

computer technologies

COMPUTER AND TECHNOLOGIES HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 46)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2007

The Board of Directors (the “Board”) of Computer And Technologies Holdings Limited (the “Company”) presents the unaudited condensed consolidated interim financial results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2007, together with the comparative amounts. These condensed consolidated interim financial information have been reviewed by the Company’s audit committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

		For the six months ended 30 June (Unaudited)	
	Notes	2007 HK\$'000	2006 HK\$'000
REVENUE	4	117,321	113,726
Cost of sales		(73,604)	(73,762)
Gross profit		43,717	39,964
Other income and gains		7,577	4,412
Selling and distribution costs		(22,794)	(22,697)
General and administrative expenses		(16,737)	(16,804)
Other expenses		(310)	(1,007)
PROFIT BEFORE TAX	5	11,453	3,868
Tax	6	(1,246)	(538)
PROFIT FOR THE PERIOD		10,207	3,330
Attributable to:			
Equity holders of the parent		10,391	3,556
Minority interests		(184)	(226)
		10,207	3,330
DIVIDEND	7	Nil	Nil
EARNINGS PER SHARE			
ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
Basic		3.92 HK cents	1.32 HK cents
Diluted		N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

	<i>Notes</i>	30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		11,846	13,515
Investment properties		24,462	22,012
Goodwill		23,900	23,900
Other intangible assets		1,033	2,066
Held-to-maturity securities		498	1,265
Available-for-sale investments		1,802	1,796
Pledged bank deposits		3,110	3,110
Deferred tax assets		2,000	2,000
<i>Total non-current assets</i>		<u>68,651</u>	<u>69,664</u>
CURRENT ASSETS			
Held-to-maturity securities		767	—
Inventories		23,022	12,870
Trade receivables	9	71,558	45,180
Due from contract customers		20,199	59,052
Prepayments, deposits and other receivables		12,565	7,193
Equity investments at fair value through profit or loss		6,070	5,968
Tax recoverable		314	601
Pledged bank deposits		10,275	8,566
Cash and cash equivalents		161,717	163,822
<i>Total current assets</i>		<u>306,487</u>	<u>303,252</u>
CURRENT LIABILITIES			
Trade payables, other payables and accruals	10	(49,817)	(51,648)
Deferred income		(8,649)	(7,764)
Due to minority shareholders of subsidiaries		(2,150)	(2,150)
Tax payable		(2,925)	(1,740)
<i>Total current liabilities</i>		<u>(63,541)</u>	<u>(63,302)</u>
NET CURRENT ASSETS		<u>242,946</u>	<u>239,950</u>
<i>Net assets</i>		<u>311,597</u>	<u>309,614</u>
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital		26,511	26,561
Reserves		284,219	274,046
Proposed dividends		—	7,950
		<u>310,730</u>	<u>308,557</u>
Minority interests		<u>867</u>	<u>1,057</u>
<i>Total equity</i>		<u>311,597</u>	<u>309,614</u>

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. Corporate information

Computer And Technologies Holdings Limited is a limited liability company incorporated in Bermuda. The principal place of business of the Company is located at 30th Floor, Prosperity Millennia Plaza, 663 King's Road, North Point, Hong Kong.

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

- trading of computer hardware, software and related accessories;
- provision of system and network platform with integration services;
- provision of IT solutions, e-business and related services;
- provision of software application packages with implementation and maintenance services; and
- property and treasury investments.

2. Basis of preparation and accounting policies

The unaudited condensed consolidated interim financial information has been prepared in accordance with Hong Kong Accounting Standards ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The unaudited condensed consolidated interim financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2006.

3. Significant accounting policies

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial information are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2006, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), which also included HKASs and Interpretations, that affect the Group and are adopted for the first time for the current period's financial statements.

HKAS 1 Amendment	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 <i>Financial Reporting in Hyperinflationary Economics</i>
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(continued)

3. Significant accounting policies (continued)

The adoption of these new and revised standards and interpretations has had no material effect in this unaudited condensed consolidated interim financial information.

The Group has not applied the following new and revised HKFRSs and HKASs, which have been issued but are not yet effective, in these unaudited condensed consolidated interim financial information:

HKFRS 8	Operating Segments
HKAS 23 (Revised)	Borrowing Costs
HK(IFRIC)-Int 11	HKFRS 2 Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements

HKFRS 8, HKAS 23 (Revised), HK(IFRIC)-Int 11 and HK(IFRIC)-Int 12 shall be applied for annual periods beginning on or after 1 January 2009, 1 January 2009, 1 March 2007 and 1 January 2008 respectively.

The Group has already commenced an assessment of the potential impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on its results of operations and financial position.

4. Segment information

The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments. Summary details of the business segments are as follows:

- (a) the integration and solution services segment engages in the provision of system and network integration services, industry-specific IT application implementation services, IT solutions implementation and application development services;
- (b) the application services segment engages in the provision of enterprise applications and IT operation outsourcing services;
- (c) the distribution segment engages in the distribution of digital media products and other computer accessories; and
- (d) the investments segment primarily engages in various types of investing activities including, inter alia, property investments for rental income and treasury investments in listed securities and held-to-maturity securities for dividend income and interest income.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
(continued)

4. Segment information (continued)

An analysis of the Group's revenue and profit/(loss) for the six months ended 30 June 2007 by the Group's business segments is as follows:

	Integration and Solutions Services		Application Services		Distribution		Investments		Consolidated	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue										
Sales to external customers	77,503	74,025	24,504	24,010	14,668	13,367	646	2,324	117,321	113,726
Other revenue and gains	539	202	60	98	886	864	2,738	171	4,223	1,335
Total	78,042	74,227	24,564	24,108	15,554	14,231	3,384	2,495	121,544	115,061
Segment results before significant non-cash expenses	10,467	4,475	4,671	6,618	(204)	(447)	3,426	2,280	18,360	12,926
Depreciation	(451)	(706)	(741)	(645)	(275)	(265)	(132)	(138)	(1,599)	(1,754)
Amortisation of deferred development costs	–	(121)	(1,033)	(1,078)	–	–	–	–	(1,033)	(1,199)
Impairment of trade receivables	–	–	(230)	(1,010)	(80)	–	–	–	(310)	(1,010)
Segment results	10,016	3,648	2,667	3,885	(559)	(712)	3,294	2,142	15,418	8,963
Unallocated interest income and gains									3,354	3,077
Corporate and other unallocated expenses									(7,319)	(8,172)
Profit before tax									11,453	3,868
Tax									(1,246)	(538)
Profit for the period									10,207	3,330

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
(continued)

5. Profit before tax

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

	Unaudited	
	Six months ended 30 June	
	2007	2006
	<i>HK\$ '000</i>	<i>HK\$ '000</i>
Depreciation	1,697	1,892
Amortisation of deferred development costs [#]	1,033	1,199
Provision for bad and doubtful debts*	310	1,010
Interest income	(3,218)	(3,046)

[#] This is included in "Cost of sales" on the face of the condensed consolidated income statement.

* This is included in "Other expenses" on the face of the condensed consolidated income statement.

6. Tax

Hong Kong profits tax has been provided at the applicable rate of 17.5% (six months ended 30 June 2006: 17.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Unaudited	
	Six months ended 30 June	
	2007	2006
	<i>HK\$ '000</i>	<i>HK\$ '000</i>
Current – Hong Kong		
Charge for the period	101	97
Overprovision in prior periods	–	(92)
Current – Elsewhere		
Charge for the period	1,145	533
Total tax charge for the period	1,246	538

7. Dividend

The Board does not recommend the payment of any dividends in respect of the period (2006: Nil).

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
(continued)

8. Earnings per share

(a) *Basic earnings per share*

The calculation of basic earnings per share is based on the net profit for the period attributable to ordinary equity holders of the parent of HK\$10,391,000 (2006: HK\$3,556,000) and the weighted average number of 265,006,000 (2006: 269,502,000) ordinary shares of the Company in issue during the period.

(b) *Diluted earnings per share*

Diluted earnings per share amounts for the period ended 30 June 2007 and 2006 have not been disclosed as the exercise prices of the Company's outstanding share options are higher than the average market prices of the Company's ordinary shares during the two periods and accordingly, the Company's outstanding share options have no dilutive effect.

9. Trade receivables

An aged analysis of the trade receivables as at the balance sheet date, based on the payment due date and net of provisions, is as follows:

	Unaudited 30 June 2007 <i>HK\$'000</i>	Audited 31 December 2006 <i>HK\$'000</i>
Current	34,449	25,211
1 to 3 months	25,678	8,290
More than 3 months	11,431	11,679
	71,558	45,180

Credit terms

For system integration projects and the provision of maintenance services and software development services, the Group's trading terms with its customers vary from contract to contract and may include cash on delivery, advance payment and on credit. For those customers who trade on credit, the overall credit period tie to the project implementation schedule is generally within 120 days, except for certain projects with longer implementation schedules where the period may extend beyond 120 days. The Group seeks to maintain strict control over its outstanding trade receivables and overdue balances are reviewed regularly by senior management.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
(continued)

10. Trade payables, other payables and accruals

Included in the balance is an amount of HK\$14,479,000 (31 December 2006: HK\$24,042,000) representing the Group's trade payables. An aged analysis of trade payables as at the balance sheet date, based on the invoice date, is as follows:

	Unaudited 30 June 2007 <i>HK\$'000</i>	Audited 31 December 2006 <i>HK\$'000</i>
Current	2,719	17,013
1 to 3 months	10,855	6,183
Over 3 months	905	846
	14,479	24,042

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

11. Commitments and contingent liabilities

Other than the normal course of business, the Group has no significant commitment and contingent liability as at 30 June 2007.

REVIEW OF OPERATIONS

The Group's overall revenue in the first six months of 2007 was HK\$117.3 million (2006: HK\$113.7 million) representing an increase of 3.2% as compared with the same period last year. The revenue from Integration and Solutions Services, Application Services and Distribution increased by 4.7%, 2.1% and 9.7% respectively. The overall gross profit increased by 9.4% amounted to HK\$43.7 million (2006: HK\$40.0 million), and the overall operating expenses were stay at the same level of last year. Resulting that the net profit attributable to shareholders was HK\$10.4 million (2006: HK\$3.6 million) or a growth of 1.92 times compared with the same period last year.

As of the reporting date, the Group's signed but not yet recognized as revenue contracts worth approximately HK\$310 million. More than 60% of them were maintenance and outsourcing related services nature and approximately 40% of the total were scheduled to deliver by end of 2007.

China's strong economic growth had been boosting demands across industries for IT services. The Group's strong install base, particularly in the financial services sector, had generated substantial number of sale initiatives. Attributed to the increased sales of information infrastructure systems and other IT services to existing and new customers in China and Hong Kong, the Integration and Solutions Services segment achieved a growth of 174.6% compared with the same period of last year. At the same time, the existing outsourcing service contracts with the Hong Kong SAR Government had also contributed stable revenue streams to the Group.

The Application Services business remained stable and its e-Services business achieved moderate growths both in transaction volume and subscription-based income. However, the performance of the human resource management solutions was slightly impacted by staff turnovers that created pressures in the project deliveries schedules. With the extra efforts and measures put on, the Management anticipated that problems would be gradually ratified.

The Distribution business recorded a growth of 9.7% in revenue, however the overall results remained unsatisfactory during the period. The Group is considering various alternatives to uplift the return on investment in that business segment.

PROSPECT

Riding on the strong economic growth in China, the Group secured a substantial volume of integration and solutions business as of the announcement date. The Management is optimistic that, with the Group's strong customer base and well-established operation in China, the integration and solutions business will continue to grow in the coming years. Besides, the strong recurring revenue streams generated from Application Services segment will provide additional stable income for the Group to minimize the impact due to unforeseeable fluctuations of the market.

With the gradual progress in integrating the resources among business units and across Hong Kong and China, the Group is benefiting from the synergy effects toward a more competitive and effective organizational structure. In addition, the acquisition of Y&A Professional Services Limited in last November also enlarged the Group's profit and business scale. The Management will continue to explore merger and acquisition opportunities to further expand the scale of businesses and hence the shareholders' value.

FINANCIAL RESOURCES AND LIQUIDITY

As at 30 June 2007, the Group's cash and bank balances (excluded pledged bank deposit of HK\$10.3 million) was HK\$161.7 million compared with HK\$163.8 million as of 31 December 2006. The decrease was primarily due to cash outflow on share repurchase and payment of the final dividends.

The Group made no bank borrowings during the current period. As a result, gearing ratio comparing net debt (borrowing net of cash and bank balances available) to equity was zero as of 30 June 2007 and 31 December 2006.

CURRENCY AND FINANCIAL RISK MANAGEMENT

Over 98% of the Group's on hand funding is in Hong Kong, US and Renminbi currencies. Any surplus cash is placed in savings and short-term bank deposits to earn interest incomes. The Group has not adopted any hedging policies, as all these currencies carry no or low exchange fluctuation risks.

REMUNERATION POLICY AND NUMBER OF EMPLOYEES

The remuneration policies adopted for the six months period ended 30 June 2007 were consistent with those disclosed in the Group's 2006 Annual Report. As at 30 June 2007, the Group employed approximately 331 full time employees (31 December 2006: 363 full time employees and 1 contract-based employee).

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the period, the Company repurchased 638,000 shares on the Stock Exchange and these shares were subsequently cancelled by the Company. The share repurchase has enhanced the net asset value per share and the earnings per share, which the directors believe is in the best interests of the Company and the shareholders. Further details of these transactions are set out as below:

Month/year	Number of shares repurchased	Highest price paid per share <i>HK\$</i>	Lowest price paid per share <i>HK\$</i>	Aggregate price paid <i>HK\$'000</i>
January 2007	<u>638,000</u>	<u>0.80</u>	<u>0.78</u>	<u>506</u>

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 period.

CODE ON CORPORATE GOVERNANCE PRACTICE

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

Code Provision A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The Company does not have a separate Chairman and Chief Executive and Mr. Ng Cheung Shing currently holds both positions. The Board believes that vesting the roles of both chairman and chief executive in the same individual provides the Group with strong and consistent leadership and allows for more effective planning and execution of long-term business strategies.

Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term and subject to re-election. Independent non-executive directors of the Company do not have a specific term of appointment but are subject to retirement by rotation in accordance with the provisions of the bye-laws of the Company. The Company therefore considers that sufficient measures have been taken to ensure that its corporate governance practices are similar to those provided in the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its code of conduct for dealings in securities of the Company by the directors. Based on specific enquiry of the Company's directors, the directors have complied with the required standard set out in the Model Code throughout the accounting period covered by the interim report.

To comply with CG Code A.5.4, the Company has also adopted the Model Code as its code of conduct for dealings in securities of the Company by certain employees of the Company or any of its subsidiaries who are considered to be likely to be in possession of unpublished price sensitive information in relation to the Company or its securities.

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 and internal controls. The audit committee comprises the three independent non-executive directors of the Company. The Audit Committee has reviewed with Management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters related to the preparation of the unaudited interim financial information for the six months ended 30 June 2007.

BY ORDER OF THE BOARD

Ng Cheung Shing
Chairman

Hong Kong, 31 August 2007

As at the date of this announcement, the Board comprises Mr. Ng Cheung Shing, Mr. Leung King San Sunny and Mr. Ma Mok Hoi as executive directors, and Mr. Ha Shu Tong, Dr. Lee Kwok On Matthew and Mr. Ting Leung Huel Stephen as independent non-executive directors.