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COMPUTER AND TECHNOLOGIES HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 00046)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

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 2020 together with comparative figures for the corresponding period in 2019 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2020

	Notes	2020 HK\$'000	2019 HK\$'000
REVENUE	5	256,265	275,893
Cost of sales and services		<u>(111,477)</u>	<u>(120,639)</u>
Gross profit		144,788	155,254
Other income and gains, net	5	22,279	7,875
Foreign exchange differences, net		(625)	335
Fair value gains/(losses), net:			
Financial assets at fair value through profit or loss		(2,755)	323
Investment properties		(941)	3,626
Selling and distribution expenses		(32,812)	(36,631)
General and administrative expenses, net		(60,906)	(63,455)
Finance costs		(1,155)	(1,102)
Other expenses		<u>(6,233)</u>	<u>(6,024)</u>
PROFIT BEFORE TAX	6	<u>61,640</u>	<u>60,201</u>

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS *(continued)*

Year ended 31 December 2020

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
PROFIT BEFORE TAX	6	61,640	60,201
Income tax expense	7	<u>(1,726)</u>	<u>(4,308)</u>
PROFIT FOR THE YEAR		<u>59,914</u>	<u>55,893</u>
ATTRIBUTABLE TO:			
Owners of the parent		60,125	55,893
Non-controlling interests		<u>(211)</u>	<u>–</u>
		<u>59,914</u>	<u>55,893</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9	HK cents	HK cents
Basic		<u>24.31</u>	<u>22.63</u>
Diluted		<u>24.19</u>	<u>22.49</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2020

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
PROFIT FOR THE YEAR	<u>59,914</u>	<u>55,893</u>
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>2,608</u>	<u>(2,169)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>62,522</u>	<u>53,724</u>
ATTRIBUTABLE TO:		
Owners of the parent	62,733	53,724
Non-controlling interests	<u>(211)</u>	<u>–</u>
	<u>62,522</u>	<u>53,724</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2020

	<i>Notes</i>	2020 HK\$'000	2019 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	1,987	3,183
Investment properties	11	66,290	70,091
Right-of-use assets	12(a)	4,983	8,486
Goodwill	13	135,001	134,485
Other intangible assets	14	60,956	59,999
Financial assets at fair value through profit or loss - debt investment	17	2,100	2,100
Deposits		628	1,812
Deferred tax assets	20	2,320	2,288
Total non-current assets		<u>274,265</u>	<u>282,444</u>
CURRENT ASSETS			
Inventories		7	597
Trade receivables	15	44,498	50,159
Contract assets	16	20,248	20,226
Prepayments, deposits and other receivables		19,414	14,745
Tax recoverable		5,155	6,674
Financial assets at fair value through profit or loss - listed equity investments and derivative financial instruments	17	7,383	10,121
Financial assets at fair value through profit or loss - money market certificate and debt investment	17	-	45,728
Pledged bank deposits		666	2,541
Cash and cash equivalents		<u>295,632</u>	<u>200,730</u>
Total current assets		<u>393,003</u>	<u>351,521</u>
CURRENT LIABILITIES			
Trade payables, other payables and accruals	18	(66,581)	(65,023)
Contract liabilities	19	(58,708)	(55,712)
Lease liabilities	12(b)	(4,614)	(5,886)
Tax payable		<u>(3,973)</u>	<u>(9,662)</u>
Total current liabilities		<u>(133,876)</u>	<u>(136,283)</u>
NET CURRENT ASSETS		<u>259,127</u>	<u>215,238</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>533,392</u>	<u>497,682</u>

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

31 December 2020

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
NON-CURRENT LIABILITIES			
Other payables	18	(537)	–
Contract liabilities	19	(2,309)	–
Lease liabilities	12(b)	(2,424)	(3,788)
Deferred tax liabilities	20	<u>(12,563)</u>	<u>(12,515)</u>
Total non-current liabilities		<u>(17,833)</u>	<u>(16,303)</u>
Net assets		<u>515,559</u>	<u>481,379</u>
EQUITY			
Equity attributable to owners of the parent			
Issued capital		24,949	24,949
Share premium account		53,104	53,104
Shares held under the restricted share award scheme		(4,480)	(5,462)
Other reserves		409,945	389,028
Proposed final dividend		<u>29,702</u>	<u>19,760</u>
		513,220	481,379
Non-controlling interests		<u>2,339</u>	<u>–</u>
Total equity		<u>515,559</u>	<u>481,379</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2020

	Attributable to owners of the parent										
	Other reserves										
	Issued capital	Share premium account	Shares held under the restricted share award scheme	Share-based payment reserve	Goodwill reserve	Asset revaluation reserve	Reserve funds	Exchange fluctuation reserve	Retained profits	Proposed final dividend	Total equity
	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 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 year	–	–	–	–	–	–	–	–	55,893	–	55,893
Other comprehensive loss for the year:											
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	(2,169)	–	–	(2,169)
Total comprehensive income for the year	–	–	–	–	–	–	–	(2,169)	55,893	–	53,724
Purchase of shares held under the restricted share award scheme	–	–	(623)	–	–	–	–	–	–	–	(623)
Vesting of shares held under the restricted share award scheme	–	–	970	(970)	–	–	–	–	–	–	–
Share award arrangements	–	–	–	2,110	–	–	–	–	–	–	2,110
Transfer of asset revaluation reserve upon the disposal of an investment property	–	–	–	–	–	(1,972)	–	–	1,972	–	–
Final 2018 dividend declared	–	–	–	–	–	–	–	–	(56)	(29,599)	(29,655)
Interim 2019 dividend	–	–	–	–	–	–	–	–	(22,241)	–	(22,241)
Proposed final 2019 dividend	–	–	–	–	–	–	–	–	(19,760)	19,760	–
At 31 December 2019	24,949	53,104	(5,462)	5,386	(7,227)	–	746	(3,191)	393,314	19,760	481,379

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(continued)*

Year ended 31 December 2020

	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	Reserve funds HK\$ '000	Exchange fluctuation reserve HK\$ '000	Retained profits HK\$ '000	Proposed final dividend HK\$ '000	Total HK\$ '000	Non-controlling interests HK\$ '000	Total equity HK\$ '000
At 1 January 2020	24,949	53,104	(5,462)	5,386	(7,227)	746	(3,191)	393,314	19,760	481,379	–	481,379
Profit for the year	–	–	–	–	–	–	–	60,125	–	60,125	(211)	59,914
Other comprehensive income for the year:												
Exchange differences on translation of foreign operations	–	–	–	–	–	–	2,608	–	–	2,608	–	2,608
Total comprehensive income for the year	–	–	–	–	–	–	2,608	60,125	–	62,733	(211)	62,522
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	–	2,550	2,550
Purchase of shares held under the restricted share award scheme	–	–	(235)	–	–	–	–	–	–	(235)	–	(235)
Vesting of shares held under the restricted share award scheme	–	–	1,217	(1,217)	–	–	–	–	–	–	–	–
Share award arrangements	–	–	–	1,504	–	–	–	–	–	1,504	–	1,504
Final 2019 dividend declared	–	–	–	–	–	–	–	(29)	(19,760)	(19,789)	–	(19,789)
Interim 2020 dividend	–	–	–	–	–	–	–	(12,372)	–	(12,372)	–	(12,372)
Proposed final 2020 dividend	–	–	–	–	–	–	–	(29,702)	29,702	–	–	–
At 31 December 2020	24,949	53,104	(4,480)	5,673	(7,227)	746	(583)	411,336	29,702	513,220	2,339	515,559

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2020

		2020	2019
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		61,640	60,201
Adjustments for:			
Finance costs		1,155	1,102
Bank interest income	5	(3,400)	(5,245)
Dividend income from listed investments at fair value through profit or loss	5	(480)	(698)
Gain on disposal of items of property, plant and equipment, net	6	(1,999)	–
Fair value losses/(gains), net:			
Financial assets at fair value through profit or loss	6	2,755	(323)
Investment properties	6	941	(3,626)
Depreciation of property, plant and equipment	6	1,437	1,388
Depreciation of right-of-use assets	6	4,885	6,885
Impairment/(reversal of impairment) of trade receivables, net	6	408	(108)
Reversal of impairment of contract assets, net	6	–	(68)
Amortisation of other intangible assets	6	6,233	6,024
Equity-settled share-based payment expense		1,504	2,110
		75,079	67,642
Decrease in inventories		590	126
Decrease/(increase) in trade receivables		5,544	(6,479)
Decrease/(increase) in prepayments, deposits and other receivables		(3,042)	702
Decrease/(increase) in contract assets		(22)	469
Increase/(decrease) in trade payables, other payables and accruals		1,480	(9,073)
Increase/(decrease) in contract liabilities		4,823	(1,242)
Cash generated from operations		84,452	52,145
Hong Kong profits tax paid		(4,709)	(124)
Overseas taxes paid		(1,400)	(3,852)
Net cash flows from operating activities		78,343	48,169

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CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

Year ended 31 December 2020

	<i>Note</i>	2020 HK\$'000	2019 <i>HK\$'000</i>
Net cash flows from operating activities		<u>78,343</u>	<u>48,169</u>
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES			
Bank interest received		3,400	5,245
Dividends received from listed investments at fair value through profit or loss		480	698
Purchases of items of property, plant and equipment		(777)	(1,460)
Purchase of financial assets at fair value through profit of loss - money market certificate		–	(42,829)
Additions to other intangible assets		(4,843)	(11,961)
Proceeds from disposal of items of property, plant and equipment		2,655	–
Proceeds from disposal of an investment property		2,860	9,196
Proceeds from disposal of financial assets at fair value through profit or loss – debt investment		2,535	–
Proceeds from disposal of financial assets at fair value through profit or loss – money market certificate		43,267	–
Acquisition of a subsidiary and call options	21	208	–
Decrease/(increase) in pledged bank deposits		1,875	(441)
Increase in non-pledged bank deposits with original maturity of more than three months when acquired		<u>(14,361)</u>	<u>(52,872)</u>
Net cash flows from/(used in) investing activities		<u>37,299</u>	<u>(94,424)</u>
CASH FLOWS USED IN FINANCING ACTIVITIES			
Purchases of shares under the restricted share award scheme		(235)	(623)
Principal portion of lease payments		(4,018)	(5,697)
Dividends paid		(32,161)	(51,896)
Interest paid		(1,155)	(1,102)
Net cash flows used in financing activities		<u>(37,569)</u>	<u>(59,318)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		78,073	(105,573)
Cash and cash equivalents at beginning of year		147,170	254,857
Effect of foreign exchange rate changes, net		2,468	(2,114)
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u>227,711</u>	<u>147,170</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the consolidated statement of financial position		295,632	200,730
Non-pledged time deposits with original maturity of more than three months when acquired		<u>(67,921)</u>	<u>(53,560)</u>
Cash and cash equivalents as stated in the consolidated statement of cash flows		<u>227,711</u>	<u>147,170</u>

NOTES

1. CORPORATE AND GROUP INFORMATION

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

During the 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 applications software with implementation and ongoing support services; and the Government Electronic Trading Services (“GETS”), cloud services and other related value added services;
- provision of information technology (“IT”) solutions implementation and application software development; provision of IT and related operation/infrastructure outsourcing services; business process outsourcing (“BPO”) services; and provision of IT systems and network infrastructure with related design, implementation and ongoing support services; and
- property and treasury investments.

2. BASIS OF PREPARATION

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 2020. 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)

Basic 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. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised HKFRSs for the first time for the current year's financial statements.

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

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised HKFRSs are described below:

- (a) *Conceptual Framework for Financial Reporting 2018* (the "Conceptual Framework") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.
- (b) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.
- (c) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("RFR"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.

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

- (d) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

4. OPERATING SEGMENT INFORMATION

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

- (a) the application services segment that primarily engages in the provision of enterprise applications software and e-business services for enterprises including the provision of enterprise applications software with implementation and ongoing support services; and the GETS, cloud services and other related value added services;
- (b) the solutions and integration services segment that primarily engages in the provision of IT solutions implementation and application software development; provision of IT and related operation/infrastructure outsourcing services; BPO services; and provision of IT systems and network infrastructure with related design, implementation and ongoing support services; and
- (c) the investments segment that primarily engages in various types of investing activities including, inter alia, property investment for rental income and/or for capital appreciation and treasury investment in securities for dividend income and interest income and/or for capital appreciation.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit before tax except that unallocated interest income, unallocated other income and gains, net, unallocated foreign exchange differences, net, corporate and other unallocated depreciation, and 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	
	2020	2019	2020	2019	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:								
Sales to external customers (note 5)	152,923	164,372	102,668	109,151	674	2,370	256,265*	275,893*
Other income and gains, net	1,743	1,931	86	–	2,502	699	4,331^	2,630^
Total	154,666	166,303	102,754	109,151	3,176	3,069	260,596	278,523
Segment results	47,205	57,971	28,010	25,434	(184)	6,306	75,031	89,711
<i>Reconciliation:</i>								
Unallocated interest income							3,400^	5,245^
Unallocated other income and gains, net							14,548^	–^
Unallocated foreign exchange differences, net							(625)	335
Corporate and other unallocated depreciation							(524)	(502)
Corporate and other unallocated expenses							(30,190)	(34,588)
Profit before tax							61,640	60,201
Segment assets	209,503	213,743	76,581	70,463	75,726	128,760	361,810	412,966
<i>Reconciliation:</i>								
Corporate and other unallocated assets							305,458	220,999
Total assets							667,268	633,965
Segment liabilities	97,949	91,920	26,950	25,727	693	47	125,592	117,694
<i>Reconciliation:</i>								
Corporate and other unallocated liabilities							26,117	34,892
Total liabilities							151,709	152,586

* This represents the consolidated revenue of HK\$256,265,000 (2019: HK\$275,893,000) in the consolidated statement of profit or loss.

^ These comprise the consolidated other income and gains, net, of HK\$22,279,000 (2019: HK\$7,875,000) 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	
	2020	2019	2020	2019	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other segment information:								
Net fair value gains/(losses) on investment properties	–	–	–	–	(941)	3,626	(941)	3,626
Net fair value gains/(losses) on financial assets at fair value through profit or loss	(30)	–	–	–	(2,725)	323	(2,755)	323
Amortisation of other intangible assets	6,233	6,024	–	–	–	–	6,233	6,024
Depreciation	2,183	2,668	547	663	28	34	2,758	3,365
Corporate and other unallocated depreciation							3,564	4,908
							6,322	8,273
Impairment losses recognised/(reversed) in the consolidated statement of profit or loss, net*	403	(175)	5	(1)	–	–	408	(176)
Capital expenditure**	2,802	481	4,963	12,252	–	–	7,765	12,733
Corporate and other unallocated capital expenditure							308	688
							8,073	13,421

* Including impairment losses recognised in the consolidated statement of profit or loss attributable to the application services segment of HK\$815,000 (2019: HK\$824,000) and the solutions and integration services segment of HK\$73,000 (2019: HK\$68,000), respectively, and impairment losses reversed in the consolidated statement of profit or loss attributable to the application services segment of HK\$412,000 (2019: HK\$999,000) and the solutions and integration services segment of HK\$68,000 (2019: HK\$69,000), respectively.

** Capital expenditure consists of additions to property, plant and equipment and other intangible assets including assets from the acquisition of a subsidiary.

4. OPERATING SEGMENT INFORMATION *(continued)*

(b) Geographical information

(i) Revenue from external customers

	Hong Kong and other countries/regions		Mainland China		Total	
	2020	2019	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:						
Sales to external customers	206,472	207,346	49,793	68,547	256,265	275,893

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

(ii) Non-current assets

	2020	2019
	HK\$'000	HK\$'000
Hong Kong	146,237	146,486
Mainland China	122,980	129,758
	269,217	276,244

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

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

For the year ended 31 December 2020, revenue from a major customer of HK\$73,171,000 (2019: HK\$67,672,000) was derived from transactions with the customer reported in 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:

	2020 HK\$'000	2019 HK\$'000
Revenue from contracts with customers	255,591	273,523
Revenue from other sources		
Gross rental income from investment properties and interest income from treasury investments	<u>674</u>	<u>2,370</u>
	<u>256,265</u>	<u>275,893</u>

Revenue from contracts with customers

(i) Disaggregated revenue information

	Application Services HK\$'000	Solutions and Integration Services HK\$'000	Total HK\$'000
For the year ended 31 December 2020			
<i>Segments</i>			
Types of goods or services			
Sales of goods and provision of software, GETS and BPO services	36,644	9,736	46,380
Provision of software implementation and related services, IT solutions implementation and related services	57,533	45,571	103,104
Maintenance services	<u>58,746</u>	<u>47,361</u>	<u>106,107</u>
Total revenue from contracts with customers	<u>152,923</u>	<u>102,668</u>	<u>255,591</u>
Geographical markets			
Hong Kong and others	107,905	98,081	205,986
Mainland China	<u>45,018</u>	<u>4,587</u>	<u>49,605</u>
Total revenue from contracts with customers	<u>152,923</u>	<u>102,668</u>	<u>255,591</u>
Timing of revenue recognition			
Goods and services transferred at a point in time	36,644	9,736	46,380
Services transferred over time	<u>116,279</u>	<u>92,932</u>	<u>209,211</u>
Total revenue from contracts with customers	<u>152,923</u>	<u>102,668</u>	<u>255,591</u>

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

Revenue from contracts with customers *(continued)*

(i) Disaggregated revenue information *(continued)*

	Application Services <i>HK\$ '000</i>	Solutions and Integration Services <i>HK\$ '000</i>	Total <i>HK\$ '000</i>
For the year ended 31 December 2019			
<i>Segments</i>			
Types of goods or services			
Sales of goods and provision of software, GETS and BPO services	49,489	18,103	67,592
Provision of software implementation and related services, IT solutions implementation and related services	57,169	43,625	100,794
Maintenance services	57,714	47,423	105,137
Total revenue from contracts with customers	<u>164,372</u>	<u>109,151</u>	<u>273,523</u>
Geographical markets			
Hong Kong and others	109,768	95,804	205,572
Mainland China	54,604	13,347	67,951
Total revenue from contracts with customers	<u>164,372</u>	<u>109,151</u>	<u>273,523</u>
Timing of revenue recognition			
Goods and services transferred at a point in time	49,489	18,103	67,592
Services transferred over time	114,883	91,048	205,931
Total revenue from contracts with customers	<u>164,372</u>	<u>109,151</u>	<u>273,523</u>

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	2020 <i>HK\$ '000</i>	2019 <i>HK\$ '000</i>
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sales of goods and provision of software, GETS and BPO services	2,801	4,875
Provision of software implementation and related services, IT solutions implementation and related services	18,430	18,356
Maintenance services	<u>34,481</u>	<u>33,723</u>
	<u>55,712</u>	<u>56,954</u>

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

Revenue from contracts with customers *(continued)*

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

Provision of software implementation and related services

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

Provision of IT solutions implementation and related services

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

Maintenance services

The performance obligation is satisfied over time as services are rendered and payment in advances are normally required before rendering the services. Maintenance service contracts are in general for period of one year.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

	2020 HK\$'000	2019 HK\$'000
Amounts expected to be recognised as revenue:		
Within one year	58,708	55,712
After one year	<u>2,309</u>	<u>-</u>
	<u>61,017</u>	<u>55,712</u>

The amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognised as revenue after one year relate to maintenance services, of which the performance obligations are to be satisfied within five years. All the other amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised as revenue within one year. The amounts disclosed above do not include variable consideration which is constrained.

	2020 HK\$'000	2019 HK\$'000
Other income and gains, net		
Bank interest income	3,400	5,245
Government subsidies	14,548	-
Value-added tax refund received	935	1,242
Dividend income from listed investments at fair value through profit or loss	480	698
Gain on disposal of items of property, plant and equipment, net	1,999	-
Others	<u>917</u>	<u>690</u>
	<u>22,279</u>	<u>7,875</u>

6. PROFIT BEFORE TAX

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

	2020 HK\$'000	2019 HK\$'000
Cost of inventories sold	43,945	55,946
Cost of services provided	67,410	64,570
Depreciation of property, plant and equipment*	1,437	1,388
Depreciation of right-of-use assets	4,885	6,885
Amortisation of other intangible assets**	6,233	6,024
Gain on disposal of items of property, plant and equipment, net	(1,999)	-
Lease payments not included in the measurement of lease liabilities	301	-
Impairment of financial and contract assets, net:		
Impairment/(reversal of impairment) of trade receivables, net	408	(108)
Reversal of impairment of contract assets, net	-	(68)
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties	54	74
Fair value losses/(gains), net:		
Financial assets at fair value through profit or loss	2,755	(323)
Investment properties	941	(3,626)

* Depreciation for the year of HK\$122,000 (2019: HK\$123,000) 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\$6,233,000 (2019: 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% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 (2019: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2019: 8.25%) and the remaining assessable profits are taxed at 16.5% (2019: 16.5%). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

	2020 HK\$'000	2019 HK\$'000
Current - Hong Kong		
Charge for the year	2,485	3,660
Overprovision in prior years	(1,669)	(2,344)
Current - Elsewhere		
Charge for the year	482	482
Underprovision in prior years	515	-
Deferred	(87)	2,510
Total tax charge for the year	1,726	4,308

8. DIVIDENDS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interim - HK\$0.05 (2019: HK\$0.09) per ordinary share	12,474	22,454
Less: Dividend for shares held under the Company's restricted share award scheme	<u>(102)</u>	<u>(213)</u>
	<u>12,372</u>	<u>22,241</u>
Proposed final - HK\$0.12 (2019: HK\$0.08) per ordinary share	29,939	19,959
Less: Propose dividend for shares held under the Company's restricted share award scheme	<u>(237)</u>	<u>(199)</u>
	<u>29,702</u>	<u>19,760</u>
	<u>42,074</u>	<u>42,001</u>

The proposed final dividend for the year will be payable in cash and is 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 247,292,542 (2019: 246,947,310) 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 vesting of all dilutive restricted shares of the Company awarded under the restricted share award scheme of the Company.

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.

	Number of shares	
	2020	2019
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	247,292,542	246,947,310
Effect of dilution - weighted average number of ordinary shares:		
Restricted shares awarded under the Company's restricted share award scheme	<u>1,269,160</u>	<u>1,609,589</u>
	<u>248,561,702</u>	<u>248,556,899</u>

10. PROPERTY, PLANT AND EQUIPMENT

	2020	2019
	HK\$'000	HK\$'000
Net carrying amount, at 1 January	3,183	3,120
Additions	777	1,460
Acquisition of a subsidiary	106	-
Disposals	(656)	-
Depreciation provided during the year	(1,437)	(1,388)
Exchange realignment	<u>14</u>	<u>(9)</u>
Net carrying amount, at 31 December	<u>1,987</u>	<u>3,183</u>

11. INVESTMENT PROPERTIES

	2020	2019
	HK\$'000	HK\$'000
Carrying amount at 1 January	70,091	75,661
Disposal	(2,860)	(9,196)
Net gain/(loss) from fair value adjustments	<u>(941)</u>	<u>3,626</u>
Carrying amount at 31 December	<u>66,290</u>	<u>70,091</u>

12. LEASES

The Group as a lessee

The Group has lease contracts for various properties used in its operations. Leases of properties generally have lease terms between 1 to 3 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

The carrying amount of the Group's right-of-use assets and the movements during the year are as follows:

	Properties	
	2020	2019
	HK\$'000	HK\$'000
As at 1 January	8,486	15,715
Additions	3,701	1,225
Remeasurement on lease modifications	(2,303)	(1,510)
Depreciation charge	(4,885)	(6,885)
Exchange realignment	(16)	(59)
As at 31 December	<u>4,983</u>	<u>8,486</u>

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2020	2019
	HK\$'000	HK\$'000
Carrying amount at 1 January	9,674	15,715
New leases	3,701	1,225
Remeasurement on lease modifications	(2,303)	(1,510)
Accretion of interest recognised during the year	1,155	1,102
Payments	(5,173)	(6,799)
Exchange realignment	(16)	(59)
Carrying amount at 31 December	<u>7,038</u>	<u>9,674</u>
Analysed into:		
Current portion	4,614	5,886
Non-current portion	<u>2,424</u>	<u>3,788</u>

12. LEASES (continued)

The Group as a lessee (continued)

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

	2020 HK\$'000	2019 HK\$'000
Interest on lease liabilities	1,155	1,102
Depreciation charge of right-of-use assets	4,885	6,885
Expense relating to short-term leases	<u>301</u>	<u>–</u>
Total amount recognised in profit or loss	<u>6,341</u>	<u>7,987</u>

The Group as a lessor

The Group leases its investment properties (note 11) consisting of one (2019: two) commercial property in the People's Republic of China (the "PRC") and one (2019: one) industrial property in Hong Kong under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits. Rental income recognised by the Group during the year was HK\$633,000 (2019: HK\$2,290,000).

At the end of the reporting period, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2020 HK\$'000	2019 HK\$'000
Within one year	1,858	35
After one year but within two years	<u>1,222</u>	<u>–</u>
	<u>3,080</u>	<u>35</u>

13. GOODWILL

HK\$'000

31 December 2020

Cost and carrying amount at 1 January 2020	134,485
Acquisition of a subsidiary	<u>516</u>
Cost and carrying amount at 31 December 2020	<u>135,001</u>

31 December 2019

Cost and carrying amount at 1 January 2019 and 31 December 2019	<u>134,485</u>
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14. OTHER INTANGIBLE ASSETS

	Deferred development costs* HK\$'000	Customer relationships HK\$'000	Software HK\$'000	Total HK\$'000
31 December 2020				
Cost at 1 January 2020, net of accumulated amortisation and impairment	26,468	7,322	26,209	59,999
Additions	4,843	-	-	4,843
Acquisition of a subsidiary	-	-	2,347	2,347
Amortisation provided during the year	-	(1,656)	(4,577)	(6,233)
At 31 December 2020	<u>31,311</u>	<u>5,666</u>	<u>23,979</u>	<u>60,956</u>
At 31 December 2020:				
Cost	44,337	14,767	46,028	105,132
Accumulated amortisation and impairment	<u>(13,026)</u>	<u>(9,101)</u>	<u>(22,049)</u>	<u>(44,176)</u>
Net carrying amount	<u>31,311</u>	<u>5,666</u>	<u>23,979</u>	<u>60,956</u>
31 December 2019				
Cost at 1 January 2019, net of accumulated amortisation and impairment	14,507	8,978	30,577	54,062
Additions	11,961	-	-	11,961
Amortisation provided during the year	-	(1,656)	(4,368)	(6,024)
At 31 December 2019	<u>26,468</u>	<u>7,322</u>	<u>26,209</u>	<u>59,999</u>
At 31 December 2019 and at 1 January 2020:				
Cost	39,494	14,767	43,681	97,942
Accumulated amortisation and impairment	<u>(13,026)</u>	<u>(7,445)</u>	<u>(17,472)</u>	<u>(37,943)</u>
Net carrying amount	<u>26,468</u>	<u>7,322</u>	<u>26,209</u>	<u>59,999</u>

* During the year, additions of deferred development costs of HK\$4,843,000 (2019: HK\$11,961,000) were developed internally.

15. TRADE RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables	48,359	53,554
Impairment	<u>(3,861)</u>	<u>(3,395)</u>
	<u>44,498</u>	<u>50,159</u>

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 60 days, except for certain projects with longer implementation schedules or for major or specific customers, where the period may be extended. 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 its trade receivable balances. Trade receivables are non-interest-bearing.

An aging 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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 1 month	34,828	25,945
1 to 3 months	6,163	15,065
4 to 6 months	2,548	7,976
7 to 12 months	<u>959</u>	<u>1,173</u>
	<u>44,498</u>	<u>50,159</u>

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
At beginning of year	3,395	3,532
Impairment/(reversal of impairment) losses, net	408	(108)
Acquisition of a subsidiary	3	–
Exchange realignment	<u>55</u>	<u>(29)</u>
At end of year	<u>3,861</u>	<u>3,395</u>

16. CONTRACT ASSETS

	31 December 2020 HK\$'000	31 December 2019 HK\$'000	1 January 2019 HK\$'000
Contracts assets arising from:			
Sales of goods and provision of software, GETS and BPO services	3,060	3,130	898
Provision of software implementation and related services, IT solutions implementation and related services	16,448	16,645	18,097
Maintenance services	740	451	1,632
	<u>20,248</u>	<u>20,226</u>	<u>20,627</u>

Contract assets are mainly recognised for revenue earned from the provision of software implementation and related services, IT solutions implementation and related services as the receipt of consideration is based on the billing process. Included in contract assets for provision of software implementation and related services, IT solutions implementation and related services are unbilled amounts of revenue. Upon completion of the billing of the revenue from contract customers, the amounts recognised as contract assets are reclassified to trade receivables. The increase in contract assets in 2020 was the result of the increase in the provision of maintenance services at the end of the year. The decrease in contract assets in 2019 was the result of the decrease in the provision of IT solutions implementation and related services at the end of the prior year.

The expected timing of recovery or settlement for contract assets as at 31 December is as follows:

	2020 HK\$'000	2019 HK\$'000
Within one year	<u>20,248</u>	<u>20,226</u>

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

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

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 still current and the payment is not yet due, the expected credit loss rates of contract assets are assessed by the management to be minimal.

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Debt investments, at fair value	2,100	4,633
Listed equity investments, at fair value	7,322	10,121
Money market certificate, at fair value	–	43,195
Derivative financial instruments, at fair value	61	–
	<u>9,483</u>	<u>57,949</u>
Portion classified as current assets	<u>(7,383)</u>	<u>(55,849)</u>
Portion classified as non-current assets	<u>2,100</u>	<u>2,100</u>

As at 31 December 2020, the Group's listed equity investments with a carrying value of approximately HK\$7,322,000 (2019: debt and listed equity investments in the aggregate of HK\$12,654,000) were pledged to secure general banking facilities granted to the Group.

18. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade payables	18,094	15,561
Other payables	26,709	29,355
Accruals	22,315	20,107
	<u>67,118</u>	<u>65,023</u>
Portion classified as current liabilities	<u>(66,581)</u>	<u>(65,023)</u>
Portion classified as non-current liabilities	<u>537</u>	<u>–</u>

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 1 month	10,008	11,411
1 to 3 months	7,181	3,070
4 to 6 months	216	385
Over 6 months	689	695
	<u>18,094</u>	<u>15,561</u>

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

19. CONTRACT LIABILITIES

Details of contract liabilities are as follows:

	31 December 2020 HK\$'000	31 December 2019 HK\$'000	1 January 2019 HK\$'000
<i>Advances received from customers</i>			
Sales of goods and provision of software, GETS and BPO services	5,898	2,801	4,875
Provision of software implementation and related services, IT solutions implementation and related services	21,229	18,430	18,356
Maintenance services	33,890	34,481	33,723
	<u>61,017</u>	<u>55,712</u>	<u>56,954</u>
Portion classified as current liabilities	<u>(58,708)</u>	<u>(55,712)</u>	<u>(56,954)</u>
Portion classified as non-current liabilities	<u>2,309</u>	<u>-</u>	<u>-</u>

The majority of the contract liabilities mainly include advances received to render software implementation and related services, IT solutions implementation and related services, and maintenance services. The increase in contract liabilities in 2020 was mainly due to the increase in advances received from customers in relation to the sales of goods and provision of software, GETS and BPO services at the end of the year. The decrease in contract liabilities in 2019 was mainly due to the decrease in advances received from customers in relation to the sales of goods and provision of software, GETS and BPO services at the end of the prior year.

20. DEFERRED TAX

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

Deferred tax assets

	Losses available for offsetting against future taxable profits HK\$'000	2020 Temporary differences arising from contract liabilities HK\$'000	Total HK\$'000
At 1 January 2020	1,434	2,288	3,722
Deferred tax charged to the consolidated statement of profit or loss during the year	(610)	(134)	(744)
Exchange realignment	<u>-</u>	<u>166</u>	<u>166</u>
Gross deferred tax assets at 31 December 2020	<u>824</u>	<u>2,320</u>	<u>3,144</u>

20. DEFERRED TAX *(continued)*

Deferred tax liabilities

	Revaluation of properties <i>HK\$'000</i>	Deferred development costs <i>HK\$'000</i>	2020 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 2020	826	4,367	8,148	608	13,949
Acquisition of a subsidiary	-	-	387	-	387
Deferred tax charged/(credited) to the consolidated statement of profit or loss during the year	(314)	799	(1,464)	148	(831)
Exchange realignment	-	-	-	8	8
Disposal of an investment property	(126)	-	-	-	(126)
Gross deferred tax liabilities at 31 December 2020	<u>386</u>	<u>5,166</u>	<u>7,071</u>	<u>764</u>	<u>13,387</u>

Deferred tax assets

	Losses available for offsetting against future taxable profits <i>HK\$'000</i>	2019 Temporary differences arising from contract liabilities <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2019	-	2,713	2,713
Deferred tax credited/(charged) to the consolidated statement of profit or loss during the year	1,434	(330)	1,104
Exchange realignment	-	(95)	(95)
Gross deferred tax assets at 31 December 2019	<u>1,434</u>	<u>2,288</u>	<u>3,722</u>

20. DEFERRED TAX *(continued)*

Deferred tax liabilities

	Revaluation of properties <i>HK\$ '000</i>	Deferred development costs <i>HK\$ '000</i>	2019 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 2019	1,578	–	9,578	1,574	12,730
Deferred tax charged/(credited) to the consolidated statement of profit or loss during the year	266	4,367	(1,430)	411	3,614
Exchange realignment	–	–	–	(2)	(2)
Disposal of an investment property/ tax paid	<u>(1,018)</u>	<u>–</u>	<u>–</u>	<u>(1,375)</u>	<u>(2,393)</u>
Gross deferred tax liabilities at 31 December 2019	<u>826</u>	<u>4,367</u>	<u>8,148</u>	<u>608</u>	<u>13,949</u>

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of consolidated financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2020 <i>HK\$ '000</i>	2019 <i>HK\$ '000</i>
Net deferred tax assets recognised in the consolidated statement of financial position	2,320	2,288
Net deferred tax liabilities recognised in the consolidated statement of financial position	<u>(12,563)</u>	<u>(12,515)</u>
	<u>(10,243)</u>	<u>(10,227)</u>

21. BUSINESS COMBINATION

On 20 July 2020, the Group acquired 40% equity interest in CISC Limited (“CISC”) and call options to acquire addition 40% equity in CISC (the “Call Options”). CISC is engaged in the provision of products, solutions and consulting services on cyber intelligence, and cyber security. The Group acquired CISC to further expand its application services business and to extend its existing product offering. The purchase consideration for the acquisition of 40% equity interest in CISC and the Call Options in the aggregate of HK\$1,700,000 was paid in the form of cash during the year.

The Group has elected to measure the non-controlling interest in CISC at the non-controlling interest’s proportionate share of CISC’s identifiable net assets.

21. BUSINESS COMBINATION *(continued)*

The fair values of the identifiable assets and liabilities of CISC and the Call Options as at the date of acquisition were as follows:

	Fair value recognised on acquisition HK\$'000
Property, plant and equipment	106
Other intangible asset	2,347
Trade receivables	291
Prepayments, deposits and other receivables	443
Tax recoverable	32
Cash and cash equivalents	1,908
Other payables and accruals	(615)
Contract liabilities	(482)
Deferred tax liabilities	(387)
	<hr/>
Total identifiable net assets at fair value	3,643
Non-controlling interests	(2,550)
Goodwill on acquisition	516
	<hr/>
Call Options	91
	<hr/>
Satisfied by cash	1,700
	<hr/>

The fair values of the trade receivables and prepayments, deposits and other receivables as at the date of acquisition amounted to HK\$291,000 and HK\$443,000, respectively. The gross contractual amounts of trade receivables and prepayments, deposits and other receivables were HK\$294,000 and HK\$443,000, respectively, of which trade receivables of HK\$3,000 are expected to be uncollectible.

The Group incurred transaction costs of HK\$258,000 for this acquisition. These transaction costs have been expensed and are included in general and administrative expenses in the consolidated statement of profit or loss.

Included in the goodwill of HK\$516,000 recognised above is the expected synergies arising from combining operations of the Group and CISC. None of the goodwill recognised is expected to be deductible for income tax purposes.

21. BUSINESS COMBINATION *(continued)*

An analysis of the cash flows in respect of the acquisition of a subsidiary and the Call Options is as follows:

	HK\$'000
Cash consideration	(1,700) *
Cash and cash equivalents	<u>1,908</u>
Net inflow of cash and cash equivalents included in cash flows from investing activities	<u>208</u>

* Including consideration for the acquisition of the Call Options.

Since the acquisition, CISC contributed HK\$1,524,000 to the Group's revenue and loss of HK\$351,000 to the Group's consolidated profit for the year ended 31 December 2020.

Had the combination taken place at the beginning of the year, the revenue of the Group and the profit of the Group for the year would have been HK\$259,063,000 and HK\$60,216,000, respectively.

22. 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 (2019: HK\$31,700,000), of which HK\$20,926,000 (2019: HK\$21,237,000) were utilised as at 31 December 2020.

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 annual results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2020.

The outbreak of the unprecedented COVID-19 pandemic (the “Outbreak”) and tightened public health measures including work from home and social distancing measures materially impacted the Group’s business and operations during the reporting year. Although the operation performance had been improved in the second half of the year, the Group’s overall revenue inevitably dropped by HK\$19.6 million, or 7.1% to HK\$256.3 million (2019: HK\$275.9 million). In line with the revenue drop, the Group’s gross profit also recorded a decrease by HK\$10.5 million, or 6.7% to HK\$144.8 million (2019: HK\$155.3 million) while the gross profit margin maintained at 56.5% (2019: 56.3%).

On the other hand, the Group had participated in the Employment Support Scheme (the “ESS”) and received HK\$14.5 million subsidies from the HKSAR government (the “Government”). The ESS subsidies, which accounted for approximately 13.3% of the staff costs incurred in Hong Kong during the year, were consumed by salary paying. Resulting from that the other income and gains, net increased by HK\$14.4 million, or 182.9% to HK\$22.3 million (2019: HK\$7.9 million). Conversely, the Group’s financial assets and investment properties triggered losses of HK\$3.7 million (2019: gains of HK\$3.9 million) due to downward valuations caused by the Outbreak.

The selling and distribution expenses decreased as a result of lessen marketing and sales activities during the Outbreak. The general and administrative expenses were also reduced with savings derived from various accommodative measures carried out by the PRC and HKSAR government. The income tax expense also reduced in line with the decrease in assessable profits generated in both Hong Kong and the PRC.

With the abovementioned, the Group’s consolidated net profit attributable to shareholders of the Company increased moderately by 7.6% to HK\$60.1 million (2019: HK\$55.9 million). The basic earnings per share also moved up to 24.31 HK cents (2019: 22.63 HK cents).

Amidst the severe operating environment, the Group has continuously generating positive cash inflow from operations and maintained a sustained healthy financial position. The Board declared the distribution of a final dividend of 12 HK cents (2019: 8 HK cents) per ordinary share for the year ended 31 December 2020. Counting the previously paid interim dividend of 5 HK cents (2019: 9 HK cents) together with this proposed final dividend, the Group’s full year dividend payout reached 17 HK cents (2019: 17 HK cents).

BUSINESS REVIEW

Application Software

Despite the operation performance had been improved in the second half of the reporting year, the Group’s Application Software^[1] business recorded a moderate drop in both revenue and profit contributions for the reporting year.

Although the Outbreak caused delay in conclusion of new contracts, the Group’s Human Resources Management Software (“HRMS”) business in Hong Kong, serving a vast number of enterprise customers covering almost every bases of the city, performed stably with recurring incomes from its strong customer base and order backlog carried from previous year.

BUSINESS REVIEW *(continued)*

Application Software *(continued)*

As reported in the interim results, the HRMS business in Mainland China was impacted seriously by the Outbreak in the first half of the year. While the performance improved in the second half of the reporting year, the contributions of the related business were inevitably lower compared with last year. Nevertheless, the business managed to secure contracts from prestigious customers including several multi-year Software as a Service (“SaaS”) contracts including those from a leading global logistics company and a multinational consumer goods corporation.

The Outbreak had caused serious delay of investment decisions of both new prospects and existing customers for HRMS applications. On the other hand, it had created increasing awareness for enterprises to improve their human resources system in order to cope up with remote office and other business challenges. The related sales activities have been gradually improving and despite the difficult operating environment, the business unit managed to expand the install base with new customers from various industry sectors during the reporting year.

The Group’s Enterprise Information Management Software (“EIMS”) business achieved satisfactory results during the reporting year, riding on the strong customer base and sustainable prospects from the public sectors. Capturing timely the demand for more flexible and secured online business platform, EIMS was also successfully entrusted by several securities and financial service companies in enhancing their online customer acquisition processes.

With the appropriate SaaS based business model, the Group’s Enterprise Procurement Management Software (“EPMS”) business performed steadily with the continuous expansion of the recurring SaaS income streams from new customers during the reporting period. However, the Outbreak caused deferral of procurement decisions of certain potential new customers and slowed down the fast-growing SaaS revenue of EPMS.

The Group’s Enterprise Retail Management Software (“ERMS”) business weathered the COVID-19 storm impacting badly the retail industries and managed to deliver a steady contribution to the Group during the year. The solid performance was primarily driven by the successful market adaption of the new Mobile POS (“mPOS”) Module of the Group’s ERMS product as well as close partnership with existing clients. However, the management anticipated that the recovery of the retail industry may take a prolonged period which may introduce challenges to ERMS’s business growth in the coming year.

Through the connection with its open platform frameworks that interfaced with the Group’s core application software, the Group’s research and development team (“R&D team”) has continued to develop new product functions by adapting the latest technology. The architecture of the underlying foundation had also been improved with additional security measures such as configurable encryption features which are now available in the Group’s application software.

The R&D team had also developed a generic e-Form builder that would integrate with the existing workflow engine to accommodate various customisation requirements for clients’ projects for higher programming efficiency which will reduce the overall project implementation cost and shorten delivery time.

Furthermore, the Group had taken another move to expand its software offerings and R&D capabilities by acquiring 40% equity interest of CISC Limited (“CISC”), a research spinoff company carrying the technology and innovation from the Center for Information Security and Cryptography, Engineering Faculty of The University of Hong Kong. The Group is actively exploring cooperation with CISC to integrate some of their technologies into the Group’s application software and to expand CISC’s offering into the Group’s customer base.

Solutions and Integration Services

Benefiting from completion of delivery milestones for various projects by the Group’s Solutions Services, the Group’s Solutions and Integration Services^[2] business experienced a V-shaped rebound in the second half of the year and recorded improvement in its full year performance.

BUSINESS REVIEW *(continued)*

Solutions and Integration Services *(continued)*

The Managed Services^[2] under the Group's Solutions Services business continued to generate stable maintenance income from the second 10-year services contract (the "Contract") of the Customer Care and Billing System ("CCBS") for the Water Supplies Department under the Government. Leveraging on the delivery of a sizable variation order awarded, the performance of Managed Services business had been noticeably improved during the reporting year.

Moreover, the business completed the systems analysis & design ("SA&D") phase of the CCBS's software enhancements in the third quarter of 2020 and moved to development and testing phase in full force. The related project is targeted to be completed in 2022. During the reporting year, the Group capitalised the development costs of around HK\$4.8 million as deferred development costs. The management further decided not to capitalise the project costs after the SA&D phase and charged the costs of approximately HK\$3.3 million to the profit or loss account.

The performance of Development Services^[2] ("DS") under the Group's Solutions Services business was improved in the second half of the reporting year and achieved a positive growth in the overall result. The DS team completed delivery milestones of several long-delayed projects and released resources to tackle new projects from various customers including government organisations, a public transportation body and a non-government organisation during the reporting year.

The performance of the Group's Integration Services^[2] business in the PRC remained steady during the reporting year.

The Outbreak had adversely affected the Group's BPO^[3] business throughout the whole year but the financial effect to the Group is considered as immaterial. As mentioned in the interim results announcement, the management had deployed related resources to support other businesses of the Group in order to minimise its running costs.

e-Service and related business

As the Outbreak continued to spread across the world and disrupted the global supply chain throughout the year, the Group's GETS^[4] business performance suffered an inescapably hard hit and recorded declines in both revenue and profit contribution during the reporting year. Despite the fall, the market share of the business was generally maintained.

As reported in the interim results, the termination of the collaboration with Hongkong Post in providing paper-to-electronic trade declaration services in early 2020 also contributed to the revenue drop but had minimal impact to the profit contribution.

The outlook of the business would be largely dependent on the situation and duration of the pandemic development.

Investments

The Group recorded a loss of HK\$0.2 million in view of material drop in rental income and valuation losses from its investment properties and financial assets.

During the year, the Group disposed properties in the PRC to an independent third party for a total consideration of HK\$5.5 million and accordingly recorded gain on disposal of property, plant and equipment of HK\$2.0 million and fair value gain on revaluation of investment property of HK\$0.5 million in 2020.

PROSPECT

The Outbreak has caused disruptions to the economic and social activities of the entire world. Those disruptions pose threats to the markets that the Group is operating and make the Group's prospect full of uncertainties. The development of the Group's businesses is largely dependent on whether the Outbreak could be effectively controlled.

In response to the Outbreak, the Group has made every effort to ensure a safe environment for its workforce. All the workplace hygiene and measures to prevent the spread of COVID-19 in the working environment would be continued. The Group will stay alert and impose appropriate measures to minimise the negative impact on the Group's business operation.

The Group remains cautiously optimistic in a more stable business environment going forward. Building on our core competitiveness, the Group will proactively explore further merger and acquisition opportunities and/or business collaboration and steadfast in our commitment in R&D with the best endeavors to improve our operation efficiency and profitability of the businesses.

Footnotes:

- ^[1] The Group's Application Services business engages in the provision of enterprise applications software and e-business services for enterprises including (i) the provision of enterprise applications software with implementation and ongoing support services for Human Resource Management, Enterprise Procurement Management, Enterprise Information Management and Enterprise Retail Management (collectively the "Application Software"); and (ii) the Government Electronic Trading Services ("GETS"), cloud services and other related value added services (collectively the "e-Service and related business").
- ^[2] The Group's Solutions and Integration Services business includes (i) Development Services for the provision of IT solutions implementation and application software development; (ii) Managed Services for the provision of IT and related operation /infrastructure outsourcing services; (iii) business process outsourcing ("BPO") services; and (iv) Integration Services for the provision of IT systems and network infrastructure with related design, implementation and ongoing support services.
- ^[3] The Group's BPO business comprises the provision of services for the operations and support of specific business functions or processes of customers.
- ^[4] Since 2004, the Group has been granted a licence (the "GETS Licence") from the Government for the provision of front-end Government Electronic Trading Services for processing certain official trade-related documents. The Group's GETS License was further renewed in early 2018 for operation of additional six years until the end of 2024.

FINANCIAL REVIEW

Revenue and gross profit

The Group's revenue decreased by HK\$19.6 million, or 7.1% to HK\$256.3 million (2019: HK\$275.9 million) during the reporting year. The Outbreak has caused postponements or cancellations of various business meetings and sales activities which resulted in delays of project deliveries and new contract conclusions, especially to the Group's Application Services business. The Group's gross profit also decreased by HK\$10.5 million, or 6.7% to HK\$144.8 million (2019: HK\$155.3 million) while the gross profit margin maintained at 56.5% (2019: 56.3%).

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, net (included other income and gains, net, foreign exchange differences, net, and fair value gains/(losses), net) increased significantly by 47.7% to HK\$18.0 million (2019: HK\$12.2 million).

The change was due to the mixed effects of the recognition of the ESS subsidies of HK\$14.5 million (2019: Nil) granted by the Government, fair value gains on disposal of a property in the PRC of HK\$2.0 million, losses of HK\$3.7 million (2019: gain of HK\$3.9 million) due to changes in the valuation of the Group's financial assets at fair value through profit or loss and investment properties, and the decrease in bank interest income, dividend incomes and value-added tax refund.

Expenses

In line with the decrease in sales, the reductions in the incentive related staff costs and marketing activities accounted for the decrease in selling and distribution expenses of the Group by HK\$3.8 million, or 10.4% to HK\$32.8 million (2019: HK\$36.6 million).

Primarily due to the savings derived from various accommodative policies launched by the PRC and HKSAR governments, the Group's general and administrative expenses, net reduced by HK\$2.5 million, or 4.0% to HK\$60.9 million (2019: HK\$63.5 million).

The Group recognised finance costs of HK\$1.2 million (2019: HK\$1.1 million) following the adoption of Hong Kong Financial Reporting Standard 16 *Leases* ("HKFRS 16") since 2019.

The other expenses increased in line with the increase in amortisation of other intangible assets arising from the acquisition of CISC.

Income tax expense

In line with the decrease in assessable profits generated in Hong Kong and the PRC, the income tax expense decreased by HK\$2.6 million, or 59.9% to HK\$1.7 million (2019: HK\$4.3 million).

The Group's overall effective tax rate for the tax charge in 2020 was around 2.8%, compared with 7.2% in 2019. The effective tax rate was lower than the Hong Kong statutory profits tax rate because several types of onshore incomes, including subsidies granted under the ESS, dividend and bank interest incomes were not subject to the Hong Kong profits tax. Besides, the R&D activities of certain local subsidiaries of the Group were qualified for the enhanced tax deductions under the Hong Kong Inland Revenue Ordinance.

Net profit

The recognition of ESS subsidies primarily contributed to the improvement of profit attributable to shareholders of the Company for the year by 7.6% to HK\$60.1 million (2019: HK\$55.9 million). In line with the profit for the year, the net profit margin (profit for the period attributable to shareholders divided by the revenue) also soared to 23.5% (2019: 20.3%).

Non-current assets

The Group's non-current assets as at 31 December 2020 slightly dropped by 2.9% to HK\$274.3 million (31 December 2019: HK\$282.4 million). The change was primarily attributed to the mixed effects of (i) the disposal of PRC properties reduced the balances of property, plant and equipment and investment properties; (ii) the valuation loss recognised by the investment properties; (iii) the depreciation of properties, plant and equipment and right-of-use assets and (iv) the reclassification of rental deposit from non-current assets to current assets.

FINANCIAL REVIEW *(continued)*

Current assets

The Group's current assets as at 31 December 2020 increased by 11.8% to HK\$393.0 million (31 December 2019: HK\$351.5 million). The change was primarily attributed to the increase in cash and bank balances (including the cash and cash equivalents, the money market certificate classified under financial assets at fair value through profit or loss and pledged bank deposits) by a net aggregate of HK\$47.3 million.

The Group maintains strict controls over its outstanding trade receivables and considered that the trade receivables (net of loss allowance) would be all recoverable in the foreseeable future.

Current and non-current liabilities

The Group's current liabilities and non-current liabilities as at 31 December 2020 dropped slightly by 0.6% to HK\$151.7 million (31 December 2019: HK\$152.6 million). The change was primarily attributed by the mixed effects of the increase in trade payables, other payables and accruals by HK\$2.1 million, the increase in contract liabilities by HK\$5.3 million and the decrease in lease liabilities and tax payable by HK\$2.6 million and HK\$5.7 million, respectively.

Segment assets and liabilities

Segment assets of Applications Services business decreased due to the amortisation of other intangible assets while the segment liabilities of the business increased in line with the increase in contract liabilities and lease liabilities arising from daily business operations.

Segment assets of Solutions and Integration Services business increased in line with the increase in deferred development costs while the segment liabilities of the business was comparable with last year.

Segment assets of Investments business decreased owing to the disposal of a money market certificate and PRC properties and the fair value losses recorded for both investment properties and financial assets.

Equity attributable to owners of the parent

Growth in retained profits contributed to the increase in equity as at 31 December 2020 by HK\$31.8 million, or 6.6% to HK\$513.2 million (31 December 2019: HK\$481.4 million).

TREASURY POLICIES

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 2020, the Group had pledged an investment property with a fair value of HK\$63.0 million (31 December 2019: HK\$64.2 million), listed debt and equity securities of HK\$7.3 million (31 December 2019: HK\$12.7 million) and bank balances of HK\$0.7 million (31 December 2019: HK\$2.5 million) to secure certain general bank facilities including guarantee/performance bonds facilities granted to the Group/subsidiaries of the Company in aggregate of HK\$112.0 million (31 December 2019: HK\$112.0 million) of which HK\$21.6 million (31 December 2019: HK\$21.7 million) have been utilised as at 31 December 2020.

FINANCIAL RESOURCES AND LIQUIDITY

As at 31 December 2020, the Group's cash and cash equivalents were HK\$295.6 million (31 December 2019: HK\$200.7 million).

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

As at 31 December 2020, the Group had no bank borrowings (31 December 2019: Nil). The Group's current ratio representing current assets divided by current liabilities was 2.9 (31 December 2019: 2.6) and the gearing ratio, representing total liabilities divided by total assets, was 22.7% (31 December 2019: 24.1%).

REMUNERATION POLICY AND NUMBER OF EMPLOYEES

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

As at 31 December 2020, the Group employed 374 full time employees and 5 contract-based employees (31 December 2019: 407 full time employees and 5 contract-based employees).

As at 31 December 2020, the Company operates a share option scheme and a share award scheme for the purpose of providing incentives and rewards to the employees who contribute to the success of the Group's operations as well as to retain them for the continual development of the Group.

SIGNIFICANT INVESTMENTS

Save as disclosed in the announcement, the Group had no significant investments held as at 31 December 2020.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

Save as disclosed in note 21 regarding the acquisition of a subsidiary, 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

Save as disclosed in the announcement, there was no specific plan for material investments or capital assets as at 31 December 2020.

CONTINGENT LIABILITIES

Save as disclosed in the announcement, the Group has no material contingent liabilities as at 31 December 2020.

EVENTS AFTER THE REPORTING PERIOD

There are no material subsequent events undertaken by the Company or by the Group after 31 December 2020 and up to the date of this annual results announcement.

FINAL DIVIDEND

The Board has recommended the payment of a final dividend of 12 HK cents (2019: a final dividend of 8 HK cents) per ordinary share for the year ended 31 December 2020.

CLOSURE OF THE REGISTER OF MEMBERS

The Board has recommended a final dividend of 12 HK cents (2019: a final dividend of 8 HK cents) per ordinary share payable to shareholders whose names appear on the Register of Members of the Company on Friday, 4 June 2021. The Register of Members of the Company will be closed from Monday, 24 May 2021 to Thursday, 27 May 2021 (both days inclusive) for the purpose of ascertaining shareholders' entitlement to attend and vote at the annual general meeting ("the AGM"). In order to be eligible to attend and vote at the AGM to be held on Thursday, 27 May 2021, all transfer documents, accompanied by the relevant share certificates, 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 not later than 4:30 p.m. on Friday, 21 May 2021. In addition, the Register of Members of the Company will be closed from Thursday, 3 June 2021 to Friday, 4 June 2021 (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 branch share registrar in Hong Kong, Tricor Tengis Limited, for registration not later than 4:30 p.m. on Wednesday, 2 June 2021. During such periods, no share transfer will be effected. The final dividend will be distributed on or about Thursday, 17 June 2021 to shareholders whose names appear on the Register of Members of the Company on Friday, 4 June 2021.

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

Except as disclosed above, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

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 year except on the deviations noted below.

The CG code provision A.2.1 stipulates that the roles of chairman and chief executive officer ("CEO") should be separate and should not be performed by the same individual. As disclosed in the announcement dated 30 December 2019, Mr. Cheung Wai Lam has been re-designated from an executive director of the Company and the CEO of the Group to an executive director effective 1 January 2020.

Mr. Poon Ka Chi, William has been appointed as the deputy CEO of the Group with effect from 1 August 2018. Deputy CEO mainly focuses on certain business operations and administrative functions of the Group, assists the Board to formulate strategies for the Group and to make sure they are implemented successfully. With the present board structure and scope of business, the Board considers that there is no imminent need to appoint a CEO. However, the Board will continue to review the effectiveness of the Group's corporate governance structure and will consider whether any changes, including the appointment of a CEO, are necessary.

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 year.

RISK MANAGEMENT FRAMEWORK

The Group has established an effective risk governance and management framework in line with the requirements set out by the 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 an independent non-executive director and three executive directors. The Risk Management Committee had direct involvements in formulating the Group's risk appetite, and determined the levels of risk that the Group is willing to undertake with reference to its financial capacity, strategic direction, prevailing market conditions and regulatory requirements.

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

AUDIT COMMITTEE

The Company has an Audit Committee which was established in compliance with Rule 3.21 of the Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process, risk management and internal controls. The Audit Committee comprises three independent non-executive directors of the Company. The Audit Committee has reviewed with the management the Group's consolidated financial statements for the year ended 31 December 2020 and the accounting principles and practices adopted by the Group, and discussed risk management and internal controls and financial reporting matters related to the preparation of the annual results for the year ended 31 December 2020.

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 2020 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) and the Company's website (www.ctil.com). The 2020 annual 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 year.

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

Hong Kong, 16 March 2021

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.