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computer technologies

COMPUTER AND TECHNOLOGIES HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 00046)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

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 2022 together with comparative figures for the corresponding period in 2021 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2022

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
REVENUE	5	268,719	265,504
Cost of sales and services		<u>(123,719)</u>	<u>(113,073)</u>
Gross profit		145,000	152,431
Other income and gains, net	5	13,642	5,367
Foreign exchange differences, net		866	(403)
Fair value gains/(losses), net:			
Financial assets at fair value through profit or loss		(2,332)	163
Investment properties		(80)	500
Selling and distribution expenses		(32,153)	(33,068)
General and administrative expenses, net		(62,490)	(60,626)
Finance cost		(397)	(245)
Other expenses		<u>(10,624)</u>	<u>(6,492)</u>
PROFIT BEFORE TAX	6	<u>51,432</u>	<u>57,627</u>

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS *(continued)*

Year ended 31 December 2022

	<i>Notes</i>	2022 HK\$'000	2021 <i>HK\$'000</i>
PROFIT BEFORE TAX	6	51,432	57,627
Income tax expense	7	<u>(4,467)</u>	<u>(4,634)</u>
PROFIT FOR THE YEAR		<u>46,965</u>	<u>52,993</u>
ATTRIBUTABLE TO:			
Owners of the parent		47,011	53,844
Non-controlling interests		<u>(46)</u>	<u>(851)</u>
		<u>46,965</u>	<u>52,993</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9	HK cents	HK cents
Basic		<u>19.02</u>	<u>21.76</u>
Diluted		<u>18.94</u>	<u>21.67</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2022

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
PROFIT FOR THE YEAR	<u>46,965</u>	<u>52,993</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>(4,141)</u>	<u>1,535</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>42,824</u>	<u>54,528</u>
ATTRIBUTABLE TO:		
Owners of the parent	42,870	55,379
Non-controlling interests	<u>(46)</u>	<u>(851)</u>
	<u>42,824</u>	<u>54,528</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2022

	<i>Notes</i>	2022 HK\$'000	2021 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		1,250	1,212
Investment properties		66,710	66,790
Right-of-use assets		10,815	18,142
Goodwill		135,001	135,001
Other intangible assets		45,734	56,358
Financial assets at fair value through profit or loss - debt investment		2,100	2,100
Deposits		2,020	2,419
Deferred tax assets		2,205	2,061
Total non-current assets		265,835	284,083
CURRENT ASSETS			
Inventories		16	36
Trade receivables	<i>10</i>	50,916	45,601
Contract assets		25,301	25,628
Prepayments, deposits and other receivables		15,897	15,041
Tax recoverable		5,527	3,772
Financial assets at fair value through profit or loss - listed equity investments		4,205	7,546
Pledged bank deposits		1,020	1,193
Cash and cash equivalents		309,773	298,397
Total current assets		412,655	397,214
CURRENT LIABILITIES			
Trade payables, other payables and accruals	<i>11</i>	(69,160)	(63,718)
Contract liabilities		(54,190)	(54,222)
Lease liabilities		(7,415)	(7,923)
Tax payable		(8,469)	(7,428)
Total current liabilities		(139,234)	(133,291)
NET CURRENT ASSETS		273,421	263,923
TOTAL ASSETS LESS CURRENT LIABILITES		539,256	548,006

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

31 December 2022

	<i>Notes</i>	2022 HK\$'000	2021 <i>HK\$'000</i>
NON-CURRENT LIABILITIES			
Other payables	<i>11</i>	(39)	-
Contract liabilities		(1,407)	(1,850)
Lease liabilities		(4,612)	(10,325)
Deferred tax liabilities		(10,107)	(12,202)
Total non-current liabilities		(16,165)	(24,377)
Net assets		523,091	523,629
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		(6,204)	(6,011)
Other reserves		418,918	422,919
Proposed final and special dividends		30,882	27,180
		521,649	522,141
Non-controlling interests		1,442	1,488
Total equity		523,091	523,629

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 application software and e-business services for enterprises including the provision of enterprise application software (including Software as a Services (“SaaS”) product offering) 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 (including SaaS product offering); provision of IT and related operation/infrastructure outsourcing 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.

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 3	<i>Reference to the Conceptual Framework</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
<i>Annual Improvements to HKFRSs 2018-2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

The nature and the impact of the revised HKFRSs that are applicable to the Group are described below:

- (a) Amendments to HKFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* (the “Conceptual Framework”) issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no business combinations during the year, the amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items as determined by HKAS 2 *Inventories*, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.
- (c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.
- (d) *Annual Improvements to HKFRSs 2018-2020* sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are applicable to the Group are as follows:
 - HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf. The Group has applied the amendment prospectively from 1 January 2022. As there was no modification or exchange of the Group’s financial liabilities during the year, the amendment did not have any impact on the financial position or 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 application software and e-business services for enterprises including the provision of enterprise application software (including SaaS product offering) 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 (including SaaS product offering); provision of IT and related operation/infrastructure outsourcing 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.

4. OPERATING SEGMENT INFORMATION (continued)

(a) Operating segments

	Application Services		Solutions and Integration Services		Investments		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue								
Sales to external customers (note 5)	157,380	166,175	109,355	97,469	1,984	1,860	268,719*	265,504*
Intersegment sales	948	–	4,673	5,786	–	–	5,621	5,786
Other income and gains, net	1,500	1,860	54	32	463	561	2,017^	2,453^
	<u>159,828</u>	<u>168,035</u>	<u>114,082</u>	<u>103,287</u>	<u>2,447</u>	<u>2,421</u>	<u>276,357</u>	<u>273,743</u>
<i>Reconciliation:</i>								
Elimination of intersegment sales							<u>(5,621)</u>	<u>(5,786)</u>
Profit before tax							<u>270,736</u>	<u>267,957</u>
Segment results	44,629	55,578	24,174	24,483	(77)	3,111	68,726	83,172
<i>Reconciliation:</i>								
Unallocated interest income							5,950^	2,508^
Unallocated other income and gains, net							5,675^	406^
Unallocated foreign exchange differences, net							866	(403)
Corporate and other unallocated depreciation							(287)	(618)
Corporate and other unallocated expenses							<u>(29,498)</u>	<u>(27,438)</u>
Profit before tax							<u>51,432</u>	<u>57,627</u>
Segment assets	207,455	217,319	70,863	67,729	73,023	76,444	351,341	361,492
<i>Reconciliation:</i>								
Corporate and other unallocated assets							<u>327,149</u>	<u>319,805</u>
Total assets							<u>678,490</u>	<u>681,297</u>
Segment liabilities	92,903	98,930	27,872	16,738	685	685	121,460	116,353
<i>Reconciliation:</i>								
Corporate and other unallocated liabilities							<u>33,939</u>	<u>41,315</u>
Total liabilities							<u>155,399</u>	<u>157,668</u>

* This represents the consolidated revenue of HK\$268,719,000 (2021: HK\$265,504,000) in the consolidated statement of profit or loss.

^ These comprise the consolidated other income and gains, net, of HK\$13,642,000 (2021: HK\$5,367,000) 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	
	2022	2021	2022	2021	2022	2021	2022	2021
	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	-	-	-	-	(80)	500	(80)	500
Net fair value gains/(losses) on financial assets at fair value through profit or loss	-	(61)	-	-	(2,332)	224	(2,332)	163
Amortisation of other intangible assets	6,494	6,492	4,130	-	-	-	10,624	6,492
Depreciation	2,473	2,981	963	612	-	-	3,436	3,593
Corporate and other unallocated depreciation							5,490	3,945
							8,926	7,538
Impairment/(reversal of impairment) of trade receivables recognised in the consolidated statement of profit or loss, net*	799	(196)	38	73	-	-	837	(123)
Capital expenditure**	420	2,066	240	132	-	-	660	2,198
Corporate and other unallocated capital expenditure**							279	337
							939	2,535

* Including impairment of trade receivables recognised in the consolidated statement of profit or loss attributable to the application services segment of HK\$1,129,000 (2021: HK\$328,000) and the solutions and integration services segment of HK\$183,000 (2021: HK\$146,000), respectively, and reversal of impairment of trade receivables recognised in the consolidated statement of profit or loss attributable to the application services segment of HK\$330,000 (2021: HK\$524,000) and the solutions and integration services segment of HK\$145,000 (2021: HK\$73,000), respectively.

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

4. OPERATING SEGMENT INFORMATION (continued)

(b) Geographical information

(i) Revenue from external customers

	Hong Kong and other countries/regions		Mainland China		Total	
	2022	2021	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:						
Sales to external customers	<u>215,547</u>	<u>209,647</u>	<u>53,172</u>	<u>55,857</u>	<u>268,719</u>	<u>265,504</u>

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

(ii) Non-current assets

	2022	2021
	HK\$'000	HK\$'000
Hong Kong	147,803	160,247
Mainland China	<u>111,707</u>	<u>117,256</u>
	<u>259,510</u>	<u>277,503</u>

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 2022, revenue from a major customer of HK\$82,743,000 (2021: HK\$74,337,000) 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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue from contracts with customers	266,735	263,644
Revenue from other sources		
Gross rental income from investment properties and interest income from treasury investments	<u>1,984</u>	<u>1,860</u>
	<u>268,719</u>	<u>265,504</u>

Revenue from contracts with customers

(i) Disaggregated revenue information

	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 2022			
<i>Segments</i>			
Types of goods or services			
Sale of goods and provision of software and GETS services	32,848	10,612	43,460
Provision of SaaS product offering, software implementation and related services, IT solutions implementation and related services	64,081	52,083	116,164
Maintenance services	<u>60,451</u>	<u>46,660</u>	<u>107,111</u>
Total revenue from contracts with customers	<u>157,380</u>	<u>109,355</u>	<u>266,735</u>
Geographical markets			
Hong Kong and others	110,166	103,604	213,770
Mainland China	<u>47,214</u>	<u>5,751</u>	<u>52,965</u>
Total revenue from contracts with customers	<u>157,380</u>	<u>109,355</u>	<u>266,735</u>
Timing of revenue recognition			
Goods and services transferred at a point in time	32,848	10,612	43,460
Services transferred over time	<u>124,532</u>	<u>98,743</u>	<u>223,275</u>
Total revenue from contracts with customers	<u>157,380</u>	<u>109,355</u>	<u>266,735</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 2021			
<i>Segments</i>			
Types of goods or services			
Sale of goods and provision of software and GETS services	40,280	2,335	42,615
Provision of SaaS product offering, 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	<u>166,175</u>	<u>97,469</u>	<u>263,644</u>
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	<u>166,175</u>	<u>97,469</u>	<u>263,644</u>
Timing of revenue recognition			
Goods and services transferred at a point in time	40,280	2,335	42,615
Services transferred over time	<u>125,895</u>	<u>95,134</u>	<u>221,029</u>
Total revenue from contracts with customers	<u>166,175</u>	<u>97,469</u>	<u>263,644</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:

Sale of goods and provision of software and GETS 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 (including SaaS product offering) 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 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 payments in advance are normally required before rendering the services.

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

	2022 HK\$'000	2021 HK\$'000
Amounts expected to be recognised as revenue:		
Within one year	54,190	54,222
After one year	<u>1,407</u>	<u>1,850</u>
	<u>55,597</u>	<u>56,072</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 three 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.

	2022 HK\$'000	2021 HK\$'000
Other income and gains, net		
Bank interest income	5,950	2,508
Government subsidies*	5,675	-
Value-added tax refund received	738	963
Dividend income from listed investments at fair value		
through profit or loss	421	505
Gain on disposal of items of property, plant and equipment, net	1	12
Gain on lease modifications	-	574
Others	<u>857</u>	<u>805</u>
	<u>13,642</u>	<u>5,367</u>

* The subsidies were granted under the Employment Support Scheme of 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):

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Depreciation of property, plant and equipment*	862	1,413
Depreciation of right-of-use assets	8,064	6,125
Amortisation of other intangible assets**	10,624	6,492
Gain on disposal of items of property, plant and equipment, net	(1)	(12)
Impairment/(reversal of impairment) of trade receivables, net	837	(123)
Fair value losses/(gains), net:		
Financial assets at fair value through profit or loss	2,332	(163)
Investment properties	80	(500)

* Depreciation of property, plant and equipment for the year of HK\$118,000 (2021: HK\$112,000) 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\$10,624,000 (2021: HK\$6,492,000) 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% (2021: 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 (2021: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2021: 8.25%) and the remaining assessable profits are taxed at 16.5% (2021: 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.

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current - Hong Kong		
Charge for the year	7,224	5,071
Overprovision in prior years	(393)	(410)
Current - Elsewhere		
Charge for the year	216	196
Overprovision in prior years	(157)	(195)
Deferred	(2,423)	(28)
Total tax charge for the year	4,467	4,634

On 25 July 2022, the Hong Kong Inland Revenue Department (the "IRD") issued an enquiry letter to a subsidiary of the Company regarding the claim for enhanced deduction of certain research and development expenditures. The subsidiary had further provided the requested information and documents in support of the deduction claim and replied to the enquires from the IRD as at 22 February 2023. The IRD is in the process of further review of the claim.

In the opinion of the directors of the Company, it is not practicable at this early stage to estimate reliably the outcome of the claim and, therefore, the financial effect (including the amount or timing thereof, if any) of the foregoing enquiry. However, the directors believe that, subject to availability of the required evidence, the subsidiary has valid grounds to pursue the claim for enhanced deduction. Accordingly, no further provision for Hong Kong profits tax is considered necessary at this stage.

7. INCOME TAX (continued)

Subsequent to the end of the reporting period, on 6 March 2023, the IRD has issued protective assessments to another two subsidiaries (the “Subsidiaries”) of the Company demanding tax of approximately HK\$805,000 in aggregate for the year of assessment 2016/17. Per preliminary discussion with the assessor-in-charge, the IRD is reviewing the tax affairs of the Subsidiaries for the years of assessment from 2016/17 onwards and the issuance of the protective assessments is merely for the purpose of avoiding the year to become statutorily barred. During the discussion, the IRD informed that, at this early stage, they are focusing on the nature and the deductibility of certain expenditure/expenses. The Subsidiaries have lodged objections against the protective assessments and would provide relevant information and documents in support of the deduction claims once they are being requested by the IRD.

In the opinion of the directors of the Company, it is not practicable at this early stage to estimate reliably on the outcome and the financial effect (including the amount or timing thereof, if any) of this tax review. However, the directors believe that the tax reporting of the Subsidiaries have all along been properly handled. Accordingly, no further provision for Hong Kong profits tax is considered necessary at this stage.

8. DIVIDENDS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interim - HK\$0.065 (2021: HK\$0.06) per ordinary share	16,217	14,969
Less: Dividend for shares held under the Company's restricted share award scheme	<u>(151)</u>	<u>(124)</u>
	<u>16,066</u>	<u>14,845</u>
Proposed final - HK\$0.075 (2021: HK\$0.11) per ordinary share	18,711	27,444
Less: Propose dividend for shares held under the Company's restricted share award scheme	<u>(182)</u>	<u>(264)</u>
	<u>18,529</u>	<u>27,180</u>
Proposed special - HK\$0.05 (2021: Nil) per ordinary share	12,474	-
Less: Propose dividend for shares held under the Company's restricted share award scheme	<u>(121)</u>	<u>-</u>
	<u>12,353</u>	<u>-</u>
	<u>46,948</u>	<u>42,025</u>

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

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

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 247,162,940 (2021: 247,477,113) 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	
	2022	2021
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	247,162,940	247,477,113
Effect of dilution - weighted average number of ordinary shares:		
Restricted shares awarded under the Company's restricted share award scheme	<u>1,081,357</u>	<u>1,038,541</u>
Number of shares used in the diluted earnings per share calculation	<u>248,244,297</u>	<u>248,515,654</u>

10. TRADE RECEIVABLES

	2022	2021
	HK\$'000	HK\$'000
Trade receivables	54,839	48,778
Impairment	<u>(3,923)</u>	<u>(3,177)</u>
	<u>50,916</u>	<u>45,601</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:

	2022	2021
	HK\$'000	HK\$'000
Within 1 month	28,656	26,626
1 to 3 months	12,381	13,269
4 to 6 months	3,004	3,740
Over 6 months	<u>6,875</u>	<u>1,966</u>
	<u>50,916</u>	<u>45,601</u>

10. TRADE RECEIVABLES (continued)

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
At beginning of year	3,177	3,861
Impairment losses/(reversal of impairment), net	837	(123)
Amount written off as uncollectible	-	(595)
Exchange realignment	(91)	34
	<u>3,923</u>	<u>3,177</u>
At end of year	<u>3,923</u>	<u>3,177</u>

11. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade payables	17,034	11,257
Other payables	29,067	27,327
Accruals	23,098	25,134
	<u>69,199</u>	<u>63,718</u>
Portion classified as current liabilities	<u>(69,160)</u>	<u>(63,718)</u>
Portion classified as non-current liabilities	<u>39</u>	<u>-</u>

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 1 month	15,311	8,417
1 to 3 months	1,224	2,155
4 to 6 months	199	429
Over 6 months	300	256
	<u>17,034</u>	<u>11,257</u>

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

12. 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 (31 December 2021: HK\$31,700,000), of which HK\$20,694,000 (31 December 2021: HK\$21,116,000) was utilised as at 31 December 2022.

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 2022.

The geopolitical conflicts and the COVID-19 pandemic (the "Pandemic") weighed heavily on the economy of Mainland China and Hong Kong during the reporting year. Apart from the Pandemic, the shortage of IT workforce supply in Hong Kong also slowed down the related business development of the local market.

Despite the challenges, the Group managed to maintain an increase in overall turnover by HK\$3.2 million, or 1.2% to HK\$268.7 million (2021: HK\$265.5 million). However, the increase in direct operating costs has outweighed the revenue growth and resulted in decrease of gross profit by HK\$7.4 million, or 4.9% to HK\$145.0 million (2021: HK\$152.4 million). The gross profit margin also fell to 54.0% (2021: 57.4%).

Contributed by the 2022 Employment Support Scheme (the "ESS") subsidies and the improved bank interest income, the Group's other income and gains increased by HK\$8.3 million, or 154.2% to HK\$13.6 million (2021: HK\$5.4 million). Nevertheless, the Group's financial assets and investment properties incurred losses of HK\$2.4 million (2021: gains of HK\$0.7 million) due to bearish market valuation caused by prolonged Pandemic.

In line with the increase in amortisation of deferred development costs and depreciation of right-of-use assets, the overall expenses went up by HK\$5.2 million, or 5.2% to HK\$105.7 million (2021: HK\$100.4 million).

With the abovementioned, the Group's consolidated net profit attributable to shareholders reduced by 12.7% to HK\$47.0 million (2021: HK\$53.8 million). The basic earnings per share also dropped to 19.02 HK cents (2021: 21.76 HK cents).

The Group has continuously been generating positive cash inflows from operations and maintaining a robust financial position. The Board declared the distribution of a final dividend of 7.5 HK cents (2021: 11 HK cents) per ordinary share for the year ended 31 December 2022. To celebrate the Group's 25th anniversary of listing, the Board also declared the distribution of a special dividend of 5 HK cents (2021: Nil). Counting the previously paid interim dividend of 6.5 HK cents (2021: 6 HK cents) together with the proposed final dividend and special dividend, the Group's full-year dividend aggregated 19 HK cents (2021: 17 HK cents).

BUSINESS REVIEW

Application Software

The overall operating environment of our Application Software business remained challenging over the reporting year. While there were good demands for application software products and services, the investment decisions and related business activities were continuously hindered by the Pandemic and the weak market sentiment. Furthermore, the persisting shortage of local IT talents remained a critical constraint for timely project delivery.

BUSINESS REVIEW *(continued)*

Application Software *(continued)*

Benefiting from the continuous demand for add-on software and services from its established customer base as well as the strong recurring maintenance and Software as a Service (“SaaS”) income, the performance of the Group’s Human Resources Management Software (“HRMS”)^[1] business in Hong Kong was stably maintained during the reporting year.

As mentioned in the interim results, the operation of the Group’s HRMS business in Mainland China was almost frozen in April and May 2022 by the lockdowns due to the resurgence of the Pandemic in Shanghai. While the business managed to recover slightly in the second half of the year, the operation was interrupted again due to the surge of infections immediately after the PRC Government lifted the COVID-19 related control measures in December. As a result, both the revenue and profit contributions from the HRMS business in Mainland China recorded a considerable fall year by year.

In spite of the challenges imposed by the unfavourable business environment, the Group’s HRMS business still managed to conclude new orders from organisations of various sectors, including leading global companies, premier biopharmaceutical companies and fintech companies.

The Group’s enterprise software businesses attained mixed performance amongst various product lines and reported lower revenue and profit contributions to the Group. Nevertheless, it sustained healthy double-digit growth in recurring maintenance and SaaS income with an expanding customer base. The Enterprise Retail Management Software (“ERMS”)^[1] business performed fairly with its improved maintenance income and new sales. The performance and contributions of CISC Limited also kept steady during the reporting year. The Enterprise Procurement Management Software (“EPMS”)^[1] business continued to gain repeated orders from existing customers and captured new customers from commercial and public sectors amidst the economic downtrend. However, its profit contribution was impacted by increased cost for new product development and short-term project delays due to staff turnover and shortage of timely replacement from our related business unit as well as from our customers. The Enterprise Information Management Software (“EIMS”)^[1] business was impacted by weakened market demand with reduced revenue.

During the reporting period, the Group continued to devote research and development (“R&D”) endeavour to improve its software offering with new releases better fitting the respective market demands with improved user experience.

Looking ahead, the management believes the endeavour invested over the years, including the accumulated effort in product research and development, expanded development centre in China and strengthened project management practice, would help to mitigate the delivery constraints over time and improve the overall performance of the Group’s Application Software business in the coming year.

Solutions and Integration Services

Since most of the Group’s Solutions Services businesses were generated from the HKSAR Government (the “Government”) and the Government related organisations that were less impacted by the market sentiment, the revenue of the Group’s Solutions and Integration Services^[2] business achieved double-digit growth during the reporting year.

All business segments under the Solutions and Integration Services, including the Managed Services^[2], the Development Services^[2] and the Integration Services^[2], kept their momentum in the second half of the year. As reported in interim results, the Managed Services successfully delivered the software enhancement project (the “Project”) for the Customer Care and Billing System (“CCBS”) of the Water Supplies Department in June 2022. The completion of the Project is a key milestone of the Managed Services business as the new software developed by the Group replaced the existing software provided by a global company. Since the Group owns the copyright of the new software, it can save substantial maintenance cost paid to the third party after replacement. On the other hand, due to the Project completion, the Group began the amortisation of deferred development costs and charged HK\$4.1 million to the statement of profit or loss during the reporting year.

BUSINESS REVIEW *(continued)*

Solutions and Integration Services *(continued)*

The performance of Development Services remained healthy in the second half of the reporting year. Apart from recurring business from enterprise customers and various Government departments under the existing framework contracts, the Group was also awarded major solutions and services contracts from a major financial authority and a public transportation body in Hong Kong during the reporting period.

The Group's Integration Services business recorded mild growth in its revenue and profit contributions in 2022.

e-Service and related business

The performance of the Group's GETS business^[3] in the second half of the year was nearly a replication of its first half results. The business was continually hindered by a weak external trade performance throughout the year and resulted in negative growth in both revenue and profit contributions.

The management believes that the full release of control measures related to COVID-19 and full-scale reopening of all cross-border checkpoints between Mainland China and Hong Kong will boost trading activities and benefit our GETS business.

Investments

Weakened market sentiment and overall underperforming investment market had caused downward adjustments to the valuation of investment properties and financial assets. As a result, the Group's Investments segment recorded loss of HK\$0.1 million (2021: profit of HK\$3.1 million) in 2022.

PROSPECT

The management believes that the market will gradually step out of the Pandemic and return to normality. Leveraging its enhanced customer base and revenue streams with strong recurring nature, the Group remains prudently optimistic about the outlook of the businesses. To address the shortage of the IT workforce in Hong Kong, the Group accelerated its expansion of the Shenzhen development centre and achieved initial success in building up its scale. The management believes that the team in Shenzhen will gradually fill up the shortage of development resources in Hong Kong and speed up its business expansion to the Greater Bay Area in the future. With a proven track record and strong foothold in the industry, the Group will endeavour to maintain a sustainable development in its business so as to maximise the return for the shareholders.

Footnotes:

- [1] The Group's Application Services business engages in the provision of enterprise application software and e-business services for enterprises including the provision of (i) enterprise application software (including SaaS product offering) 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 (including SaaS product offering); (ii) Managed Services for the provision of IT and related operation / infrastructure outsourcing services; and (iii) 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 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 recorded an increase in total revenue of HK\$3.2 million, or 1.2%, to HK\$268.7 million (2021: HK\$265.5 million) during the reporting year. The change was contributed by an increase in revenue from the Group's Solutions and Integration Services business, and a drawback by a drop in revenue from the Application Services business.

In line with the increase in staff costs and third party licence fees arising from software product sales, the cost of sales and services went up by HK\$10.6 million, or 9.4% to HK\$123.7 million (2021: HK\$113.1 million). The overall gross profit, being adversely impacted by the increased operating costs, had been reduced by HK\$7.4 million, or 4.9% to HK\$145.0 million (2021: HK\$152.4 million). Relevantly, the gross profit margin fell to 54.0% (2021: 57.4%).

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

The other income and gains materially increased by HK\$8.3 million, or 154.2% to HK\$13.6 million (2021: HK\$5.4 million). The increment was mainly contributed by the Government subsidies of HK\$5.7 million (2021: Nil) granted under the ESS and the bank interest income of HK\$6.0 million (2021: HK\$2.5 million) resulting from the upward trend on interest rates in the second half of 2022.

Conversely, the Group's financial assets and investment properties incurred losses of HK\$2.4 million (2021: gains of HK\$0.7 million) due to downward valuations caused by the Pandemic.

Expenses

Primarily due to increase in amortisation of other intangible assets and depreciation of right-of-use assets, the overall expenses (including the selling and distribution expenses, the general and administrative expenses, net, the finance cost and other expenses) went up by HK\$5.2 million, or 5.2% to HK\$105.7 million (2021: HK\$100.4 million).

The income tax expense was comparable to same period last year.

Net profit

Profit attributable to shareholders of the Company fell by 12.7% to HK\$47.0 million (2021: HK\$53.8 million) for the sake of increasing operating costs. Relevantly, the net profit margin (profit for the year attributable to shareholders of the Company divided by the revenue) also dropped to 17.5% (2021: 20.3%).

Non-current assets

Amortisation of other intangible assets and depreciation of right-of-use assets mainly contributed to the reduction of the non-current assets by HK\$18.2 million, or 6.4%, to HK\$265.8 million (31 December 2021: HK\$284.1 million).

Current assets

The current assets slightly increased by HK\$15.4 million, or 3.9% to HK\$412.7 million (31 December 2021: HK\$397.2 million). The change was mainly attributed to the increase in cash and bank balances and trade receivables.

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.

FINANCIAL REVIEW*(continued)*

Current liabilities and non-current liabilities

The Group's current and non-current liabilities slightly dropped by HK\$2.3 million or 1.4% to HK\$155.4 million (31 December 2021: HK\$157.7 million). The change was mainly the net effect of the increase in trade payables under the current liabilities and the decrease in lease liabilities under the non-current liabilities.

Segment assets and liabilities

Segment assets of the Application Services business decreased due to amortisation of other intangible assets while the segment liabilities of the business dropped in line with decrease in both contract liabilities and lease liabilities.

Segment assets of Solutions and Integration Services increased due to increase in trade receivables while segment liabilities of the business increased in line with increase in both trade payables and contract liabilities.

Segment assets of the Investments business dropped as both investment properties and financial assets recorded valuation losses in 2022. The partial disposal of financial assets in late 2022 also attributed to the decrease of segment assets of the business.

Equity attributable to owners of the parent

Total equity attributable to owners of the parent maintained at HK\$521.6 million (31 December 2021: HK\$522.1 million) without material change.

The change was mainly the net results of the profit earned in 2022, the purchase of shares held under the restricted share award scheme and the payment of the 2021 final dividend and 2022 interim dividend.

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 2022, the Group had pledged an investment property with a fair value of HK\$63.5 million (31 December 2021: HK\$63.5 million), listed equity securities of HK\$4.2 million (31 December 2021: HK\$7.5 million) and bank balances of HK\$1.0 million (31 December 2021: HK\$1.2 million) to secure certain general bank facilities including guarantee/performance bonds facilities granted to the Group/subsidiaries of the Company in aggregate of HK\$111.9 million (31 December 2021: HK\$112.1 million) of which HK\$21.3 million (31 December 2021: HK\$21.8 million) have been utilised as at 31 December 2022.

FINANCIAL RESOURCES AND LIQUIDITY

As at 31 December 2022, the Group's cash and cash equivalents were HK\$309.8 million (31 December 2021: HK\$298.4 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 arise.

As at 31 December 2022, the Group had no bank borrowings (31 December 2021: Nil). The Group's current ratio representing current assets divided by current liabilities was 3.0 (31 December 2021: 3.0) and the gearing ratio, representing total liabilities divided by total assets, was 22.9% (31 December 2021: 23.1%).

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 2022, the Group employed 361 full time employees and 12 part time employees (31 December 2021: 367 full time employees and 13 part time employees).

As at 31 December 2022, the Company operates 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 2022.

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 2022.

CONTINGENT LIABILITIES

Save as disclosed in the announcement, the Group has no material contingent liabilities as at 31 December 2022.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in the announcement, there are no other material subsequent events undertaken by the Company or by the Group after 31 December 2022 and up to the date of this annual results announcement.

FINAL AND SPECIAL DIVIDENDS

The Board has recommended the payment of a final dividend of 7.5 HK cents (2021: a final dividend of 11 HK cents) and a special dividend of 5 HK cents (2021: Nil) per ordinary share for the year ended 31 December 2022.

CLOSURE OF THE REGISTER OF MEMBERS

The Board has recommended a final dividend of 7.5 HK cents (2021: a final dividend of 11 HK cents) and a special dividend of 5 HK cents (2021: Nil) per ordinary share payable to shareholders whose names appear on the Register of Members of the Company on Monday, 12 June 2023. The Register of Members of the Company will be closed from Wednesday, 31 May 2023 to Monday, 5 June 2023 (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 Monday, 5 June 2023, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 30 May 2023. In addition, the Register of Members of the Company will be closed from Friday, 9 June 2023 to Monday, 12 June 2023 (both days inclusive) for the purpose of ascertaining shareholders' entitlement to the proposed final and special dividends. In order to qualify for the proposed final and special dividends, 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 Thursday, 8 June 2023. During such periods, no share transfer will be effected. The final and special dividends will be distributed on or about Monday, 26 June 2023 to shareholders whose names appear on the Register of Members of the Company on Monday, 12 June 2023.

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 506,000 shares of the Company being the restricted award shares. The total amount paid to acquire these shares during the year was approximately HK\$1,250,000.

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 C.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.

The Board considered that the powers and authorities have not been concentrated as all major decisions have been made in consultation with the Board and appropriate Board committees, as well as top management. In addition, there are three independent non-executive directors on the Board offering their experience, expertise, independent advice and views from different perspectives. The Board is therefore of the view that there are adequate balance of power and safeguards in place.

The Board reviewed the scope of operation and management structure of the Group and considered the current organisation structure was effective and there is no imminent need to appoint CEO. However, the Board will continue to review the effectiveness of the Group's corporate governance structure and will consider whether any change, including the appointment of CEO, is 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 2022, 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 2022, 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 2022 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 2022.

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 and the related notes thereto for the year ended 31 December 2022 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 2022 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, 20 March 2023

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, Professor Lee Kwok On Matthew, Mr. Poon Siu Hoi Casey and Mr. Ting Leung Huel Stephen as independent non-executive directors.