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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 2021

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 2021 together with comparative figures for the corresponding period in 2020 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2021

	Notes	2021 HK\$'000	2020 HK\$'000
REVENUE	5	265,504	256,265
Cost of sales and services		<u>(113,073)</u>	<u>(111,477)</u>
Gross profit		152,431	144,788
Other income and gains, net	5	5,367	22,279
Foreign exchange differences, net		(403)	(625)
Fair value gains/(losses), net:			
Financial assets at fair value through profit or loss		163	(2,755)
Investment properties		500	(941)
Selling and distribution expenses		(33,068)	(32,812)
General and administrative expenses, net		(60,626)	(60,906)
Finance cost		(245)	(1,155)
Other expenses		<u>(6,492)</u>	<u>(6,233)</u>
PROFIT BEFORE TAX	6	<u>57,627</u>	<u>61,640</u>

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS *(continued)*

Year ended 31 December 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
PROFIT BEFORE TAX	6	57,627	61,640
Income tax expense	7	<u>(4,634)</u>	<u>(1,726)</u>
PROFIT FOR THE YEAR		<u>52,993</u>	<u>59,914</u>
ATTRIBUTABLE TO:			
Owners of the parent		53,844	60,125
Non-controlling interests		<u>(851)</u>	<u>(211)</u>
		<u>52,993</u>	<u>59,914</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9	HK cents	HK cents
Basic		<u>21.76</u>	<u>24.31</u>
Diluted		<u>21.67</u>	<u>24.19</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2021

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
PROFIT FOR THE YEAR	<u>52,993</u>	<u>59,914</u>
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>1,535</u>	<u>2,608</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>54,528</u>	<u>62,522</u>
ATTRIBUTABLE TO:		
Owners of the parent	55,379	62,733
Non-controlling interests	<u>(851)</u>	<u>(211)</u>
	<u>54,528</u>	<u>62,522</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

	<i>Notes</i>	2021 HK\$'000	2020 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	1,212	1,987
Investment properties	11	66,790	66,290
Right-of-use assets	12(a)	18,142	4,983
Goodwill	13	135,001	135,001
Other intangible assets	14	56,358	60,956
Financial assets at fair value through profit or loss - debt investment	17	2,100	2,100
Deposits		2,419	628
Deferred tax assets	20	2,061	2,320
Total non-current assets		<u>284,083</u>	<u>274,265</u>
CURRENT ASSETS			
Inventories		36	7
Trade receivables	15	45,601	44,498
Contract assets	16	25,628	20,248
Prepayments, deposits and other receivables		15,041	19,414
Tax recoverable		3,772	5,155
Financial assets at fair value through profit or loss - listed equity investments and derivative financial instruments	17	7,546	7,383
Pledged bank deposits		1,193	666
Cash and cash equivalents		<u>298,397</u>	<u>295,632</u>
Total current assets		<u>397,214</u>	<u>393,003</u>
CURRENT LIABILITIES			
Trade payables, other payables and accruals	18	(63,718)	(66,581)
Contract liabilities	19	(54,222)	(58,708)
Lease liabilities	12(b)	(7,923)	(4,614)
Tax payable		<u>(7,428)</u>	<u>(3,973)</u>
Total current liabilities		<u>(133,291)</u>	<u>(133,876)</u>
NET CURRENT ASSETS		<u>263,923</u>	<u>259,127</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>548,006</u>	<u>533,392</u>

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

31 December 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
NON-CURRENT LIABILITIES			
Other payables	18	-	(537)
Contract liabilities	19	(1,850)	(2,309)
Lease liabilities	12(b)	(10,325)	(2,424)
Deferred tax liabilities	20	<u>(12,202)</u>	<u>(12,563)</u>
Total non-current liabilities		<u>(24,377)</u>	<u>(17,833)</u>
Net assets		<u>523,629</u>	<u>515,559</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		(6,011)	(4,480)
Other reserves		422,919	409,945
Proposed final dividend		<u>27,180</u>	<u>29,702</u>
		522,141	513,220
Non-controlling interests		<u>1,488</u>	<u>2,339</u>
Total equity		<u>523,629</u>	<u>515,559</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2021

	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 CHANGES IN EQUITY *(continued)*

Year ended 31 December 2021

	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	Reserve funds	Exchange fluctuation reserve	Retained profits	Proposed final dividend	Total	Non-controlling interests	Total equity
	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000
At 1 January 2021	24,949	53,104	(4,480)	5,673	(7,227)	746	(583)	411,336	29,702	513,220	2,339	515,559
Profit/ for the year	-	-	-	-	-	-	-	53,844	-	53,844	(851)	52,993
Other comprehensive income for the year:												
Exchange differences on translation of foreign operations	-	-	-	-	-	-	1,535	-	-	1,535	-	1,535
Total comprehensive income for the year	-	-	-	-	-	-	1,535	53,844	-	55,379	(851)	54,528
Purchase of shares held under the restricted share award scheme	-	-	(2,707)	-	-	-	-	-	-	(2,707)	-	(2,707)
Vesting of shares held under the restricted share award scheme	-	-	1,176	(1,176)	-	-	-	-	-	-	-	-
Share award arrangements	-	-	-	838	-	-	-	-	-	838	-	838
Final 2020 dividend declared	-	-	-	-	-	-	-	(42)	(29,702)	(29,744)	-	(29,744)
Interim 2021 dividend	-	-	-	-	-	-	-	(14,845)	-	(14,845)	-	(14,845)
Proposed final 2021 dividend	-	-	-	-	-	-	-	(27,180)	27,180	-	-	-
At 31 December 2021	24,949	53,104	(6,011)	5,335	(7,227)	746	952	423,113	27,180	522,141	1,488	523,629

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2021

		2021	2020
	Notes	HK\$'000	HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		57,627	61,640
Adjustments for:			
Finance cost		245	1,155
Bank interest income	5	(2,508)	(3,400)
Dividend income from listed investments at fair value through profit or loss	5	(505)	(480)
Gain on disposal of items of property, plant and equipment, net	6	(12)	(1,999)
Fair value losses/(gains), net:			
Financial assets at fair value through profit or loss	6	(163)	2,755
Investment properties	6	(500)	941
Depreciation of property, plant and equipment	6	1,413	1,437
Depreciation of right-of-use assets	6	6,125	4,885
Impairment/(reversal of impairment) of trade receivables, net	6	(123)	408
Amortisation of other intangible assets	6	6,492	6,233
Equity-settled share-based payment expense		838	1,504
Gain on lease modifications	5	(574)	–
		<u>68,355</u>	<u>75,079</u>
Decrease/(increase) in inventories		(29)	590
Decrease/(increase) in trade receivables		(1,015)	5,544
Decrease/(increase) in prepayments, deposits and other receivables		2,582	(3,042)
Increase in contract assets		(5,380)	(22)
Increase/(decrease) in trade payables, other payables and accruals		(3,400)	1,480
Increase/(decrease) in contract liabilities		(4,945)	4,823
Cash generated from operations		<u>56,168</u>	<u>84,452</u>
Hong Kong profits tax refunded/(paid), net		247	(4,709)
Overseas taxes paid		(64)	(1,400)
Net cash flows from operating activities		<u>56,351</u>	<u>78,343</u>

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CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

Year ended 31 December 2021

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Net cash flows from operating activities	<u>56,351</u>	<u>78,343</u>
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		
Bank interest received	2,508	3,400
Dividends received from listed investments at fair value through profit or loss	505	480
Purchases of items of property, plant and equipment	(641)	(777)
Additions to other intangible assets	(1,894)	(4,843)
Proceeds from disposal of items of property, plant and equipment	15	2,655
Proceeds from disposal of an investment property	-	2,860
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	-	208
Decrease/(increase) in pledged bank deposits	(527)	1,875
Increase in non-pledged bank deposits with original maturity of more than three months when acquired	<u>(113,979)</u>	<u>(14,361)</u>
Net cash flows from/(used in) investing activities	<u>(114,013)</u>	<u>37,299</u>
CASH FLOWS USED IN FINANCING ACTIVITIES		
Purchases of shares held under the restricted share award scheme	(2,707)	(235)
Principal portion of lease payments	(7,432)	(4,018)
Dividends paid	(44,589)	(32,161)
Interest paid	<u>(245)</u>	<u>(1,155)</u>
Net cash flows used in financing activities	<u>(54,973)</u>	<u>(37,569)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(112,635)	78,073
Cash and cash equivalents at beginning of year	227,711	147,170
Effect of foreign exchange rate changes, net	<u>1,421</u>	<u>2,468</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>116,497</u>	<u>227,711</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents as stated in the consolidated statement of financial position	298,397	295,632
Non-pledged bank deposits with original maturity of more than three months when acquired	<u>(181,900)</u>	<u>(67,921)</u>
Cash and cash equivalents as stated in the consolidated statement of cash flows	<u>116,497</u>	<u>227,711</u>

NOTES

1. CORPORATE INFORMATION

Computer And Technologies Holdings Limited is a limited liability company incorporated in Bermuda. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The principal place of business of the Company is located at 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; 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 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

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

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

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

2. BASIS OF PREPARATION *(continued)*

Basis of consolidation *(continued)*

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

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	<i>Interest Rate Benchmark Reform – Phase 2</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions</i>

The nature and the impact of the revised HKFRSs are described below:

- (a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("RFR"). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease.

The Group elected to apply lease modification accounting for all rent concessions granted by the lessors as a result of the covid-19 pandemic during the year ended 31 December 2021. The amendment did not have any 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; 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	
	2021	2020	2021	2020	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:								
Sales to external customers (note 5)	166,175	152,923	97,469	102,668	1,860	674	265,504*	256,265*
Other income and gains, net	1,860	1,743	32	86	561	2,502	2,453^	4,331^
Total	168,035	154,666	97,501	102,754	2,421	3,176	267,957	260,596
Segment results	55,578	47,205	24,483	28,010	3,111	(184)	83,172	75,031
<i>Reconciliation:</i>								
Unallocated interest income							2,508^	3,400^
Unallocated other income and gains, net							406^	14,548^
Unallocated foreign exchange differences, net							(403)	(625)
Corporate and other unallocated depreciation							(618)	(524)
Corporate and other unallocated expenses							(27,438)	(30,190)
Profit before tax							57,627	61,640
Segment assets	217,319	209,503	67,729	76,581	76,444	75,726	361,492	361,810
<i>Reconciliation:</i>								
Corporate and other unallocated assets							319,805	305,458
Total assets							681,297	667,268
Segment liabilities	98,930	97,949	16,738	26,950	685	693	116,353	125,592
<i>Reconciliation:</i>								
Corporate and other unallocated liabilities							41,315	26,117
Total liabilities							157,668	151,709

* This represents the consolidated revenue of HK\$265,504,000 (2020: HK\$256,265,000) in the consolidated statement of profit or loss.

^ These comprise the consolidated other income and gains, net of HK\$5,367,000 (2020: HK\$22,279,000) 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	
	2021	2020	2021	2020	2021	2020	2021	2020
	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	–	–	–	–	500	(941)	500	(941)
Net fair value gains/(losses) on financial assets at fair value through profit or loss	(61)	(30)	–	–	224	(2,725)	163	(2,755)
Amortisation of other intangible assets	6,492	6,233	–	–	–	–	6,492	6,233
Depreciation	2,981	2,183	612	547	–	28	3,593	2,758
Corporate and other unallocated depreciation							3,945	3,564
							7,538	6,322
Impairment losses recognised/(reversed) in the consolidated statement of profit or loss, net *	(196)	403	73	5	–	–	(123)	408
Capital expenditure**	2,066	2,802	132	4,963	–	–	2,198	7,765
Corporate and other unallocated capital expenditure**							337	308
							2,535	8,073

* Including impairment losses recognised in the consolidated statement of profit or loss attributable to the application services segment of HK\$328,000 (2020: HK\$815,000) and the solutions and integration services segment of HK\$146,000 (2020: HK\$73,000), respectively, and impairment losses reversed in the consolidated statement of profit or loss attributable to the application services segment of HK\$524,000 (2020: HK\$412,000) and the solutions and integration services segment of HK\$73,000 (2020: HK\$68,000), 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	
	2021	2020	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:						
Sales to external customers	209,647	206,472	55,857	49,793	265,504	256,265

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

(ii) Non-current assets

	2021	2020
	HK\$'000	HK\$'000
Hong Kong	160,247	146,237
Mainland China	117,256	122,980
	277,503	269,217

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

(c) Information about a major customer

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

For the year ended 31 December 2021, revenue from a major customer of HK\$74,337,000 (2020: HK\$73,171,000) 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:

	2021 HK\$'000	2020 HK\$'000
Revenue from contracts with customers	263,644	255,591
Revenue from other sources		
Gross rental income from investment properties and interest income from treasury investments	<u>1,860</u>	<u>674</u>
	265,504	256,265

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 2021			
<i>Segments</i>			
Types of goods or services			
Sales of goods and provision of software, GETS and BPO services	40,280	2,335	42,615
Provision of software implementation and related services, IT solutions implementation and related services	65,501	41,230	106,731
Maintenance services	<u>60,394</u>	<u>53,904</u>	<u>114,298</u>
Total revenue from contracts with customers	166,175	97,469	263,644
Geographical markets			
Hong Kong and others	114,724	93,295	208,019
Mainland China	<u>51,451</u>	<u>4,174</u>	<u>55,625</u>
Total revenue from contracts with customers	166,175	97,469	263,644

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 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	58,746	47,361	106,107
Total revenue from contracts with customers	152,923	102,668	255,591
Geographical markets			
Hong Kong and others	107,905	98,081	205,986
Mainland China	45,018	4,587	49,605
Total revenue from contracts with customers	152,923	102,668	255,591
Other income and gains, net			
Bank interest income		2,508	3,400
Government subsidies*		-	14,548
Value-added tax refund received		963	935
Dividend income from listed investments at fair value through profit or loss		505	480
Gain on disposal of items of property, plant and equipment, net		12	1,999
Gain on lease modifications		574	-
Others		805	917
		5,367	22,279

* The subsidies in the prior year were granted under the Employment Support Scheme by the Government of the Hong Kong Special Administrative Region (the "HKSAR Government"). There were no unfulfilled conditions or contingencies, relating to the subsidies.

6. PROFIT BEFORE TAX

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

	2021 HK\$'000	2020 HK\$'000
Cost of inventories sold	35,080	43,945
Cost of services provided	77,881	67,410
Depreciation of property, plant and equipment*	1,413	1,437
Depreciation of right-of-use assets	6,125	4,885
Amortisation of other intangible assets**	6,492	6,233
Gain on disposal of items of property, plant and equipment, net	(12)	(1,999)
Lease payments not included in the measurement of lease liabilities	594	301
Gain on lease modifications	(574)	-
Impairment of financial assets, net:		
Impairment/(reversal of impairment) of trade receivables, net	(123)	408
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties	67	54
Fair value losses/(gains), net:		
Financial assets at fair value through profit or loss	(163)	2,755
Investment properties	(500)	941

* Depreciation of property, plant and equipment for the year of HK\$112,000 (2020: HK\$122,000) 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\$6,492,000 (2020: HK\$6,233,000) 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% (2020: 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 (2020: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2020: 8.25%) and the remaining assessable profits are taxed at 16.5% (2020: 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.

	2021 HK\$'000	2020 HK\$'000
Current - Hong Kong		
Charge for the year	5,071	2,485
Overprovision in prior years	(410)	(1,669)
Current - Elsewhere		
Charge for the year	196	482
Underprovision/(overprovision) in prior years	(195)	515
Deferred	(28)	(87)
Total tax charge for the year	4,634	1,726

8. DIVIDENDS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interim - HK\$0.06 (2020: HK\$0.05) per ordinary share	14,969	12,474
Less: Dividend for shares held under the Company's restricted share award scheme	<u>(124)</u>	<u>(102)</u>
	<u>14,845</u>	<u>12,372</u>
Proposed final - HK\$0.11 (2020: HK\$0.12) per ordinary share	27,444	29,939
Less: Propose dividend for shares held under the Company's restricted share award scheme	<u>(264)</u>	<u>(237)</u>
	<u>27,180</u>	<u>29,702</u>
	<u>42,025</u>	<u>42,074</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 247,477,113 (2020: 247,292,542) 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.

Shares

	Number of shares	
	2021	2020
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	247,477,113	247,292,542
Effect of dilution - weighted average number of ordinary shares:		
Restricted shares awarded under the Company's restricted share award scheme	<u>1,038,541</u>	<u>1,269,160</u>
	<u>248,515,654</u>	<u>248,561,702</u>

10. PROPERTY, PLANT AND EQUIPMENT

	2021	2020
	HK\$'000	HK\$'000
Net carrying amount, at 1 January	1,987	3,183
Additions	641	777
Acquisition of a subsidiary	-	106
Disposals	(3)	(656)
Depreciation provided during the year	(1,413)	(1,437)
Exchange realignment	<u>-</u>	<u>14</u>
Net carrying amount, at 31 December	<u>1,212</u>	<u>1,987</u>

11. INVESTMENT PROPERTIES

	2021	2020
	HK\$'000	HK\$'000
Carrying amount at 1 January	66,290	70,091
Disposal	-	(2,860)
Net gain/(loss) from fair value adjustments	<u>500</u>	<u>(941)</u>
Carrying amount at 31 December	<u>66,790</u>	<u>66,290</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	
	2021	2020
	HK\$'000	HK\$'000
As at 1 January	4,983	8,486
Additions	17,034	3,701
Remeasurement on lease modifications	1,720	(2,303)
Depreciation charge	(6,125)	(4,885)
Exchange realignment	530	(16)
	<hr/>	<hr/>
As at 31 December	18,142	4,983

(b) Lease liabilities

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

	2021	2020
	HK\$'000	HK\$'000
Carrying amount at 1 January	7,038	9,674
New leases	17,034	3,701
Remeasurement on lease modifications	1,146	(2,303)
Accretion of interest recognised during the year	245	1,155
Payments	(7,677)	(5,173)
Exchange realignment	462	(16)
	<hr/>	<hr/>
Carrying amount at 31 December	18,248	7,038
Analysed into:		
Current portion	7,923	4,614
Non-current portion	10,325	2,424
	<hr/>	<hr/>

12. LEASES (continued)

The Group as a lessee (continued)

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

	2021 HK\$'000	2020 HK\$'000
Interest on lease liabilities	245	1,155
Depreciation charge of right-of-use assets	6,125	4,885
Expense relating to short-term leases	594	301
Gain on lease modifications	(574)	–
	<u>6,390</u>	<u>6,341</u>
Total amount recognised in profit or loss	<u>6,390</u>	<u>6,341</u>

The Group as a lessor

The Group leases its investment properties (note 11) consisting of one (2020: one) commercial property in the People's Republic of China (the "PRC") and one (2020: 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\$1,860,000 (2020: HK\$633,000).

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:

	2021 HK\$'000	2020 HK\$'000
Within one year	1,224	1,858
After one year but within two years	–	1,222
	<u>1,224</u>	<u>3,080</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 2021

Cost and carrying amount at 1 January 2021 and 31 December 2021	<u>135,001</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 2021				
Cost at 1 January 2021, net of accumulated amortisation and impairment	31,311	5,666	23,979	60,956
Additions	1,894	-	-	1,894
Amortisation provided during the year	-	(1,656)	(4,836)	(6,492)
At 31 December 2021	<u>33,205</u>	<u>4,010</u>	<u>19,143</u>	<u>56,358</u>
At 31 December 2021:				
Cost	46,231	14,767	46,028	107,026
Accumulated amortisation and impairment	(13,026)	(10,757)	(26,885)	(50,668)
Net carrying amount	<u>33,205</u>	<u>4,010</u>	<u>19,143</u>	<u>56,358</u>
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 and at 1 January 2021:				
Cost	44,337	14,767	46,028	105,132
Accumulated amortisation and impairment	(13,026)	(9,101)	(22,049)	(44,176)
Net carrying amount	<u>31,311</u>	<u>5,666</u>	<u>23,979</u>	<u>60,956</u>

* During the year, additions of deferred development costs of HK\$1,894,000 (2020: HK\$4,843,000) were developed internally.

15. TRADE RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables	48,778	48,359
Impairment	<u>(3,177)</u>	<u>(3,861)</u>
	<u>45,601</u>	<u>44,498</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 management. The Group does not hold any collateral or other credit enhancements over its trade receivable 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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 1 month	26,626	34,828
1 to 3 months	13,269	6,163
4 to 6 months	3,740	2,548
7 to 12 months	<u>1,966</u>	<u>959</u>
	<u>45,601</u>	<u>44,498</u>

16. CONTRACT ASSETS

	31 December 2021 HK\$'000	31 December 2020 HK\$'000	1 January 2020 HK\$'000
Contracts assets arising from:			
Sales of goods and provision of software, GETS and BPO services	222	3,060	3,130
Provision of software implementation and related services, IT solutions implementation and related services	20,201	16,448	16,645
Maintenance services	<u>5,205</u>	<u>740</u>	<u>451</u>
	<u>25,628</u>	<u>20,248</u>	<u>20,226</u>

Contract assets are mainly initially recognised for revenue earned from the provision of software implementation and related services, and 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, and 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 2021 was mainly due to an increase in the provision of maintenance services near the end of the year. The increase in contract assets in 2020 was mainly due to an increase in the provision of maintenance services near the end of that reporting period.

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

	2021 HK\$'000	2020 HK\$'000
Within one year	<u>25,628</u>	<u>20,248</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

	2021 HK\$'000	2020 HK\$'000
Debt investment, at fair value	2,100	2,100
Listed equity investments, at fair value	7,546	7,322
Derivative financial instruments, at fair value*	<u>-</u>	<u>61</u>
	<u>9,646</u>	<u>9,483</u>
Portion classified as current assets	<u>(7,546)</u>	<u>(7,383)</u>
	<u>2,100</u>	<u>2,100</u>
Portion classified as non-current assets		

* The derivative financial instruments represented call options to acquire additional 40% equity in a subsidiary.

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(continued)*

The listed equity investments were classified as financial assets at fair value through profit or loss as they were held for trading.

The debt investment was mandatorily classified as financial asset at fair value through profit or loss as its contractual cash flows are not solely payments of principal and interest.

As at 31 December 2021, the Group's listed equity investments with a carrying value of approximately HK\$7,546,000 (2020: HK\$7,322,000) were pledged to secure general banking facilities granted to the Group.

18. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	2021 HK\$'000	2020 HK\$'000
Trade payables	11,257	18,094
Other payables	27,327	26,709
Accruals	25,134	22,315
	<u>63,718</u>	<u>67,118</u>
Portion classified as current liabilities	<u>(63,718)</u>	<u>(66,581)</u>
Portion classified as non-current liabilities	<u>-</u>	<u>537</u>

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

	2021 HK\$'000	2020 HK\$'000
Within 1 month	8,417	10,008
1 to 3 months	2,155	7,181
4 to 6 months	429	216
Over 6 months	256	689
	<u>11,257</u>	<u>18,094</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 2021 HK\$'000	31 December 2020 HK\$'000	1 January 2020 HK\$'000
<i>Advances received from customers</i>			
Sales of goods and provision of software, GETS and BPO services	2,715	5,898	2,801
Provision of software implementation and related services, and IT solutions implementation and related services	24,384	21,229	18,430
Maintenance services	28,973	33,890	34,481
	56,072	61,017	55,712
Portion classified as current liabilities	(54,222)	(58,708)	(55,712)
Portion classified as non-current liabilities	1,850	2,309	-

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 decrease in contract liabilities in 2021 was mainly due to a decrease in advances received from customers in relation to the provision of maintenance services at the end of the year. The increase in contract liabilities in 2020 was mainly due to an 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 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	2021 Temporary differences arising from contract liabilities HK\$'000	Total HK\$'000
At 1 January 2021	824	2,320	3,144
Deferred tax charged to the consolidated statement of profit or loss during the year	(824)	(338)	(1,162)
Exchange realignment	-	79	79
Gross deferred tax assets at 31 December 2021	-	2,061	2,061

20. DEFERRED TAX *(continued)*

Deferred tax liabilities

			2021 Fair value adjustments arising from acquisition of subsidiaries	Withholding taxes	Total
	Revaluation of properties <i>HK\$'000</i>	Deferred development costs <i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January 2021	386	5,166	7,071	764	13,387
Deferred tax charged/(credited) to the consolidated statement of profit or loss during the year	-	312	(1,507)	5	(1,190)
Exchange realignment	-	-	-	5	5
Gross deferred tax liabilities at 31 December 2021	386	5,478	5,564	774	12,202

Deferred tax assets

		2020	
	Losses available for offsetting against future taxable profits <i>HK\$'000</i>	Temporary differences arising from contract liabilities <i>HK\$'000</i>	Total <i>HK\$'000</i>
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	-	166	166
Gross deferred tax assets at 31 December 2020	824	2,320	3,144

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>

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

	2021 <i>HK\$ '000</i>	2020 <i>HK\$ '000</i>
Net deferred tax assets recognised in the consolidated statement of financial position	2,061	2,320
Net deferred tax liabilities recognised in the consolidated statement of financial position	<u>(12,202)</u>	<u>(12,563)</u>
	<u>(10,141)</u>	<u>(10,243)</u>

21. 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 (2020: HK\$31,700,000), of which HK\$21,116,000 (2020: HK\$20,926,000) was utilised as at 31 December 2021.

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 annual results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2021.

The development of the COVID-19 pandemic (the “Pandemic”) continued hindering the recovery of the global economy. The gradually recovering local economy in the second half of the year had sparked the demand from the private sectors for the Group’s software products and services, leading to an 8.7% growth in revenue of the Group’s Application Services business. On the other hand, caused by the global shortage of software developers, the delivery of solutions services to government and semi-government organisations slowed down in the second half of 2021, resulting in a 5.1% decrease in revenue of the Group’s Solutions and Integration Services business. Accordingly, the Group’s overall turnover recorded a rise of HK\$9.2 million, or 3.6% to HK\$265.5 million (2020: HK\$256.3 million).

As reported in the previous results announcement, the Group’s Solutions Services business had adjourned the capitalisation of the development costs for the Customer Care and Billing System (the “CCBS”) and was charged HK\$8.5 million (2020: charged HK\$3.3 million and capitalised HK\$4.8 million) in the profit or loss statement. Despite the increasing charge, the Group’s gross profit margin improved slightly to 57.4% (2020: 56.5%) while the absolute gross profit improved by HK\$7.6 million, or 5.3% to HK\$152.4 million (2020: HK\$144.8 million).

The total non-operating incomes dropped drastically by HK\$12.3 million, or 68.7% to HK\$5.6 million (2020: HK\$18.0 million). The change was primarily due to the absence of government subsidies granted under the Employment Support Scheme (the “ESS”) in 2021. Overall expenses were generally kept at the same level as compared with last year. The increase in income tax expense was in line with the increase in assessable profits generated in Hong Kong.

With the abovementioned, the Group’s consolidated net profit attributable to shareholders reduced by 10.4% to HK\$53.8 million (2020: HK\$60.1 million). The basic earnings per share also dropped to 21.76 HK cents (2020: 24.31 HK cents). If the special one-off government subsidies under the ESS in 2020 was not considered, the profit attributable to the owners of the parent company in 2021 was in fact better than the normalised results of 2020 by around 18%.

The Group has continuously been generating positive cash inflow from operations and maintaining a sustained healthy financial position. The Board declared the distribution of a final dividend of 11 HK cents (2020: 12 HK cents) per ordinary share for the year ended 31 December 2021. Counting the previously paid interim dividend of 6 HK cents (2020: 5 HK cents) together with this proposed final dividend, the Group’s full-year dividend aggregated 17 HK cents (2020: 17 HK cents).

BUSINESS REVIEW

Application Software

The Group's Application Software^[1] business recorded a high single-digit increase in revenue and a double-digit growth in its profit contributions to the Group.

The performance of the Group's Human Resources Management Software ("HRMS") business was improved in the second half of the reporting year. The release of the accumulated demands from various industry sectors drove new customers sales and add-on sales from existing customers who are also contributing stable recurring maintenance income to the business. During the reporting period, the HRMS business managed to conclude new Software as a Service ("SaaS") orders as well as software licence sales from organisations of various sectors, including a large health care service provider, financial service providers, property management and related service providers, a rapidly expanding pharmaceutical company and non-profit organisations. However, the new wave of the Pandemic may cause potential new customers to defer their investment decisions or reduce their investment budget again.

The Group's enterprise software business maintained a stable growth during the reporting year. The Enterprise Procurement Management Software ("EPMS") business continued its growth momentum and increased profit contributions. The Enterprise Information Management Software ("EIMS") business maintained healthy growth in profit contributions to the Group. In the sluggish retail market, the Enterprise Retail Management Software ("ERMS") business still performed fairly and contributed stable profit to the Group.

The Group's EPMS flagship product, ProSmart, remained a proven and competitive solution for enterprises to uplift their procurement practices in conforming to the corporate governance standard. During the reporting year, the business managed to conclude contracts with one of the largest non-profit organisations, a large payment organisation and a university in Hong Kong. The strong and expanding installation base of ProSmart will provide not only strong recurring SaaS and maintenance revenues to the Group, but also strong reference for new prospects. The management is expediting its effort to upgrade ProSmart to the next generation by taking advantage of the Group's proven foundation framework, aiming to enrich its functionalities and improve its implementation efficiency. It is expected that our next generation e-procurement solution will enable the Group to capture the growing demand and streamline the product implementation process.

The strong customer base continued to provide the Group's EIMS business with stable recurring maintenance income and new opportunities. The business continued to acquire new clients from the healthcare industry and the financial service sector. The upgraded workflow engine and e-form builder modules of VITOVA also generated promising market demands. There are also increasing cross-selling opportunities for related products among the HRMS and EPMS customers.

As mentioned, the Group's ERMS business faced difficult operating environment due to the Pandemic. The business nevertheless managed to maintain stable business performance and clients relations. By leveraging the proven experience in serving large retailers and wholesale-distribution companies, the management is actively exploring to expand our scope of services and solutions to diversify the source of revenue.

With the Group's foundation framework being solidified to link up various software products, the system architecture was reengineered to enhance the business automation ability across the Group's software product suites. In addition, improving project implementation efficiency and lowering technical staff dependency, a low-code development platform ("LCDP") was introduced to allow updates with time efficiency and formulating various business automation solutions for clients. Together with the next generation EPMS product, the Group capitalised the related development costs of around HK\$1.9 million during the reporting period.

The involvement of our newly acquired subsidiary, CISC Limited, enriched the Group's technology capability in data intelligence during the reporting year. A revenue-driven model centring on domain-specific artificial intelligence ("AI") has been under development, expected to drive the Group's software suites into a new market.

BUSINESS REVIEW *(continued)*

Solutions and Integration Services

The revenue of the Group's Solutions and Integration Services^[2] business dropped by HK\$5.2 million, or 5.1% to HK\$97.5 million (2020: HK\$102.7 million). The drop was in line with the decrease in service revenue generated by the Development Services^[2] under the Group's Solutions Services business. The profit contribution also dropped by HK\$3.5 million, or 12.6% to HK\$24.5 million (2020: HK\$28.0 million) as the Solutions Services business charged all the development costs for the CCBS's software enhancements project of HK\$8.5 million (2020: charged HK\$3.3 million and capitalised HK\$4.8 million) to the profit or loss statement.

The revenue generated from the Managed Services^[2] under the Group's Solutions Services business was stably maintained. Besides, the implementation schedule of the CCBS's software enhancements project was on track with planned completion in the first half of 2022. The management will closely monitor the project progress and control possible impact created by the fifth wave of the Pandemic in Hong Kong.

The global shortage in software developers created difficulties for the Group to hire replacements and additional software development resources timely during the reporting year. The cross border control during the Pandemic also slowed down the expansion of the Group's resources centre in Shenzhen. As a result, some of the project delivery schedules, especially during the second half of the reporting year were deferred and impacted the revenue booking of the Development Services^[2] under the Group's Solutions Services business.

The Group is actively consolidating some of its domain know how and software codings accumulated throughout the years in order to transfer them into customisable modules for specific applications. These modules are expected to be implemented more effectively with less dependence on skill of developers.

In early 2022, the business had been awarded contracts for three categories of services under the Standing Offer Agreement for Quality Professional Services 5 ("SOA-QPS5") by the HKSAR Government for a period of 48 months starting from January 2022. The three categories of services included Category A Major Group: pre-implementation, program/project management services, ongoing services, implementation and combined system development services; Category B: information security, privacy assessment and independent testing services; and Category C Major Group: deployment and maintenance of common services. The management is pleased to announce the Group is one of the few service providers awarded in all the three major category groups.

The continuing engagement in the SOA-QPS framework and other multi-year agreements with commercial enterprises is a key foundation for the Group to secure long-term business from the related sectors and an encouraging recognition of the Group's market position in the local IT industry.

Both revenue and profit contribution of the Group's Integration Services^[2] business in the PRC were stable in 2021.

e-Service and related business

The Group's GETS^[3] business was in general benefitted from recovery of the global trading environment throughout the reporting year and recorded mild growth in revenue during the reporting year. Apart from the revenue growth, the performance was further improved by the effective control of various operating costs of the business.

Investments

The Group's Investments segment experienced a turnaround and recorded profit of HK\$3.1 million (2020: loss of HK\$0.2 million) during the reporting year. The difference was made through increased rental income and valuation gains from investment properties and financial assets from the rebound of financial markets.

PROSPECT

The fifth wave of the Pandemic in Hong Kong has been spread widely at the time of compiling this announcement. Despite the recovery in 2021, the local economy and the business environment of the Group are overwhelmed by the outbreak of this wave of the Pandemic. In addition, the increasing competition for IT talents and shortage in supply of IT human resources in the local market had significantly inflated the staff costs and in turn created pressures on the profitability of our businesses.

The prospects of the Group will hinge critically on how fast the Pandemic can be fully contained. The Group will stay alert to the Pandemic and impose necessary measures to minimise any negative impact to our business and people. Focusing on the product research and development, exploring business acquisition opportunities and expanding the Group's businesses as well as staff resources centre in the Greater Bay Area in the post-Pandemic period will still be the key management directions in the foreseeable future.

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] Since 2004, the Group has been granted a licence (the "GETS Licence") from the HKSAR Government for the provision of front-end Government Electronic Trading Services for processing certain official trade-related documents. The Group's GETS Licence 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 by HK\$9.2 million, or 3.6% to HK\$265.5 million (2020: HK\$256.3 million) during the reporting year.

The Group's Application Software business kept its growth momentum and delivered a high single-digit increase in its revenue. Conversely, the revenue generated from Development Services under the Group's Solutions and Integration Services was set back substantially in the second half of the reporting year primarily due to some hiccups in delivery progress caused by shortage in software development resources.

The cost of sales and services rose by HK\$1.6 million, or 1.4% to HK\$113.1 million (2020: HK\$111.5 million). The increase was primarily due to the Group's Solutions Services business stopped capitalising the development costs incurred for the CCBS software enhancement project and charged HK\$8.5 million (2020: charged HK\$3.3 million and capitalised HK\$4.8 million) to the profit or loss statement. The cost of the Group's Application Software also went up following the increase in its R&D spending and the acquisition of CISC Limited in July 2020. The gross profit increased by HK\$7.6 million, or 5.3% to HK\$152.4 million (2020: HK\$144.8 million). The gross profit margin improved slightly to 57.4% (2020: 56.5%).

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)

The total non-operating incomes dropped dramatically by HK\$12.3 million, or 68.7% to HK\$5.6 million (2020: HK\$18.0 million). The change was largely explained by the absence of the non-repeating government subsidies granted under the ESS for an amount of HK\$14.5 million; the absence of a disposal gain from property of HK\$2.0 million; decrease in the bank interest income of HK\$0.9 million; and valuation gains from investment properties and stocks which partially offset the reductions.

Expenses

Overall expenses were generally in line with the last year. The income tax expense increased in view of the growth in assessable profits generated in Hong Kong.

Non-current assets

The non-current assets slightly increased by 3.6% as more right-of-use assets and non-current deposits were recognised after the renewal of tenancy agreement of our Hong Kong head office but partially off-set by the amortisation and depreciation of the other intangible assets and property, plant and equipment, respectively.

Current assets

The current assets slightly increased by 1.1%. The change was mainly attributed to the mixed effects of (i) the increase in trade receivables and contract assets as there were more progress developments billed and pending to be billed by end of 2021; (ii) the decrease in prepayments, deposits and other receivables in view of less prepayments made to the suppliers; and (iii) the slight increase in cash and bank balances.

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

Current liabilities and non-current liabilities

The Group's current liabilities maintained at around HK\$133.3 million (31 December 2020: HK\$133.9 million). The change was due to the decrease in trade payables and deferred maintenance services revenue under contract liabilities which was offset by the increase in lease liabilities and tax payable.

Due to significant increase in lease liabilities as a result of the lease renewal, the Group's non-current liabilities soared to HK\$24.4 million (31 December 2020: HK\$17.8 million).

Segment assets and liabilities

Segment assets of Applications Services business increased mainly due to the increase in trade receivables while the segment liabilities of the business remained the same level as last year.

Segment assets and segment liabilities of Solutions and Integration Services dropped in line with the decrease in trade receivables, trade payables and deposits received from customers.

Segment assets of Investments business increased as there were valuation gains for both investment properties and financial assets.

Equity attributable to owners of the parent

Growth in retained profits primarily contributed to the increase in equity as at 31 December 2021 by HK\$8.9 million, or 1.7% to HK\$522.1 million (31 December 2020: HK\$513.2 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 2021, the Group had pledged an investment property with a fair value of HK\$63.5 million (31 December 2020: HK\$63.0 million), listed equity securities of HK\$7.5 million (31 December 2020: HK\$7.3 million) and bank balances of HK\$1.2 million (31 December 2020: HK\$0.7 million) to secure certain general bank facilities including guarantee/performance bonds facilities granted to the Group/subsidiaries of the Company in aggregate of HK\$112.1 million (31 December 2020: HK\$112.0 million) of which HK\$21.8 million (31 December 2020: HK\$21.6 million) have been utilised as at 31 December 2021.

FINANCIAL RESOURCES AND LIQUIDITY

As at 31 December 2021, the Group's cash and cash equivalents were HK\$298.4 million (31 December 2020: HK\$295.6 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 2021, the Group had no bank borrowings (31 December 2020: Nil). The Group's current ratio representing current assets divided by current liabilities was 3.0 (31 December 2020: 2.9) and the gearing ratio, representing total liabilities divided by total assets, was 23.1% (31 December 2020: 22.7%).

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 2021, the Group employed 367 full time employees and 13 part time employees (31 December 2020: 373 full time employees and 6 part time employees).

As at 31 December 2021, 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 2021.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

In January 2022, the Group completed the subscription of 10,000 new shares issued by CISC Limited at a total consideration of HK\$1,450,000 and increased its shareholding from 40% to 80% accordingly.

Save as disclosed in the announcement, 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 2021.

CONTINGENT LIABILITIES

Save as disclosed in the announcement, the Group has no material contingent liabilities as at 31 December 2021.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in the announcement, there are no material subsequent events undertaken by the Company or by the Group after 31 December 2021 and up to the date of this annual results announcement.

FINAL DIVIDEND

The Board has recommended the payment of a final dividend of 11 HK cents (2020: a final dividend of 12 HK cents) per ordinary share for the year ended 31 December 2021.

CLOSURE OF THE REGISTER OF MEMBERS

The Board has recommended a final dividend of 11 HK cents (2020: a final dividend of 12 HK cents) per ordinary share payable to shareholders whose names appear on the Register of Members of the Company on Thursday, 9 June 2022. The Register of Members of the Company will be closed from Friday, 27 May 2022 to Wednesday, 1 June 2022 (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 Wednesday, 1 June 2022, 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 Thursday, 26 May 2022. In addition, the Register of Members of the Company will be closed from Wednesday, 8 June 2022 to Thursday, 9 June 2022 (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 Tuesday, 7 June 2022. During such periods, no share transfer will be effected. The final dividend will be distributed on or about Wednesday, 22 June 2022 to shareholders whose names appear on the Register of Members of the Company on Thursday, 9 June 2022.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year, the trustee of the Company's restricted share award scheme had, pursuant to the terms of the rules and trust deed of such scheme, purchased from the market a total of 1,000,000 shares of the Company being the restricted award shares. The total amount paid to acquire these shares during the year was approximately HK\$2,707,000.

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 (the "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 to an executive director effective 1 January 2020.

CORPORATE GOVERNANCE PRACTICES *(continued)*

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. As of 31 December 2021, members included three executive directors and one independent non-executive director. 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. As of 31 December 2021, 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 2021 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 2021.

SCOPE OF WORK OF THE COMPANY'S 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 2021 as set out in the preliminary announcement have been agreed by the Company'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 and consequently no opinion or assurance conclusion 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 2021 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 2022

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 Ms. Chan Yuen Shan Clara, Mr. Ha Shu Tong, Professor Lee Kwok On Matthew, and Mr. Ting Leung Huel Stephen as independent non-executive directors.