net	6	<b>1,201</b>	345
Impairment of contract assets	6	<b>68</b>	-
Amortisation of other intangible assets	6	<b>6,024</b>	6,024
Equity-settled share-based payment expense		<b>1,858</b>	691
		<b>74,430</b>	61,249
Decrease/(increase) in inventories		<b>710</b>	(1,395)
Decrease/(increase) in trade receivables		<b>(3,410)</b>	2,680
Increase in prepayments, deposits and other receivables		<b>(1,793)</b>	(1,647)
Increase in contract assets/amounts due from contract customers		<b>(4,419)</b>	(6,184)
Increase/(decrease) in trade payables, other payables and accruals		<b>(178)</b>	10,045
Increase in contract liabilities/amounts due to contract customers		<b>2,824</b>	202
Increase/(decrease) in contract liabilities/deferred revenue		<b>(2,246)</b>	216
Cash generated from operations		<b>65,918</b>	65,166
Hong Kong profits tax paid		<b>(4,865)</b>	(8,929)
Overseas taxes paid		<b>(2,628)</b>	(1,047)
Net cash flows from operating activities		<b>58,425</b>	55,190

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**CONSOLIDATED STATEMENT OF CASH FLOWS** *(continued)*

Year ended 31 December 2018

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Net cash flows from operating activities	<u>58,425</u>	<u>55,190</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Bank interest received	7,274	3,849
Dividends received from listed investments at fair value through profit or loss	675	689
Purchases of items of property, plant and equipment	(1,242)	(914)
Additions to other intangible assets	(10,380)	(4,127)
Payment of acquisition consideration payable	-	(14,795)
Proceeds from disposal of items of property, plant and equipment	7	16
Decrease/(increase) in pledged bank deposits	(1,029)	20,814
Decrease in non-pledged bank deposits with original maturity of more than three months when acquired	<u>47,159</u>	<u>11,164</u>
Net cash flows from investing activities	<u>42,464</u>	<u>16,696</u>
<b>CASH FLOWS USED IN FINANCING ACTIVITIES</b>		
Purchase of shares under the restricted share award scheme	(4,410)	-
Dividends paid	(36,087)	(48,454)
Net cash flows used in financing activities	<u>(40,497)</u>	<u>(48,454)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>60,392</b>	<b>23,432</b>
Cash and cash equivalents at beginning of year	198,700	170,393
Effect of foreign exchange rate changes, net	(4,235)	4,875
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u><b>254,857</b></u>	<u><b>198,700</b></u>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents as stated in the consolidated statement of financial position	255,545	246,547
Non-pledged time deposits with original maturity of more than three months when acquired	<u>(688)</u>	<u>(47,847)</u>
Cash and cash equivalents as stated in the consolidated statement of cash flows	<u><b>254,857</b></u>	<u><b>198,700</b></u>

## NOTES TO FINANCIAL STATEMENTS

### 1. CORPORATE AND GROUP INFORMATION

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

During the year, 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 application 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 on-going support services.
- property and treasury investments.

### 2. BASIS OF PREPARATION

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and financial assets at fair value through profit or loss which have been measured at fair value. The financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

#### **Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2018. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

## 2. BASIS OF PREPARATION *(continued)*

### **Basis of consolidation** *(continued)*

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill and other intangible assets) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

## 3. CHANGE IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

Other than as explained below regarding the impact of HKFRS 9 and HKFRS 15, the adoption of the above new and revised standards has had no significant financial effect on the financial statements.

### **HKFRS 9 Financial Instruments**

HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

#### *Classification and measurement*

The following information sets out the impacts of adopting HKFRS 9 on the statement of financial position, including the effect of replacing HKAS 39's incurred credit loss calculations with HKFRS 9's expected credit losses ("ECLs").

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

#### HKFRS 9 Financial Instruments (continued)

A reconciliation between the carrying amounts under HKAS 39 and the balances reported under HKFRS 9 as at 1 January 2018 is as follows:

	Notes	HKAS 39 measurement Category	Amount HK\$'000	Re- classification HK\$'000	ECL HK\$'000	HKFRS 9 measurement Amount HK\$'000	Category
<u>Financial assets</u>							
Available-for-sale investment	(ii)	AFS <sup>1</sup>	1,780	(1,780)	-	-	N/A
Trade receivables	(i)	L&R <sup>2</sup>	41,363	-	-	41,363	AC <sup>3</sup>
Deposits and other receivables		L&R	4,804	-	-	4,804	AC
Financial assets at fair value through profit or loss	(ii)	FVPL <sup>4</sup>	13,401	1,780	-	15,181	FVPL
Pledged bank deposits		L&R	1,071	-	-	1,071	AC
Cash and cash equivalents		L&R	<u>246,547</u>	<u>-</u>	<u>-</u>	<u>246,547</u>	AC
			<u>308,966</u>	<u>-</u>	<u>-</u>	<u>308,966</u>	
<u>Financial liabilities</u>							
Trade payables		AC	25,306	-	-	25,306	AC
Other payables		AC	29,874	-	-	29,874	AC
Financial liabilities included in accruals		AC	<u>3,980</u>	<u>-</u>	<u>-</u>	<u>3,980</u>	AC
			<u>59,160</u>	<u>-</u>	<u>-</u>	<u>59,160</u>	

1 AFS: Available-for-sale investments

2 L&R: Loans and receivables

3 AC: Financial assets or financial liabilities at amortised cost

4 FVPL: Financial assets at fair value through profit or loss

#### Notes:

- (i) The gross carrying amount of the trade receivables under the column "HKAS 39 measurement - Amount" represents the amount after adjustments for the adoption of HKFRS 15 but before the measurement of ECLs. Further details of the adjustments for the adoption of HKFRS 15 are included in note 3 to the financial statements.
- (ii) The Group has classified its investment in a club membership debenture previously classified as available-for-sale investments as financial assets measured at fair value through profit or loss as the club membership debenture did not pass the contractual cash flow characteristics test in HKFRS 9.

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

#### HKFRS 9 Financial Instruments (continued)

##### Impairment

The following table reconciles the aggregate opening impairment allowances under HKAS 39 to the ECL allowances under HKFRS 9.

	Impairment allowances under HKAS 39 at 31 December 2017 <i>HK\$'000</i>	Re-measurement <i>HK\$'000</i>	ECL allowance under HKFRS 9 at 1 January 2018 <i>HK\$'000</i>
Trade receivables	2,361	-	2,361
Financial assets included in prepayments, deposits and other receivables	-	-	-
	<u>2,361</u>	<u>-</u>	<u>2,361</u>

#### HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 and its amendments replace HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15, establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates.

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

Set out below are the amounts by which each financial statement line item was affected as at 1 January 2018 as a result of the adoption of HKFRS 15:

	Notes	Increase/ (decrease) <i>HK\$'000</i>
<b>Assets</b>		
Due from contract customers	(i)	(16,276)
Contract assets	(i)	16,276
<b>Liabilities</b>		
Due to contract customers	(ii)	(20,407)
Deferred revenue	(ii)	(35,969)
Contract liabilities	(ii)	56,376

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

#### HKFRS 15 Revenue from Contracts with Customers (continued)

Set out below are the amounts by which each financial statement line item was affected as at 31 December 2018 as a result of the adoption of HKFRS 15. The adoption of HKFRS 15 has had no impact on consolidated statement of profit or loss and other comprehensive income or on the Group's operating, investing and financing cash flows. The first column shows the amounts recorded under HKFRS 15 and the second column shows what the amounts would have been had HKFRS 15 not been adopted:

Consolidated statement of financial position as at 31 December 2018:

	Notes	Amounts prepared under		
		HKFRS 15 HK\$'000	Previous HKFRS HK\$'000	Increase/ (decrease) HK\$'000
Due from contract customers	(i)	-	20,627	(20,627)
Contract assets	(i)	20,627	-	20,627
Due to contract customers	(ii)	-	23,231	(23,231)
Deferred revenue	(ii)	-	33,723	(33,723)
Contract liabilities	(ii)	56,954	-	56,954

The nature of the adjustments as at 1 January 2018 and the reason for the changes in the statement of financial position as at 31 December 2018 is described below:

(i) Unbilled amounts of revenue due from contract customers

Before the adoption of HKFRS 15, the Group recognised unbilled amounts of revenue as due from contract customers. Under HKFRS 15, the amount is classified as contract assets.

Therefore, upon adoption of HKFRS 15, the Group reclassified HK\$16,276,000 from due from contract customers to contract assets as at 1 January 2018 in relation to the unbilled amount of revenue as at 1 January 2018.

As at 31 December 2018, under HKFRS 15, HK\$20,627,000 was reclassified from due from contract customers to contract assets in relation to the unbilled amount of revenue for the application services segment and solutions and integration services segment.

(ii) Consideration received from customers in advance

Before the adoption of HKFRS 15, the Group recognised consideration received from customers in advance as deferred revenue or due to contract customers. Under HKFRS 15, the amount is classified as contract liabilities.

Therefore, upon adoption of HKFRS 15, the Group reclassified HK\$35,969,000 and HK\$20,407,000 from deferred revenue and due to contract customers to contract liabilities as at 1 January 2018, respectively, in relation to the consideration received from customers in advance as at 1 January 2018.

As at 31 December 2018, under HKFRS 15, HK\$33,723,000 and HK\$23,231,000 was reclassified from deferred revenue and due to contract customers to contract liabilities, respectively, in relation to the consideration received from customers in advance for the application services segment and solutions and integration services segment.

#### 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 application 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 on-going 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 resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that unallocated interest income, unallocated foreign exchange differences, net, corporate and other unallocated depreciation, corporate and other unallocated expenses are excluded from such measurement.

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

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

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

#### 4. OPERATING SEGMENT INFORMATION (continued)

##### (a) Operating segments

	Application Services		Solutions and Integration Services		Investments		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Segment revenue:</b>								
Sales to external customers (note 5)	153,853	137,822	124,745	113,462	2,829	2,631	281,427*	253,915*
Other income and gains, net	2,134	4,751	1	(25)	675	689	2,810^	5,415^
<b>Total</b>	<b>155,987</b>	<b>142,573</b>	<b>124,746</b>	<b>113,437</b>	<b>3,504</b>	<b>3,320</b>	<b>284,237</b>	<b>259,330</b>
<b>Segment results</b>	<b>56,720</b>	<b>52,027</b>	<b>34,671</b>	<b>28,295</b>	<b>6,872</b>	<b>7,810</b>	<b>98,263</b>	<b>88,132</b>
<i>Reconciliation:</i>								
Unallocated interest income							7,274^	3,849^
Unallocated foreign exchange differences, net							329	(905)
Corporate and other unallocated depreciation							(1,170)	(1,828)
Corporate and other unallocated expenses							(29,496)	(28,402)
Profit before tax							75,200	60,846
<b>Segment assets</b>	<b>214,518</b>	<b>208,493</b>	<b>55,780</b>	<b>48,529</b>	<b>91,331</b>	<b>87,349</b>	<b>361,629</b>	<b>344,371</b>
<i>Reconciliation:</i>								
Corporate and other unallocated assets							269,716	263,779
Total assets							631,345	608,150
<b>Segment liabilities</b>	<b>93,533</b>	<b>87,935</b>	<b>30,438</b>	<b>34,230</b>	<b>930</b>	<b>936</b>	<b>124,901</b>	<b>123,101</b>
<i>Reconciliation:</i>								
Corporate and other unallocated liabilities							28,380	32,081
Total liabilities							153,281	155,182

\* This represents the consolidated revenue of HK\$281,427,000 (2017: HK\$253,915,000) in the consolidated statement of profit or loss.

^ These comprise the consolidated other income and gains, net, of HK\$10,084,000 (2017: HK\$9,264,000) in the consolidated statement of profit or loss.



#### 4. OPERATING SEGMENT INFORMATION *(continued)*

##### (a) Operating segments *(continued)*

	Application Services		Solutions and integration Services		Investments		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Other segment information:</b>								
Net fair value gains on investment properties	-	-	-	-	4,406	3,590	4,406	3,590
Net fair value gains/(losses) on financial assets at fair value through profit or loss	-	-	-	-	(384)	1,380	(384)	1,380
Amortisation of other intangible assets	6,024	6,024	-	-	-	-	6,024	6,024
Depreciation	567	603	280	368	34	34	881	1,005
Corporate and other unallocated depreciation							1,170	1,828
							<b>2,051</b>	<b>2,833</b>
Impairment losses, net recognised in the consolidated statement of profit or loss*	1,201	345	68	-	-	-	1,269	345
Capital expenditure**	938	235	10,414	4,139	-	-	11,352	4,374
Corporate and other unallocated capital expenditure							270	667
							<b>11,622</b>	<b>5,041</b>

\* Including impairment losses, net recognised in the consolidated statement of profit or loss attributable to the application services segment and the solutions and integration services segment of HK\$1,201,000 (2017: HK\$345,000) and HK\$68,000 (2017: Nil) 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	
	2018	2017	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Segment revenue:</b>						
Sales to external customers	<b>212,630</b>	186,914	<b>68,797</b>	67,001	<b>281,427</b>	253,915

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

(ii) Non-current assets

	2018	2017
	HK\$'000	HK\$'000
Hong Kong	128,721	115,465
Mainland China	<b>138,607</b>	<b>143,931</b>
	<b>267,328</b>	259,396

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

(c) Information about a major customer

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

For the year ended 31 December 2018, revenue from a major customer of HK\$80,520,000 was derived from the application services segment and the solutions and integration services segment.

For the year ended 31 December 2017, revenue from a major customer of HK\$61,437,000 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:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
<b>Revenue from contracts with customers/revenue</b>		
Provision of enterprise applications software and e-business services for enterprises including the provision of enterprise application software with implementation and ongoing support services; and the GETS, cloud services and other related value added services	153,853	137,822
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 on-going support services	124,745	113,462
<b>Revenue from other sources</b>		
Gross rental income from investment properties and interest income from treasury investments	<u>2,829</u>	<u>2,631</u>
	<b><u>281,427</u></b>	<b><u>253,915</u></b>
<b>Other income and gains, net</b>		
Bank interest income	7,274	3,849
Tax refund received	1,741	4,354
Dividend income from listed investments at fair value through profit or loss	675	689
Gain/(loss) on disposal of items of property, plant and equipment, net	1	(18)
Others	<u>393</u>	<u>390</u>
	<b><u>10,084</u></b>	<b><u>9,264</u></b>

## 6. PROFIT BEFORE TAX

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Cost of inventories sold	62,533	56,722
Cost of services provided	58,899	53,669
Depreciation*	2,051	2,833
Amortisation of other intangible assets**	6,024	6,024
Loss/(gain) on disposal of items of property, plant and equipment, net	(1)	18
Impairment of financial and contract assets, net:		
Impairment of trade receivables, net	1,201	345
Impairment of contract assets	68	-
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties	94	132
Fair value losses/(gains), net:		
Financial assets at fair value through profit or loss	384	(1,380)
Investment properties	(4,406)	(3,590)

\* Depreciation for the year of HK\$60,000 (2017: HK\$33,000) is included in "Cost of sales and services" on the face of the consolidated statement of profit or loss.

\*\* Amortisation of other intangible assets for the year of HK\$6,024,000 (2017: HK\$6,024,000) is included in "Other expenses" on the face of the consolidated statement of profit or loss.

## 7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Current - Hong Kong		
Charge for the year	7,663	7,905
Overprovision in prior years	(1,171)	(430)
Current - Elsewhere		
Charge for the year	1,366	775
Deferred	(686)	(1,733)
Total tax charge for the year	7,172	6,517

## 8. DIVIDENDS

	<b>2018</b> <b>HK\$'000</b>	2017 HK\$'000
Interim - HK\$0.09 (2017: Interim and special dividends of HK\$0.10) per ordinary share	<b>22,454</b>	24,420
Less: Dividend for shares held under the Company's restricted share award scheme	<u>(232)</u>	<u>(193)</u>
	<b><u>22,222</u></b>	<u>24,227</u>
Proposed final - HK\$0.12 (2017: HK\$0.07) per ordinary share	<b>29,939</b>	17,094
Less: Dividend for shares held under the Company's restricted share award scheme	<u>(340)</u>	<u>(121)</u>
	<b><u>29,599</u></b>	<u>16,973</u>
Proposed special - Nil (2017: HK\$0.05) per ordinary share	-	12,210
Less: Dividend for shares held under the Company's restricted share award scheme	<u>-</u>	<u>(87)</u>
	<u>-</u>	<u>12,123</u>
	<b><u>51,821</u></b>	<b><u>53,323</u></b>

The proposed final dividend for the year will be payable in cash and are subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 244,272,947 (2017: 242,229,239) in issue during the year, 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 year 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 year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares granted under the share option scheme of the Company and the deemed vesting of all dilutive restricted shares of the Company awarded under the restricted share award scheme of the Company into ordinary shares.

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

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

### Earnings

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

Shares	Number of shares	
	2018	2017
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	244,272,947	242,229,239
Effect of dilution - weighted average number of ordinary shares:		
Restricted shares awarded under the Company's restricted share award scheme	<u>566,154</u>	<u>753,412</u>
	<u>244,839,101</u>	<u>242,982,651</u>

## 10. PROPERTY, PLANT AND EQUIPMENT

	2018	2017
	HK\$'000	HK\$'000
Net carrying amount, at 1 January	3,950	5,860
Additions	1,242	914
Disposals (net book value)	(8)	(34)
Depreciation provided during the year	(2,051)	(2,833)
Exchange realignment	<u>(13)</u>	<u>43</u>
Net carrying amount, at 31 December	<u>3,120</u>	<u>3,950</u>

## 11. INVESTMENT PROPERTIES

	2018	2017
	HK\$'000	HK\$'000
Carrying amount at 1 January	71,255	67,665
Net gain from fair value adjustments	<u>4,406</u>	<u>3,590</u>
Carrying amount at 31 December	<u>75,661</u>	<u>71,255</u>

## 12. GOODWILL

HK\$'000

### 31 December 2018

Cost and carrying amount at 1 January 2018 and 31 December 2018 134,485

### 31 December 2017

Cost and carrying amount at 1 January 2017 and 31 December 2017 134,485

## 13. OTHER INTANGIBLE ASSETS

	Deferred development costs* HK\$'000	Customer relationships HK\$'000	Software HK\$'000	Total HK\$'000
<b>31 December 2018</b>				
Cost at 1 January 2018, net of accumulated amortisation and impairment	4,127	10,634	34,945	49,706
Additions	10,380	-	-	10,380
Amortisation provided during the year	-	(1,656)	(4,368)	(6,024)
At 31 December 2018	<u>14,507</u>	<u>8,978</u>	<u>30,577</u>	<u>54,062</u>
At 31 December 2018:				
Cost	27,533	14,767	43,681	85,981
Accumulated amortisation and impairment	(13,026)	(5,789)	(13,104)	(31,919)
Net carrying amount	<u>14,507</u>	<u>8,978</u>	<u>30,577</u>	<u>54,062</u>
<b>31 December 2017</b>				
Cost at 1 January 2017, net of accumulated amortisation and impairment	-	12,290	39,313	51,603
Additions	4,127	-	-	4,127
Amortisation provided during the year	-	(1,656)	(4,368)	(6,024)
At 31 December 2017	<u>4,127</u>	<u>10,634</u>	<u>34,945</u>	<u>49,706</u>
At 31 December 2017:				
Cost	17,153	14,767	43,681	75,601
Accumulated amortisation and impairment	(13,026)	(4,133)	(8,736)	(25,895)
Net carrying amount	<u>4,127</u>	<u>10,634</u>	<u>34,945</u>	<u>49,706</u>

\* During the year, additions of other intangible assets of HK\$10,380,000 (2017: HK\$4,127,000) were developed internally.

#### 14. AVAILABLE-FOR-SALE INVESTMENT

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Club membership debenture, at fair value	<u>-</u>	<u>1,780</u>

#### 15. TRADE RECEIVABLES

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Within 1 month	24,440	29,190
1 to 3 months	12,973	9,366
4 to 6 months	3,780	1,084
7 to 12 months	<u>2,379</u>	<u>1,723</u>
	<u>43,572</u>	<u>41,363</u>

For system integration projects and the provision of maintenance services and software development services, the Group's trading terms with its customers vary from contract to contract or depending on the specific arrangements with individual customers, and may include cash on delivery, advance payment and on credit. For those customers who trade on credit, the overall credit period is generally within 90 days, except for certain projects with longer implementation schedules where the period may extend beyond 90 days, or may be extended for major or specific customers. The Group seeks to maintain strict control over its outstanding trade receivables and overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over these balances. Trade receivables are non-interest-bearing.

#### 16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Debt investments, at market value	4,633	2,544
Listed equity investments, at market value	<u>10,164</u>	<u>10,857</u>
	14,797	13,401
Portion classified as current assets	<u>(10,164)</u>	<u>(10,857)</u>
	4,633	2,544
Portion classified as non-current assets	<u>4,633</u>	<u>2,544</u>

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

The listed equity investments were all included under current assets at 31 December 2018 and were classified as financial assets at fair value through profit or loss as they were held for trading.



## 17. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Trade payables	24,533	25,306
Other payables	27,936	29,874
Accruals	<u>21,627</u>	<u>19,094</u>
	<u><b>74,096</b></u>	<u><b>74,274</b></u>

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Within 1 month	18,045	21,493
1 to 3 months	4,749	2,807
4 to 6 months	1,331	547
Over 6 months	<u>408</u>	<u>459</u>
	<u><b>24,533</b></u>	<u><b>25,306</b></u>

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

## 18. DEFERRED TAX

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

### *Deferred tax assets*

	2018 Temporary differences of deferred revenue <i>HK\$'000</i>
At 1 January 2018	2,984
Deferred tax charged to the consolidated statement of profit or loss during the year	(122)
Exchange differences	<u>(149)</u>
At 31 December 2018	<u><b>2,713</b></u>

18. DEFERRED TAX (continued)

*Deferred tax liabilities*

	2018			
	Revaluation of properties <i>HK\$'000</i>	Fair value adjustments arising from acquisition of subsidiaries <i>HK\$'000</i>	Withholding taxes <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2018	1,526	11,008	2,713	15,247
Deferred tax charged/(credited) to the consolidated statement of profit or loss during the year	52	(1,430)	570	(808)
Tax paid	-	-	(1,709)	(1,709)
At 31 December 2018	<u>1,578</u>	<u>9,578</u>	<u>1,574</u>	<u>12,730</u>

*Deferred tax assets*

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

*Deferred tax liabilities*

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

## **19. 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 (2017: HK\$27,800,000), of which HK\$22,930,000 (2017: HK\$20,537,000) were utilised as at 31 December 2018.

## **20. COMPARATIVE AMOUNTS**

Certain comparative amounts have been reclassified to conform with the current year's presentation and disclosures. The directors of the Company consider that such reclassifications allow a more appropriate presentation of the Group's result of operations and better reflect the nature of transactions.

## 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 audited results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2018.

As a result of improved business performance of both Application Software<sup>[1]</sup> and Solutions Services<sup>[2]</sup> businesses, the Group's overall revenue rose by HK\$27.5 million, or 10.8% to HK\$281.4 million (2017: HK\$253.9 million). The gross profit of the Group also soared by HK\$16.4 million, or 11.5% to HK\$159.9 million while the gross profit margin was slightly increased to 56.8% (2017: 56.5%).

While there were increases in the bank interest income and revaluation gain from investment properties, the increment in non-operating incomes was offset by the reduced tax refund received from the PRC operation and valuation loss in financial assets.

In line with increase in assessable profits, income tax expenses also increased by 10.1% to HK\$7.2 million (2017: HK\$6.5 million) compared with last year.

With the abovementioned, the Group's consolidated net profit attributable to shareholders increased by 25.2% to HK\$68.0 million (2017: HK\$54.3 million). The basic earnings per share also lifted by 24.2% to 27.85 HK cents (2017: 22.43 HK cents).

In view of improved business performance and positive cash inflow from operations, the Board recommended the distribution of a final dividend of 12 HK cents (2017: a final dividend of 7 HK cents and a special dividend of 5 HK cents) per ordinary share. Counting the interim dividend of 9 HK cents (2017: an interim dividend of 7 HK cents and a special dividend of 3 HK cents) being paid together with these proposed dividends, the Group's full year dividend payout reached 21 HK cents.

### BUSINESS REVIEW

#### Application Software

The Group's Application Software<sup>[1]</sup> business managed to maintain its momentum to deliver a double-digit growth in both revenue and profit contributions for the reporting year.

The Group's Human Resources Management Software ("HRMS") business kept expanding its customer base and successfully acquired new orders from customers in various industries. The management is particularly contented to see the newly launched Work Force Management ("WFM") module has received exciting response from the market and concluded new orders from a wide spectrum of customers, including a world-class air cargo terminal, an industry leader in the construction and foundation design and a prestigious Michelin awarded Chinese culinary group. The rising trend of new customers' adoption of the Group's HRMS cloud services during the reporting year is also encouraging for our business expansion in novel markets.

## **BUSINESS REVIEW** *(continued)*

### Application Software *(continued)*

The Group is committed to not only developing the leading HRMS products, but also uplifting its customer support with best practices of the industry. During the reporting year, the Group's HRMS products and services received a number of awards and recognitions from the industry and the Group's HRMS operating subsidiary in Hong Kong being granted the ISO 20000-1:2011 certification by the International Organisation for Standardisation ("ISO") had successfully completed the first external audit.

Following the successful launch of WFM modules, the Group's software R&D team is now working on the next generation Human Capital Management ("HCM") platform that would cover the full lifecycle from recruitment, onboarding, employee and manager self-service, talent management and workforce planning to HR data analytics. Built on an open platform, the newly developed HCM is seamlessly integrated with our existing HRMS products. It can also be integrated with other products and services to form other eco-systems easily. The capability of diversified integration enables C&T HCM to serve our clients as a front-end portal beyond just traditional HRMS needs and truly achieve our goal to provide a multi-region, multi-tier, multi-vendor, one-landscape staff portal.

With the strong market position and the positive market acceptance of our WFM products and HRMS cloud services as well as new development in HCM, the management foresees that the growth for the Group's HRMS business will be sustainable in the coming year.

Built on new major contracts signed in the first half of the year and the ongoing service and maintenance orders, the revenue of the Group's Enterprise Retail Management Software ("ERMS") business recorded double-digit growth during the reporting year. Apart from focusing on the delivery of existing orders, including upgrade projects for an international brand and a local major community benefactor, the management will explore ways to expand its clientele in ERMS in order to achieve another year of solid results. To ensure the best user experience, the Group's ERMS has also enhanced its mobile point-of-sale (mPOS) system with intuitive interface design and industry-specific micro-operations.

The revenue and profit contributed by the Group's Enterprise Procurement Management Software ("EPMS") business were materially improved with various new orders acquired during the year. The management is delighted to report that EPMS related cloud service income will significantly increase in the coming year following the successful implementation of these new orders from customers including a major energy supplier and one of the note issuing banks in Hong Kong.

Despite the revenue of the Group's Enterprise Information Management Software ("EIMS") business was affected by the delay in contract conclusion in early 2018, the management is glad to report that the performance of the business has successfully rebounded with the conclusion of various new orders in the second half of the year. In particular, the Group's EIMS was awarded a project from the Public Security Forces Affairs Bureau of Macau ("DSFSM") to upgrade and expand their existing EIMS data management application followed by maintenance services.

To further strengthen the management bandwidth and accelerate the business development, the Group has recruited a senior executive with strong experience in software and solution fields to take charge of the Group's ERMS, EPMS and EIMS businesses from 2019.

### Solutions and Integration Services

With smoother delivery of the projects left over from the previous year and conclusion of various new orders, the revenue and profit contributions of the Group's Solutions and Integration Services businesses rose by 9.9% and 22.5%, respectively.

## **BUSINESS REVIEW** *(continued)*

### Solutions and Integration Services *(continued)*

Leveraging the second 10-year services contract (the “Contract”) of the Customer Care and Billing System (“CCBS”) for the Water Supplies Department under the HKSAR Government (the “Government”), the Group continued to provide Managed Services<sup>[2]</sup> and engage in certain enhancements of CCBS under the Contract as scheduled. According to the latest work plan, the related enhancements would be continued in the coming 12 to 18 months with the peak demand of resources. Consistent with last year’s practice, the development costs of HK\$10.4 million incurred during the reporting year had been capitalised as deferred development costs.

Apart from those mentioned in the interim results announcement, the Development Services<sup>[2]</sup> business continued to secure new orders from both the Government and commercial enterprises, including Education Bureau, Department of Justice and Marine Department of the Government. In addition, momentum is gained in security services under the Standing Offer Agreement for Quality Professional Services 4 (SOA-QPS4) contract of the Government and more order backlog is built.

In order to provide a clearer business delineation, the Group’s BPO<sup>[3]</sup> business has been integrated with the Solutions Services business and grouped under the Solutions and Integration Services business. The performance of the related business was slightly improved during the reporting year.

The performance of the Group’s Integration Services business in PRC remained stable during the reporting year.

### e-Service and related business

The revenue and profit contributions as well as the market share of the Group’s GETS<sup>[4]</sup> business remained stable during the reporting year.

In addition to the Government’s contract renewal of our GETS services for another six years, the management is glad to announce that the business has collaborated with Hongkong Post to provide traders with paper-to-electronic trade declaration services through designated post offices across Hong Kong, effective 1 January 2019. This collaboration has not only materially expanded the coverage of related services from 41 service counters to 64 (covering the 23 post offices located in Hong Kong Island, Kowloon and New Territories), but also raised relevant revenue expectations in the years to come.

### Investments

Due to the decrease in fair value of the on hand financial assets, the Group’s investment segment recorded a decrease in the profit of 12.0% to HK\$6.9 million (2017: HK\$7.8 million).

## **PROSPECT**

The global economy will be full of uncertainties in 2019. Leveraging its strong customer base and growing cloud services income with strong recurring nature, the management is optimistic about the company’s performance in the near future. Looking ahead, the Group will remain committed to the development of the Application Software business as well as the Solutions Services business, and seize opportunity in acquisition of similar business with synergy in order to accelerate its growth.

At the end of 2018, the Group was honoured to be the first Main Board listed IT software and service company ever winning the Hong Kong Corporate Governance Excellence Award<sup>[5]</sup> at the Hong Kong Corporate Governance Excellence Awards. The award not only showed our commitment to good corporate governance, but also reaffirmed the Group’s holistic, sustainable corporate governance approach that values our people, the environment and the society.

**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 on-going 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 license (the "GETS License") from the Government for the provision of front-end Government Electronic Trading Services for processing certain official trade-related documents. The Group's GETS License was further renewed in early 2018 for operation of additional six years until the end of 2024.
- [5] The annual Hong Kong Corporate Governance Excellence Awards are jointly organised by the Chamber of Hong Kong Listed Companies (CHKLC) and the Centre for Corporate Governance and Financial Policy (CCGFP) of Hong Kong Baptist University to encourage improvement in corporate governance of listed companies in Hong Kong through recognising those with outstanding achievements in upholding shareholder rights, compliance, integrity, fairness, responsibility, accountability, transparency, board independence and leadership, and corporate social responsibility.

## FINANCIAL REVIEW

### Revenue and gross profit

Attributed from the improved performance of both Application Software and Solutions Services businesses, the Group's turnover and gross profit for the reporting period increased by 10.8% to HK\$281.4 million (2017: HK\$253.9 million) and 11.5% to HK\$159.9 million (2017: HK\$143.5 million), respectively.

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

Non-operating incomes and gains (included other income and gains, net, foreign exchange differences, net, and fair value gains/(losses), net) improved by 8.3% to HK\$14.4 million (2017: HK\$13.3 million). The growth was primarily mixture of the movements as highlighted below.

#### *Interest income*

Bank interest income increased by 89.0% to HK\$7.3 million resulting from the increase in available cash amount together with better average interest yield on the deposits.

#### *Fair value gains/(losses) on investment properties and financial assets*

The investment properties generated a fair value gain of HK\$4.4 million (2017: HK\$3.6 million) to the Group. The gain was 22.7% or HK\$0.8 million better than last year. On the contrary, the financial assets reported a minor mark-to-market loss of HK\$0.4 million in 2018 (2017: gain of HK\$1.4 million).

#### *VAT refund*

In the absence of VAT refund for sales of software license in prior years, the refund amount was dropped significantly by 60.0% to HK\$1.7 million (2017: HK\$4.4 million).

### Expenses

The Group's overall expenses in general had not been changed in a material manner except the inflation had caused a mild increase.

### Income tax expense

In line with increase in assessable profits, the income tax expense increased by 10.1% or 0.7 million to HK\$7.2 million (2017: HK\$6.5 million).

The Group's overall effective tax rate for the tax charge in 2018 was around 9.5% , whereas in 2017 was 10.7%. The effective tax rate was lower than the Hong Kong statutory profits tax rate because several types of onshore incomes/gain, including dividend, bank interest income and fair value gain from the revaluation of investment properties, were not subject to the Hong Kong profits tax. Besides, 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 increased to HK\$68.0 million (2017: HK\$54.3 million) while the net profit margin (profit for the period attributable to shareholders divided by the revenue) rose to 24.2% (2017: 21.4%). The increase was in line with the improvement in revenue as well as gross profit as discussed.

### Non-current assets

The Group's non-current assets as at 31 December 2018 slightly increased by 3.8% to HK\$276.9 million from HK\$266.7 million as at 31 December 2017. The change was primarily arrived after charging of amortisation of other intangible assets and depreciation of property, plant and equipment and crediting of deferred development costs arising from a solution project, appreciation of investment properties held and additions of fixed assets during the reporting year.

The Group reviewed and considered no impairment indication to the carrying value of goodwill during the year under review.



## **FINANCIAL REVIEW** *(continued)*

### **Current assets**

The Group's current assets as at 31 December 2018 rose by 3.8% to HK\$354.4 million (31 December 2017: HK\$341.4 million). The increment was mainly caused by the increase in cash and bank balances, trade receivables and contract assets (previously classified under due from contract customers) generated from normal business operations.

The Group maintains strict control over its trade receivables and considered that the outstanding amounts (net of impairment provision) as at the reporting date were all recoverable in the foreseeable future.

### **Current liabilities**

In line with increase in contract liabilities (previously classified under due to contract customers and deferred revenue), the Group's current liabilities as at 31 December 2018 increased slightly to HK\$140.6 million (31 December 2017: HK\$139.9 million).

### **Segment assets and liabilities**

Segment assets of Applications Services business increased in line with the increase in contract assets and trade and other receivables while the segment liabilities of the business increased in line with the increase in contract liabilities.

Segment assets of Solutions and Integration Services business increased owing to the increase in deferred development costs while the segment liabilities dropped with the decrease in deferred revenue classified under contract liabilities.

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

### **Equity**

Total equity as at 31 December 2018 increased by 5.5% to HK\$478.1 million (2017: HK\$453.0 million). The change was mainly due to the profit earned in 2018 offset by the purchase of shares held under the restricted share award scheme and the dividends payment for 2017 final and 2018 interim results.

## **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 31 December 2018, the Group had pledged an investment property with a fair value of HK\$64.2 million (31 December 2017: HK\$60.0 million), listed debt and equity securities of HK\$12.7 million (31 December 2017: HK\$13.4 million) and bank balances of HK\$2.1 million (31 December 2017: HK\$1.1 million) to secure certain general bank facilities including guarantee/performance bonds facilities granted to the Group/subsidiaries of the Company in aggregate of HK\$112.0 million (31 December 2017: HK\$106.8 million) of which HK\$23.2 million (31 December 2017: HK\$20.5 million) have been utilised as at 31 December 2018.

## **FINANCIAL RESOURCES AND LIQUIDITY**

As at 31 December 2018, the Group's bank balances and cash (excluded pledged bank deposit of HK\$2.1 million) was HK\$255.5 million (31 December 2017: HK\$246.5 million).

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

As at 31 December 2018, the Group had no bank borrowings (31 December 2017: Nil). The Group's current ratio representing current assets divided by current liability was 2.5 (31 December 2017: 2.4) and the gearing ratio, representing total liabilities divided by total assets, was 24.3% (31 December 2017: 25.5%).

## **REMUNERATION POLICY AND NUMBER OF EMPLOYEES**

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

As at 31 December 2018, the Group employed 357 full time employees and 5 contract-based employees (31 December 2017: 327 full time employees and 6 contract-based employees).

As at 31 December 2018, the Company operates a share option scheme and a share award scheme for the purpose of providing incentives and rewards to the employees who contribute to the success of the Group's operations as well as retain them for the continual development of the Group.

## **SIGNIFICANT INVESTMENTS**

Save as disclosed in the announcement, the Group has no significant investments held as at 31 December 2018.

## **MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES**

The Group did not have any material acquisition or disposal of subsidiaries during the reporting year 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 31 December 2018.

## **CONTINGENT LIABILITIES**

Save as disclosed in the announcement, the Group has no material contingent liabilities as at 31 December 2018.

## **EVENTS AFTER THE REPORTING PERIOD**

There is no other material subsequent event undertaken by the Company or by the Group after 31 December 2018 and up to the date of this annual results announcements.

## **FINAL DIVIDEND**

The Board has recommended the payment of a final dividend of 12 HK cents (2017: a final dividend of 7 HK cents and a special dividend of 5 HK cents) per ordinary share for the year ended 31 December 2018.

## **CLOSURE OF THE REGISTER OF MEMBERS**

The Board has recommended a final dividend of 12 HK cents (2017: a final dividend of 7 HK cents and a special dividend of 5 HK cents) per ordinary share payable to shareholders whose names appear on the register of members of the Company on Wednesday, 5 June, 2019. The Register of Members of the Company will be closed from Friday, 24 May, 2019 to Wednesday, 29 May, 2019 (both days inclusive) for the purpose of ascertaining shareholders' entitlement to attend and vote at the AGM. In order to be eligible to attend and vote at the AGM to be held on Wednesday, 29 May, 2019, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's Share Registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Thursday, 23 May, 2019. In addition, the Register of Members of the Company will be closed from Tuesday, 4 June, 2019 to Wednesday, 5 June, 2019 (both days inclusive) for the purpose of ascertaining shareholders' entitlement to the proposed final dividend. In order to qualify for the proposed final dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Share Registrar, Tricor Tengis Limited, for registration not later than 4:30 p.m. on Monday, 3 June, 2019. During such periods, no share transfer will be effected. The final dividend will be distributed on or about Wednesday, 19 June, 2019 to shareholders whose names appear on the Register of Members of the Company on Wednesday, 5 June, 2019.

## **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY**

During the year, 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 1,486,000 shares of the Company being the awarded restricted shares. The total amount paid to acquire these shares during the year was approximately HK\$4,410,000.

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 year.

## **CODE ON CORPORATE GOVERNANCE PRACTICE**

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 year.

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 specific enquiry of the Company's directors, the directors confirmed and declared that they have complied with the requirements set out in the Model Code throughout the year.

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.

## **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 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 the Group's consolidated financial statements for the year ended 31 December 2018 with the management the accounting principles and practices adopted by the Group and discussed risk management and internal controls and financial reporting matters related to the preparation of the annual results for the year ended 31 December 2018.

## **REVIEW OF PRELIMINARY RESULTS ANNOUNCEMENT BY INDEPENDENT AUDITORS**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and the related notes thereto for the year ended 31 December 2018 as set out in the preliminary announcement have been agreed by the Group's auditors, Ernst & Young ("EY"), to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by EY in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by EY on the preliminary announcement.

## **PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT**

This announcement is published on the Stock Exchange's website ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company's website ([www.ctil.com](http://www.ctil.com)). The 2018 annual report will be published on the Stock Exchange's website ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company's website ([www.ctil.com](http://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 year.

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

Hong Kong, 6 March 2019

*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.*