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 2019

The Board of Directors (the "Board") of Computer And Technologies Holdings Limited (the "Company") herein presents the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2019 together with the comparative figures. These condensed consolidated interim results have been reviewed by the Company's audit committee.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		For the six months ended 30 June	
		2019	2018
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
REVENUE	*5*	**133,848**	130,818
Cost of sales and services		**(58,866)**	(57,563)
Gross profit		**74,982**	73,255
Other income and gains, net	*5*	**4,664**	4,637
Foreign exchange differences, net		**(246)**	32
Fair value gains/(losses), net:			
Financial assets at fair value through profit or loss		**1,410**	(285)
Investment properties		**3,000**	3,000
Selling and distribution expenses		**(17,443)**	(16,197)
General and administrative expenses, net		**(29,605)**	(27,063)
Finance costs		**(614)**	-
Other expenses		**(3,011)**	(3,011)
PROFIT BEFORE TAX	*6*	**33,137**	34,368

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

		For the six months ended 30 June	
		2019	2018
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
PROFIT BEFORE TAX	*6*	**33,137**	34,368
Income tax expense	*7*	**(4,357)**	(4,178)
PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT		**28,780**	30,190
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*9*	**HK cents**	HK cents
Basic		**11.66**	12.47
Diluted		**11.60**	12.45

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
PROFIT FOR THE PERIOD	**28,780**	30,190
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	-	(1,463)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT	**28,780**	28,727

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 June 2019 (Unaudited)** *HK$'000*	31 December 2018 (Audited) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*10*	**3,169**	3,120
Investment properties	*11*	**70,161**	75,661
Right-of-use assets		**13,516**	-
Goodwill	*12*	**134,485**	134,485
Other intangible assets	*13*	**57,374**	54,062
Financial assets at fair value through profit or loss	*16*	**4,644**	4,633
Deposits		**2,260**	2,260
Deferred tax assets	*19*	**2,803**	2,713
Total non-current assets		**288,412**	276,934
CURRENT ASSETS			
Inventories		**2,984**	723
Trade receivables	*14*	**57,720**	43,572
Prepayments, deposits and other receivables		**9,404**	14,999
Contract assets	*15*	**25,197**	20,627
Financial assets at fair value through profit or loss	*16*	**11,563**	10,164
Tax recoverable		**6,681**	6,681
Pledged bank deposits		**1,945**	2,100
Cash and cash equivalents		**233,573**	255,545
		349,067	354,411
Assets classified as held for sale	*11*	**8,500**	-
Total current assets		**357,567**	354,411
CURRENT LIABILITIES			
Trade payables, other payables and accruals	*17*	**(68,497)**	(74,096)
Contract liabilities	*18*	**(60,174)**	(56,954)
Lease liabilities		**(7,262)**	-
Tax payable		**(11,244)**	(9,501)
Total current liabilities		**(147,177)**	(140,551)
NET CURRENT ASSETS		**210,390**	213,860
TOTAL ASSETS LESS CURRENT LIABILITES		**498,802**	490,794

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

	Notes	**30 June 2019 (Unaudited) *HK$'000***	31 December 2018 (Audited) *HK$'000*
NON-CURRENT LIABILITIES			
Lease liabilities		**(6,486)**	-
Deferred tax liabilities	*19*	**(14,221)**	(12,730)
Total non-current liabilities		**(20,707)**	(12,730)
Net assets		**478,095**	478,064
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**24,949**	24,949
Share premium account		**53,104**	53,104
Shares held under the restricted share award scheme		**(4,902)**	(5,809)
Other reserves		**404,944**	376,221
Proposed final dividend		**-**	29,599
Total equity		**478,095**	478,064

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the parent											
				Other reserves								
	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*	Available-for-sale investment revaluation reserve *HK$'000*	Reserve funds *HK$'000*	Exchange fluctuation reserve *HK$'000*	Retained profits *HK$'000*	Proposed final and special dividends *HK$'000*	Total equity *HK$'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	–	–	–	–	–	–	(621)	–	–	621	–	–
At 1 January 2018 (restated)	24,419	38,493	(1,919)	2,908	(7,227)	1,972	–	746	3,271	361,209	29,096	452,968
Profit for the period	–	–	–	–	–	–	–	–	–	30,190	–	30,190
Other comprehensive loss for the period:												
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	–	(1,463)	–	–	(1,463)
Total comprehensive income for the period	–	–	–	–	–	–	–	–	(1,463)	30,190	–	28,727
Purchase of shares held under the restricted share award scheme	–	–	(2,811)	–	–	–	–	–	–	–	–	(2,811)
Vesting of shares held under the restricted share award scheme	–	–	252	(252)	–	–	–	–	–	–	–	–
Share award arrangements	–	–	–	491	–	–	–	–	–	–	–	491
Final and special 2017 dividends declared	–	–	–	–	–	–	–	–	–	90	(29,096)	(29,006)
At 30 June 2018	24,419	38,493	(4,478)	3,147	(7,227)	1,972	–	746	1,808	391,489	–	450,369

	Attributable to owners of the parent										
				Other reserves							
	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*	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 2019	**24,949**	**53,104**	**(5,809)**	**4,246**	**(7,227)**	**1,972**	**746**	**(1,022)**	**377,506**	**29,599**	**478,064**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**28,780**	**–**	**28,780**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**28,780**	**–**	**28,780**
Vesting of shares held under the restricted share award scheme	**–**	**–**	**907**	**(907)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Share award arrangements	**–**	**–**	**–**	**906**	**–**	**–**	**–**	**–**	**–**	**–**	**906**
Final 2018 dividend declared	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(56)**	**(29,599)**	**(29,655)**
At 30 June 2019	**24,949**	**53,104**	**(4,902)**	**4,245**	**(7,227)**	**1,972**	**746**	**(1,022)**	**406,230**	**–**	**478,095**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	For the six months ended 30 June **2019** **(Unaudited)** ***HK$'000***	2018 (Unaudited) *HK$'000*
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**33,137**	34,368
Adjustments for:			
Bank interest income	*5*	**(3,187)**	(3,228)
Dividend income from listed investments at fair value through profit or loss	*5*	**(320)**	(326)
Fair value losses/(gains), net:			
Financial assets at fair value through profit or loss		**(1,410)**	285
Investment properties		**(3,000)**	(3,000)
Depreciation of property, plant and equipment	*6*	**718**	1,320
Depreciation of right-of-use assets	*6*	**3,530**	-
Impairment of trade receivables, net	*6*	**-**	238
Reversal of impairment of trade receivables, net	*6*	**(48)**	-
Reversal of impairment of contract assets	*6*	**(68)**	-
Amortisation of other intangible assets	*6*	**3,011**	3,011
Equity-settled share-based payment expense		**906**	491
		33,269	33,159
Decrease/(increase) in inventories		**(2,261)**	51
Increase in trade receivables		**(14,100)**	(18,318)
Decrease/(increase) in prepayments, deposits and other receivables		**5,595**	(5,046)
Increase in contract assets/amounts due from contract customers		**(4,502)**	(2,846)
Decrease in trade payables, other payables and accruals		**(5,599)**	(2,410)
Increase in contract liabilities/amounts due to contract customers		**3,220**	5,278
Increase in contract liabilities/deferred revenue		**-**	9,613
Cash generated from operations		**15,622**	19,481
Overseas taxes paid		**(1,213)**	(943)
Net cash flows from operating activities		**14,409**	18,538

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

	For the six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Net cash flows from operating activities	**14,409**	18,538
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		
Bank interest received	**3,187**	3,228
Dividends received from listed investments at fair value through profit or loss	**320**	326
Purchases of items of property, plant and equipment	**(765)**	(897)
Additions to other intangible assets	**(6,323)**	(4,275)
Proceeds from disposal of items of property, plant and equipment	**-**	5
Decrease/(increase) in pledged bank deposits	**155**	(340)
Decrease in non-pledged bank deposits with original maturity of more than three months when acquired	**688**	46,847
Net cash flows from/(used in) investing activities	**(2,738)**	44,894
CASH FLOWS USED IN FINANCING ACTIVITIES		
Purchase of shares under the restricted share award scheme	**-**	(2,811)
Principal portion of lease payments	**(3,298)**	-
Dividend paid	**(29,655)**	-
Net cash flows used in financing activities	**(32,953)**	(2,811)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**(21,282)**	60,621
Cash and cash equivalents at beginning of period	**254,857**	198,700
Effect of foreign exchange rate changes, net	**(2)**	(1,419)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**233,573**	257,902
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents as stated in the condensed consolidated statement of financial position	**233,573**	258,902
Non-pledged time deposits with original maturity of more than three months when acquired	**-**	(1,000)
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	**233,573**	257,902

NOTES TO FINANCIAL STATEMENTS

1. CORPORATE AND GROUP INFORMATION

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

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

- provision of enterprise applications software and 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 ongoing support services; and

- property and treasury investments.

2. BASIS OF PREPARATION

This unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2019 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 2018.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") effective as of 1 January 2019.

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

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

Other than as explained below regarding the impact of HKFRS 16 *Leases,* Amendments to HKAS 28 *Long-term Interests in Associates and Joint Ventures* and HK(IFRIC)-Int 23 *Uncertainty over Income Tax Treatments*, the new and revised standards are not relevant to the preparation of the Group's interim condensed consolidated financial information. The nature and impact of the new and revised HKFRSs are described below:

(a) HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases - Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under HKAS 17.

<u>New definition of a lease</u>

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

<u>As a lessee – Leases previously classified as operating leases</u>

Nature of the effect of adoption of HKFRS 16
The Group has lease contracts for property. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets (e.g., laptop computers and telephones); and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

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

(a) Adoption of HKFRS 16 *(continued)*

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019.

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

For the leasehold land and buildings (that were held to earn rental income and/or for capital appreciation) previously included in investment properties and measured at fair value, the Group has continued to include them as investment properties at 1 January 2019. They continue to be measured at fair value applying HKAS 40.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:
- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease

The impacts arising from the adoption of HKFRS 16 as at 1 January 2019 are as follows:

	(Unaudited) *HK$'000*
Assets	
Increase in right-of-use assets	**15,715**
Liabilities	
Increase in lease liabilities	**15,715**

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 is as follows:

	(Unaudited) *HK$'000*
Operating lease commitments as at 31 December 2018	**17,337**
Weighted average incremental borrowing rate as at 1 January 2019	**3.9%**
Discounted operating lease commitments and lease liabilities as at 1 January 2019	**15,715**

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

(a) Adoption of HKFRS 16 *(continued)*

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 January 2019:

Right-of-use assets
Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. When the right-of-use assets relate to interests in leasehold land held as inventories, they are subsequently measured at the lower of cost and net realisable value in accordance with the Group's policy for "inventories". The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term. When a right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's policy for "investment properties".

Lease liabilities
Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

(b) Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in associates and joint ventures upon adoption of the amendments on 1 January 2019 and concluded that the long-term interests in associates and joint ventures continue to be measured at amortised cost in accordance with HKFRS 9. Accordingly, the amendments did not have any impact on the Group's interim condensed consolidated financial information.

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

(c) HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group's tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any significant impact on the Group's interim condensed consolidated financial information.

4. OPERATING SEGMENT INFORMATION

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

(a) the application services segment that primarily engages in the provision of enterprise applications software and e-business services for enterprises including the provision of enterprise 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 IT solutions implementation and application software development; provision of IT and related operation/infrastructure outsourcing services; BPO services; and provision of IT systems and network infrastructure with related design, implementation and ongoing support services; and

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

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

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

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

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

4. OPERATING SEGMENT INFORMATION *(continued)*

(a) Operating segments

	Application Services		Solutions and Integration Services		Investments		Total	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
	(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 (note 5)	**81,335**	72,750	**51,150**	56,651	**1,363**	1,417	**133,848***	130,818*
Other income and gains, net	**1,156**	1,082	**–**	–	**320**	327	**1,476^**	1,409^
Total	**82,491**	73,832	**51,150**	56,651	**1,683**	1,744	**135,324**	132,227
Segment results	**28,207**	25,216	**13,677**	16,279	**5,611**	4,147	**47,495**	45,642
Reconciliation:								
Unallocated interest income							**3,188^**	3,228^
Unallocated foreign exchange differences, net							**(246)**	32
Corporate and other unallocated depreciation							**(2,623)**	(885)
Corporate and other unallocated expenses							**(14,677)**	(13,649)
Profit before tax							**33,137**	34,368

	Application Services		Solutions and Integration Services		Investments		Total	
	30 June 2019	31 December 2018	**30 June 2019**	31 December 2018	**30 June 2019**	31 December 2018	**30 June 2019**	31 December 2018
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)	**(Unaudited)**	(Audited)	**(Unaudited)**	(Audited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**208,708**	214,518	**84,042**	55,780	**95,724**	91,331	**388,474**	361,629
Reconciliation:								
Corporate and other unallocated assets							**257,505**	269,716
Total assets							**645,979**	631,345
Segment liabilities	**88,428**	93,533	**39,754**	30,438	**736**	930	**128,918**	124,901
Reconciliation:								
Corporate and other unallocated liabilities							**38,966**	28,380
Total liabilities							**167,884**	153,281

* *This represents the consolidated revenue of HK$133,848,000 (2018: HK$130,818,000) in the condensed consolidated statement of profit or loss.*

^ *These comprise the consolidated other income and gains, net, of HK$4,664,000 (2018: HK$4,637,000) in the condensed consolidated statement of profit or loss.*

4. OPERATING SEGMENT INFORMATION *(continued)*

(a) Operating segments *(continued)*

	Application Services		Solutions and Integration Services		Investments		Total	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
	(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	**–**	–	**–**	–	**3,000**	3,000	**3,000**	3,000
Net fair value gains/(losses) on financial assets at fair value through profit or loss	**–**	–	**–**	–	**1,410**	(285)	**1,410**	(285)
Amortisation of other intangible assets	**3,011**	3,011	**–**	–	**–**	–	**3,011**	3,011
Depreciation	**1,369**	273	**239**	145	**17**	17	**1,625**	435
Corporate and other unallocated depreciation							**2,623**	885
							4,248	1,320
Impairment losses, net recognised in the condensed consolidated statement of profit or loss*	**(142)**	238	**26**	–	**–**	**–**	**(116)**	238
Capital expenditure**	**277**	755	**6,366**	4,299	**–**	**–**	**6,643**	5,054
Corporate and other unallocated capital expenditure							**445**	118
							7,088	5,172

* *Including impairment losses, net recognised in the condensed consolidated statement of profit or loss attributable to the application services segment of HK$382,000 (2018: HK$270,000) and the solutions and integration services segment of HK$39,000 (2018: Nil), respectively and impairment losses reversed in the condensed consolidated statement of profit or loss attributable to the application services segment of HK$524,000 (2018: HK$32,000) and the solutions and integration services segment of HK$13,000 (2018: 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	
	2019	2018	**2019**	2018	**2019**	2018
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:						
Sales to external customers	**102,632**	100,024	**31,216**	30,794	**133,848**	130,818

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

(ii) Non-current assets

	30 June 2019	31 December 2018
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Hong Kong	**132,538**	128,721
Mainland China	**146,167**	138,607
	278,705	267,328

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

(c) Information about a major customer

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

For the period ended 30 June 2019, revenue from a major customer of HK$33,658,000 was derived from the application services segment and the solutions and integration services segment.

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

5. REVENUE, OTHER INCOME AND GAINS, NET

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Revenue from contracts with customers	**132,485**	129,401
Revenue from other sources		
Gross rental income from investment properties and interest income from treasury investments	**1,363**	1,417
	133,848	130,818

Revenue from contracts with customers

(i) Disaggregated revenue information

For the period ended 30 June 2019	**Application Services** ***HK$'000***	**Solutions and Integration Services** ***HK$'000***	**Total** ***HK$'000***
Segments			
Types of goods or services			
Sales of goods and provision of software, GETS and BPO services	**26,165**	**5,407**	**31,572**
Provision of software implementation and related services, IT solutions implementation and related services	**26,465**	**21,232**	**47,697**
Maintenance services	**28,705**	**24,511**	**53,216**
Total revenue from contracts with customers	**81,335**	**51,150**	**132,485**
Geographical markets			
Hong Kong and others	**53,359**	**48,216**	**101,575**
Mainland China	**27,976**	**2,934**	**30,910**
Total revenue from contracts with customers	**81,335**	**51,150**	**132,485**
Timing of revenue recognition			
Goods and services transferred at a point in time	**26,165**	**5,407**	**31,572**
Services transferred over time	**55,170**	**45,743**	**100,913**
Total revenue from contracts with customers	**81,335**	**51,150**	**132,485**

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

Revenue from contracts with customers *(continued)*

(i) Disaggregated revenue information *(continued)*

	Application Services *HK$'000*	Solutions and Integration Services *HK$'000*	Total *HK$'000*
For the period ended 30 June 2018			
Segments			
Types of goods or services			
Sales of goods and provision of software, GETS and BPO services	20,377	9,379	29,756
Provision of software implementation and related services, IT solutions implementation and related services	24,605	23,991	48,596
Maintenance services	27,768	23,281	51,049
Total revenue from contracts with customers	72,750	56,651	129,401
Geographical markets			
Hong Kong and others	44,209	54,758	98,967
Mainland China	28,541	1,893	30,434
Total revenue from contracts with customers	72,750	56,651	129,401
Timing of revenue recognition			
Goods and services transferred at a point in time	20,377	9,379	29,756
Services transferred over time	52,373	47,272	99,645
Total revenue from contracts with customers	72,750	56,651	129,401

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Sales of goods and provision of software, GETS and BPO services
The performance obligation is satisfied upon product/service delivery and payment is generally due within 30 to 60 days from delivery, where payment in advance is normally required.

Provision of software implementation and related services
The performance obligation is satisfied over time as services are rendered and payment is generally due within 30 to 60 days from the date of billing.

IT solutions implementation and related services
The performance obligation is satisfied over time as services are rendered and payment is generally due within 30 days from the date of billing. A certain percentage of payment is retained by customers until the end of the nursing period as the Group's entitlement to the final payment is conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts.

Maintenance services
The performance obligation is satisfied over time as services are rendered and payment in advances are normally required before rendering the services. Maintenance service contracts are for periods of one year, or are billed based on the time incurred.

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

Revenue from contracts with customers *(continued)*

(ii) Performance obligations *(continued)*

The transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 30 June 2019 are as follows:

	HK$'000
Within one year	**60,174**

All the remaining performance obligations are expected to be recognised within one year. The amounts disclosed above do not include variable consideration which is constrained.

	For the six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Other income and gains, net		
Bank interest income	**3,187**	3,228
Tax refund received	**659**	904
Dividend income from listed investments at fair value through profit or loss	**320**	326
Others	**498**	179
	4,664	4,637

6. **PROFIT BEFORE TAX**

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

	For the six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Depreciation of property, plant and equipment^	**718**	1,320
Depreciation of right-of-use assets	**3,530**	-
Amortisation of other intangible assets**	**3,011**	3,011
Impairment of financial and contract assets, net:		
Impairment of trade receivables, net	**-**	238
Reversal of impairment of trade receivables, net	**(48)**	-
Reversal of impairment of contract assets	**(68)**	-

^ *Depreciation for the period of HK$61,000 (2018: HK$9,000) is included in "Cost of sales and services" on the face of the condensed consolidated statement of profit or loss.*

** *Amortisation of other intangible assets for the period of HK$3,011,000 (2018: HK$3,011,000) is included in "Other expenses" on the face of the condensed consolidated statement of profit or loss.*

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

	For the six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the period	**2,268**	3,152
Current – Elsewhere		
Charge for the period	**688**	936
Underprovision in prior years	**-**	119
Deferred	**1,401**	(29)
Total tax charge for the period	**4,357**	4,178

8. DIVIDENDS

a. Subsequent to the end of the interim period, the Board has determined that an interim dividend of 9 HK cents (2018: an interim dividend of 9 HK cents) in cash per ordinary share should be paid to the shareholders of the Company whose names appear in the Register of Members on Tuesday, 3 September 2019.

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

	For the six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Final dividend in respect of the previous financial year, approved and paid during the interim period of HK$0.12 (2018: final and special dividends of HK$0.12) per ordinary share	**29,939**	29,303
Less: Dividend for shares held under the Company's restricted share award scheme	**(284)**	(297)
	29,655	29,006

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

The calculation of basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 246,818,981 (2018: 242,056,126) in issue during the period, as adjusted to exclude the shares held under the restricted share award scheme of the Company.

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

	Number of shares	
	2019	2018
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**246,818,981**	242,056,126
Effect of dilution – weighted average number of ordinary shares:		
Restricted shares awarded under the Company's restricted share award scheme	**1,358,942**	490,360
	248,177,923	242,546,486

10. PROPERTY, PLANT AND EQUIPMENT

	30 June 2019	31 December 2018
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Net carrying amount, at 1 January	**3,120**	3,950
Additions	**765**	1,242
Disposals (net book value)	**-**	(8)
Depreciation provided during the period/year	**(718)**	(2,051)
Exchange realignment	**2**	(13)
Net carrying amount, at 30 June/31 December	**3,169**	3,120

11. INVESTMENT PROPERTIES

	30 June 2019	31 December 2018
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Carrying amount at 1 January	**75,661**	71,255
Net gains from fair value adjustments	**3,000**	4,406
Carrying amount, at 30 June/31 December	**78,661**	75,661
Assets classified as held for sale under current assets	**(8,500)**	-
Portion classified as non-current assets	**70,161**	75,661

12. GOODWILL

	HK$'000
30 June 2019	
Cost and carrying amount at 1 January 2019 and 30 June 2019	**134,485**

	HK$'000
31 December 2018	
Cost and carrying amount at 1 January 2018 and 31 December 2018	134,485

13. OTHER INTANGIBLE ASSETS

	Deferred development costs* HK$'000	Customer relationships HK$'000	Software HK$'000	Total HK$'000
30 June 2019				
Cost at 1 January 2019, net of accumulated amortisation and impairment	**14,507**	**8,978**	**30,577**	**54,062**
Additions	**6,323**	**-**	**-**	**6,323**
Amortisation provided during the period	**-**	**(827)**	**(2,184)**	**(3,011)**
At 30 June 2019	**20,830**	**8,151**	**28,393**	**57,374**
At 30 June 2019:				
Cost	**33,856**	**14,767**	**43,681**	**92,304**
Accumulated amortisation and impairment	**(13,026)**	**(6,616)**	**(15,288)**	**(34,930)**
Net carrying amount	**20,830**	**8,151**	**28,393**	**57,374**
31 December 2018				
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	14,507	8,978	30,577	54,062
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	14,507	8,978	30,577	54,062

* *During the period, additions of other intangible assets of HK$6,323,000 (31 December 2018: HK$10,380,000) were developed internally.*

14. TRADE RECEIVABLES

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
	HK$'000	*HK$'000*
At 1 January	**61,203**	47,104
Impairment	**(3,483)**	(3,532)
At 30 June/31 December	**57,720**	43,572

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.

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

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
	HK$'000	*HK$'000*
Within 1 month	**39,007**	24,440
1 to 3 months	**14,198**	12,973
4 to 6 months	**2,485**	3,780
7 to 12 months	**2,030**	2,379
	57,720	43,572

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

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
	HK$'000	*HK$'000*
At 1 January	**3,532**	2,361
Impairment losses, net	**-**	1,201
Reversal of impairment losses, net	**(48)**	-
Exchange realignment	**(1)**	(30)
At 30 June/31 December	**3,483**	3,532

15. CONTRACT ASSETS

	30 June 2019 (Unaudited) *HK$'000*	31 December 2018 (Audited) *HK$'000*
Contracts assets arising from:		
Sales of goods and provision of software, GETS and BPO services	**5,541**	898
Provision of software implementation and related services, IT solutions implementation and related services	**17,373**	18,097
Maintenance services	**2,283**	1,632
Total contract assets	**25,197**	20,627

Contract assets are initially recognised for revenue earned from the provision of software and related services as the receipt of consideration is based on the billing process. Included in contract assets for provision of software and related services are unbilled amounts of revenue. Upon completion of the billing of the revenue from contract customers, the amounts recognised as contract assets are reclassified to trade receivables. The increase in contract assets as at 30 June 2019 was the result of the increase in the sales of goods and provision of software at the end of the period.

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

	30 June 2019 (Unaudited) *HK$'000*	31 December 2018 (Audited) *HK$'000*
Within one year	**25,197**	20,627

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

	30 June 2019 (Unaudited) *HK$'000*	31 December 2018 (Audited) *HK$'000*
At 1 January	**68**	-
Impairment losses	**-**	68
Reversal of impairment losses	**(68)**	-
At 30 June/31 December	**-**	68

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates for the measurement of the expected credit losses of the contract assets are based on those of the trade receivables as the contract assets and the trade receivables are from the same customer bases. The provision rates of contract assets are based on days past due of trade receivables for groupings of various customer segments with similar loss patterns. The calculation reflects reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

None of the above assets is either past due or impaired. There was no recent history of default for the contract assets. Since the contract assets are related to receivables which are still in current and the payment is not due, the expected credit loss rates of contract assets are assessed to be minimal.

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
	HK$'000	*HK$'000*
Debt investments, at fair value	**4,644**	4,633
Listed equity investments, at fair value	**11,563**	10,164
	16,207	14,797
Portion classified as current assets	**(11,563)**	(10,164)
Portion classified as non-current assets	**4,644**	4,633

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

The listed equity investments were all included under current assets at 30 June 2019 and 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

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
	HK$'000	*HK$'000*
Trade payables	**22,300**	24,533
Other payables	**30,966**	27,936
Accruals	**15,231**	21,627
	68,497	74,096

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

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
	HK$'000	*HK$'000*
Within 1 month	**15,743**	18,045
1 to 3 months	**5,340**	4,749
4 to 6 months	**709**	1,331
Over 6 months	**508**	408
	22,300	24,533

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

18. CONTRACT LIABILITIES

Details of contract liabilities are as follows:

	30 June 2019 (Unaudited) ***HK$'000***	31 December 2018 (Audited) *HK$'000*
Short-term advances received from customers		
Sales of goods and provision of software, GETS and BPO services	**2,712**	4,875
Provision of software implementation and related services, IT solutions implementation and related services	**16,670**	18,356
Maintenance services	**40,792**	33,723
Total contract liabilities	**60,174**	56,954

Contract liabilities include short-term advances received to deliver goods and software licence and render software implementation and related services, IT solutions implementation and related services, and maintenance services. The increase in contract liabilities as at 30 June 2019 was mainly due to the increase in short-term advances received from customers in relation to the maintenance services at the end of the period.

19. DEFERRED TAX

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

Deferred tax assets

	2019 Temporary differences of contract liabilities ***HK$'000***
At 1 January 2019	**2,713**
Deferred tax credited to the condensed consolidated statement of profit or loss during the period	**90**
At 30 June 2019	**2,803**

19. DEFERRED TAX *(continued)*

Deferred tax liabilities

	Revaluation of properties HK$'000	Deferred development costs HK$'000	2019 Fair value adjustments arising from acquisition of subsidiaries HK$'000	Withholding taxes HK$'000	Total HK$'000
At 1 January 2019	**1,578**	**-**	**9,578**	**1,574**	**12,730**
Deferred tax charged/ (credited) to the condensed consolidated statement of profit or loss during the period	**750**	**1,012**	**(715)**	**444**	**1,491**
At 30 June 2019	**2,328**	**1,012**	**8,863**	**2,018**	**14,221**

Deferred tax assets

	2018 Temporary differences of contract liabilities *HK$'000*
At 1 January 2018	2,984
Deferred tax charged to the consolidated statement of profit or loss during the year	(122)
Exchange differences	(149)
At 31 December 2018	2,713

Deferred tax liabilities

	Revaluation of properties *HK$'000*	2018 Fair value adjustments arising from acquisition of subsidiaries *HK$'000*	Withholding taxes *HK$'000*	Total *HK$'000*
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	1,578	9,578	1,574	12,730

20. CONTINGENT LIABILITIES

At the end of the reporting period, contingent liabilities not provided for in the financial information were as follows:

Guarantees have been given to certain banks by the Company for performance bonds/guarantees issued by the banks in relation to certain contracts undertaken by the Group amounting to HK$31,700,000 (31 December 2018: HK$31,700,000), of which HK$21,237,000 (31 December 2018: HK$22,930,000) were utilised as at 30 June 2019.

21. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, on 7 August 2019, the Group had entered into a provisional sale and purchase agreement with an independent third party to dispose of one of the investment properties of the Group in PRC at a cash consideration of approximately RMB8,400,000.

22. COMPARATIVE AMOUNTS

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

23. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

The interim financial statements were approved and authorised for issue by the board of directors on 16 August 2019.

CHAIRMAN'S STATEMENT

Dear Shareholders,

OVERVIEW

On behalf of the board of directors (the "Board") of Computer And Technologies Holdings Limited (the "Company"), I am pleased to present the unaudited interim results of the Company and its subsidiaries (collectively the "Group") for the six-month ended 30 June 2019.

The Group's overall revenue improved slightly by HK$3.0 million, or 2.3% to HK$133.8 million (2018: HK$130.8 million). The growth was mainly attributed to the continuous increase in revenue generated by the Group's Application Services business, offset by the decrease in revenue generated by the Group's Solutions and Integration Services business.

In line with the increase in revenue, the gross profit of the Group increased by HK$1.7 million, or 2.4% to HK$75.0 million (2018: HK$73.3 million). Moreover, due to increase in fair value gain from financial assets, the total non-operating incomes increased by HK$1.4 million, or 19.6% to HK$8.8 million (2018: HK$7.4 million).

The Group's overall expenses increased by 10.2% to HK$47.7 million (2018: HK$43.3 million) as compared with the same period last year. Such increase was mainly in staff costs attributed to the additional resources in strengthening the Group's overall management and business development as well as the sales and support team.

With the abovementioned, the Group's consolidated net profit attributable to shareholders reduced slightly by 4.7% to HK$28.8 million (2018: HK$30.2 million). The basic earnings per share also dropped to 11.66 HK cents (2018: 12.47 HK cents).

In view of a sustained healthy financial position, the Board declared the distribution of an interim dividend of 9 HK cents (2018: 9 HK cents) per ordinary share for the six-month ended 30 June 2019.

BUSINESS REVIEW

<u>Application Software</u>
Despite slowdown of the economy, the Group's Application Software[1] business maintained its momentum and achieved double-digit growth in both revenue and profit contributions.

The Group's Human Resources Management Software ("HRMS") business continued to expand its customer base and capture prestigious customers from various industries in the region, including a statutory body responsible for local cultural development, a major airline and an insurance company under one of the largest banks in China. In addition, the Work Force Management ("WFM") modules launched last year had been enhanced with additional features and receiving positive market acceptance.

The Group successfully concluded new customers in the area of HRMS cloud services amid increasing market demand. While the HRMS cloud services will provide more stable recurring income for the business in the long term, it may shift part of the demand for HRMS on-premise software licences to cloud services, which may impact the related licence income in the short run.

Application Software *(continued)*

Moreover, the management is glad to announce that the Group's HRMS in PRC was honoured with the "HCM Local Deployment Top 10" award[2] at the 2019 China HR Tech Solution Provider Value Awards.

With a strong order backlog carried forward, the Group's Enterprise Retail Management Software ("ERMS") business recorded solid growth in both revenue and profit contributions during the reporting period. The management is delighted to reveal that a new customer from a global fashion brand adopted our ERMS suite to facilitate its Asia Pacific business expansion with full deployment planned in second half of this year.

With increasing cloud service income from new customers, both the revenue and profit contributions of the Group's Enterprise Procurement Management Software ("EPMS") business were materially improved during the reporting period. The management had been actively exploring new customers for the Group's EPMS cloud services and is glad to report that new customers from different sectors, including a statutory body responsible for local cultural development, a well-known local charity organisation and a local university, will adopt our EPMS cloud services soon.

The Group's Enterprise Information Management Software ("EIMS") business also recorded double-digit growth in both revenue and profit contributions during the reporting period. New contracts were awarded from various customers including a regulatory institution of Macau SAR Government and a statutory body under the HKSAR Government (the "Government") during the reporting period. In addition, the Group launched its EIMS on cloud services and is actively developing the related business.

The Group has been putting continuous R&D efforts in building and enhancing its next generation Human Capital Management ("HCM") platform. Such platform allows us to provide a single log-in portal that support componentised functional modules to be added on and integrated according to specific customer requirement. It also allows us to integrate technologies from other providers seamlessly as proven by our successful integration with client's own native mobile application, WeChat and CV parsing provider. The R&D team is also working on security enhancement and providing advance facial recognition and other AI functionalities onto our HCM platform. Apart from development on HCM platform, the Group is also developing comprehensive application interfaces that will enable its ERMS products to have seamless connection with other world class enterprise resource planning (ERP) systems.

Solutions and Integration Services

Owing to the delay in contracts award from a major customer and delay from project completion of the Development Services[3] under the Group's Solutions Services business, the revenue and profit contribution of the Group's Solutions and Integration Services[3] business dropped by 9.7% and 16.0% respectively.

The Managed Services[3] under the Group's Solutions Services business continued to serve and generated stable income from the second 10-year services contract ("Contract") of the Customer Care and Billing System ("CCBS") for the Water Supplies Department under the Government. According to the latest work plan, the enhancements of the CCBS under the Contract will likely to be completed in the coming two years. During the reporting period, development costs of HK$6.3 million in total incurred were capitalised as deferred development costs.

BUSINESS REVIEW *(continued)*

Solutions and Integration Services *(continued)*
During the reporting period the Development Services business had been experiencing delay in contract awarding processes under a framework agreement with a major customer. The management notices that the situation is improving recently and new contracts were awarded orderly. The business had also experienced some delays in the project completion during the reporting period. These projects had been resumed on tracks in recent months and expected to have better progress in the second half of the year. Despite the hiccups, the business continued to secure new orders from both the Government and commercial enterprises, including Marine Department and Census and Statistics Department under the Government. Furthermore, the business had successfully renewed a multi-year outline agreement by one of the largest power businesses in Asia Pacific for the provision of IT professional services in mid 2019 to improve the operational efficiency and stability of its IT systems and applications.

The performance of the Group's Integration Services[3] business in PRC was slightly improved during the reporting period.

Due to weak performance of the global economy and various external headwinds, the demand for the Group's BPO[4] service and the performance of the business were worse than the same period last year. The management will keep searching for new prospects and streamlining the resources in order to enhance the operation efficiency.

e-Service and related business
The revenue and profit contributions of the Group's GETS[5] business recorded growth in both revenue and profit contribution during the reporting period.

The collaboration with Hongkong Post to provide traders with paper-to-electronic trade declaration services from 1 January 2019 had effectively expanded our service coverage and enhanced relevant income. Furthermore, the performance of the business had further been improved as the costs incurred for the provision of new e-services had been reduced during the reporting period.

However, the uncertainties stemming from US-Mainland trade tensions and other external issues continued to dampen production and trading activities in Asia. Hong Kong's export performance in the period ahead will, to a large extend, depend on whether the US and the Mainland can reach a trade agreement. In view of the uncertainties, the management will keep monitoring the external environment closely and consider all necessary and appropriate moves from time to time.

Investments
Due to increase in fair value gains from financial assets, the Group's Investments segment recorded an increase in the profit contribution of HK$1.5 million, or 35.3% to HK$5.6 million (2018: HK$4.1 million). Subsequent to the end of the reporting period, on 7 August 2019, the Group had entered into a provisional sale and purchase agreement with an independent third party to dispose of one of the investment properties of the Group in PRC at a cash consideration of approximately RMB8.4 million.

PROSPECT

US-China trade war brings Hong Kong's economic expansion to near a standstill, which will remain uncertain in the near future. The market is anticipating a strong headwind due to the trade tensions. The recent ongoing unrest is also adding uncertainty to the local economy. The management considers that the local market will continue to be affected by cautious local economic sentiment amid a challenging external environment which will impact our customers' decision making processes and defer the conclusion of new sales orders in the near future.

However, the Group remains vigilant for new opportunities to improve our business. We remain steadfast in our commitment in research and development and focused on new prospects that can gear the Group to cater for the needs of our customers.

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] Also known as the "Oscar Awards" in China's HR industry, the "HCM Local Deployment Top 10" award at the 2019 China HR Tech Solution Provider Value Awards is organised by the HR Excellence Center, aiming to gather outstanding HR solution suppliers to promote the best services and lead the development of the industry. It is widely trusted by the industry and has become the best indicator for companies looking for quality HR system suppliers.

[3] 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.

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

[5] 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.

FINANCIAL REVIEW

Revenue and gross profit

The Group's revenue increased slightly by HK$3.0 million, or 2.3% to HK$133.8 million (2018: HK$130.8 million) during the reporting period. The growth in revenue was mainly attributed to the continuous increase in revenue generated by the Group's Application Services business of approximately HK$8.6 million, offset by the decrease in revenue generated by the Group's Solutions and Integration Services business of approximately HK$5.5 million.

The Group's gross profit also increased by HK$1.7 million, or 2.4% to HK$75.0 million (2018: HK$73.3 million) while the gross profit margin maintained at around 56.0%.

FINANCIAL REVIEW *(continued)*

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) increased by 19.6% to HK$8.8 million (2018: HK$7.4 million). The change was primarily due to the increase in fair value gains on financial assets.

Expenses

Owing to the expansion of the Group's sales resources for the improvement of market coverage, the Group's selling and distribution expenses increased by HK$1.2 million, or 7.7% to HK$17.4 million (2018: HK$16.2 million).

For strengthening of the management and administrative resources, the Group's general and administrative expenses increased by HK$2.5 million, or 9.4% to HK$29.6 million (2018: HK$27.1 million).

The Group recognised HK$0.6 million (2018: Nil) finance costs because of the adoption of HKFRS 16 from 1 January 2019.

Income tax expense

Primarily due to the increase in provision for deferred tax, income tax expense slightly increased by HK$0.2 million, or 4.3% to HK$4.4 million (2018: HK$4.2 million).

The Group's overall effective tax rate for the tax charge in 2019 was around 13.1% , whereas in 2018 was 12.2%. The effective tax rate was lower than the Hong Kong statutory profits tax rate because several types of onshore incomes, including dividend and bank interest incomes were not subject to the Hong Kong profits tax. Besides, the 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 dropped by 4.7% to HK$28.8 million (2018: HK$30.2 million) while the net profit margin (profit for the period attributable to shareholders divided by the revenue) reduced to 21.5% (2018: 23.1%). The change was mainly due to the fact that the increase in overall expenses was higher than that of the growth in gross profit.

Non-current assets

The Group's non-current assets as at 30 June 2019 increased by 4.1% to HK$288.4 million (31 December 2018: HK$276.9 million). The change was primarily attributed to the net effect of (i) the recognition of right-of-use assets because of the adoption of HKFRS 16 in 2019, (ii) the capitalisation of deferred development costs arising from a project of the Group's Solutions Services business and (iii) the reclassification of an investment property of the Group to assets held for sale under current assets.

Current assets

The Group's current assets as at 30 June 2019 increased slightly by 0.9% to HK$357.6 million (31 December 2018: HK$354.4 million). The change was mainly caused by (i) the increase in assets classified as held for sale as the Group had committed to dispose of one of the investment properties; (ii) the increase in trade receivables and contract assets as there were more progress developments billed and pending to be billed by end of June 2019; (iii) the decrease in prepayments, deposits and other receivables as there was less prepayment paid to the suppliers; and (iv) the decrease in cash and bank balances following the despatch of 2018 final dividend in June 2019.

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

FINANCIAL REVIEW *(continued)*

Current and non-current liabilities

The recognition of lease liabilities following to the adoption of HKFRS 16 had primarily contributed to the increase in the Group's current liabilities and non-current liabilities as at 30 June 2019 to HK$147.2 million (31 December 2018: HK$140.6 million) and HK$20.7 million (31 December 2018: HK$12.7 million), respectively.

Segment assets and liabilities

Segment assets of Applications Services business decreased owing to the decrease in other intangible assets and trade receivables while the segment liabilities of the business decreased in line with the decrease in other payables and accruals and contract liabilities.

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

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

Equity

Total equity as at 30 June 2019 maintained at around HK$478.1 million (31 December 2018: HK$478.1 million) with almost no change.

TREASURY POLICY

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the period under review. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

PLEDGE OF ASSETS

As at 30 June 2019, the Group had pledged an investment property with a fair value of HK$64.2 million (31 December 2018: HK$64.2 million), listed debt and equity securities of HK$14.1 million (31 December 2018: HK$12.7 million) and bank balances of HK$1.9 million (31 December 2018: HK$2.1 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 2018: HK$112.0 million) of which HK$21.5 million (31 December 2018: HK$23.2 million) have been utilised as at 30 June 2019.

FINANCIAL RESOURCES AND LIQUIDITY

As at 30 June 2019, the Group's bank balances and cash (excluded pledged bank deposit of HK$1.9 million) was HK$233.6 million (31 December 2018: HK$255.5 million).

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

As at 30 June 2019, the Group had no bank borrowings (31 December 2018: Nil). The Group's current ratio representing current assets divided by current liability was 2.4 (31 December 2018: 2.5) and the gearing ratio, representing total liabilities divided by total assets, was 26.0% (31 December 2018: 24.3%).

REMUNERATION POLICY AND NUMBER OF EMPLOYEES

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

The remuneration policies adopted for the six months ended 30 June 2019 are consistent with those disclosed in the Group's 2018 Annual Report. As at 30 June 2019, the Group employed 372 full time employees and 4 contract-based employees (31 December 2018: 357 full time employees and 5 contract-based employees).

As at 30 June 2019, the Company operates a share option scheme and a share award scheme for the purpose of providing incentives and rewards to the employees who contribute to the success of the Group's operations as well as retain them for the continual development of the Group.

SIGNIFICANT INVESTMENTS

Save as disclosed in the announcement, the Group has no significant investments held as at 30 June 2019.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

The Group did not have any material acquisition or disposal of subsidiaries during the period and up to the date of this announcement.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

There was no specific plan for material investments or capital assets as at 30 June 2019.

CONTINGENT LIABILITIES

Save as disclosed in the announcement, the Group has no material contingent liabilities as at 30 June 2019.

INTERIM DIVIDEND

The Board declared the payment of an interim dividend of 9 HK cents (30 June 2018: an interim dividend of 9 HK cents) per ordinary share for the six months ended 30 June 2019.

CLOSURE OF THE REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 2 September 2019 to Tuesday, 3 September 2019, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Friday, 30 August 2019. The dividend will be distributed on or about Monday, 16 September 2019 to shareholders whose names appear on the Register of Members of the Company on Tuesday, 3 September 2019.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the reporting period.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standard of corporate governance within a sensible framework with an emphasis on the principles of integrity, transparency and accountability. The Board believes that good corporate governance is essential to the success of the Company and to the enhancement of shareholders' value.

The Board opined that the Company has complied with the code provision set out in the Corporate Governance Code (the "CG code") as stipulated in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") during the reporting period.

The Company considers that sufficient measures have been taken to ensure that its corporate governance practices are similar to those provided in the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its code of conduct for dealings in securities of the Company by the directors. Based on a specific enquiry of the Company's directors, the directors have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2019.

RISK MANAGEMENT FRAMEWORK

The Group has established an effective risk governance and management framework in line with the requirements set out by the Hong Kong Listing Rules and other regulations. This framework was built around a structure that enables the Board and the management to discharge their risk management-related responsibilities with appropriate delegation as well as checks and balances. These responsibilities included defining risk appetite in accordance with the Group's business strategies and objectives, formulating risk policies that govern the execution of those strategies, and establishing procedures and limits for the approval, control, monitoring and remedy of risks.

The members of the Risk Management Committee positioned at the highest level of the Group's risk governance structure under the Board. Members included one independent non-executive director and three executive directors. The Risk Management Committee had direct involvements in formulating the Group's risk appetite, and determined the levels of risk that the Group is willing to undertake with reference to its financial capacity, strategic direction, prevailing market conditions and regulatory requirements.

The Risk Management Committee will continuously ensure the Group's risk appetite is realistically reflected in the policies and procedures that the management adopted in executing its business functions. The Risk Management Committee will regularly review the Group's risk management framework and ensure that all important risk-related tasks are performed according to established policies and with appropriate resources.

AUDIT COMMITTEE

The Company has an audit committee which was established in compliance with Rule 3.21 of the Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process, risk management and internal controls. The Audit Committee comprises three independent non-executive directors of the Company. The Audit Committee has reviewed the Group's consolidated financial statements for the period ended 30 June 2019 with the management the accounting principles and practices adopted by the Group and discussed risk management and internal controls and financial reporting matters related to the preparation of the unaudited interim financial information for the six months ended 30 June 2019.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This announcement is published on the Stock Exchange's website (www.hkexnews.hk) and the Company's website (www.ctil.com). The 2019 interim report will be published on the Stock Exchange's website (www.hkexnews.hk) and the Company's website (www.ctil.com) and also to be despatched to the shareholders of the Company in due course.

APPRECIATIONS

On behalf of the Board and the management, I would like to express our sincere thanks to all employees, shareholders, customers and business partners for their supports to the Group during the reporting period.

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

Hong Kong, 16 August 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.