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 2016

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 2016 together with comparative figures for the corresponding period in 2015 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2016

	Notes	**2016** *HK$'000*	2015 *HK$'000*
REVENUE	6	**258,699**	219,087
Cost of sales and services		**(112,578)**	(100,430)
Gross profit		**146,121**	118,657
Other income and gains, net	6	**5,194**	9,383
Foreign exchange differences, net		**(109)**	(9,073)
Fair value gains/(losses), net:			
Financial assets at fair value through profit or loss		**235**	(58)
Investment properties		**1,000**	3,200
Selling and distribution expenses		**(33,823)**	(22,980)
General and administrative expenses		**(55,799)**	(48,231)
Other expenses		**(6,024)**	(821)
PROFIT BEFORE TAX	7	**56,795**	50,077

continued/…

CONSOLIDATED STATEMENT OF PROFIT OR LOSS *(continued)*
Year ended 31 December 2016

	Notes	**2016** **HK$'000**	2015 HK$'000
PROFIT BEFORE TAX	*7*	**56,795**	50,077
Income tax expense	*8*	**(6,451)**	(5,974)
PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT		**50,344**	44,103
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*10*	**HK cents**	HK cents
Basic		**20.81**	18.27
Diluted		**20.74**	18.20

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2016

	Note	**2016**	2015
		HK$'000	*HK$'000*
PROFIT FOR THE YEAR		**50,344**	44,103
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Available-for-sale investments:			
Changes in fair value		-	(218)
Reclassification adjustment for losses included in the consolidated statement of profit or loss			
- loss on disposal	*7*	-	414
		-	196
Exchange differences on translation of foreign operations		**(4,323)**	(2,723)
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods		**(4,323)**	(2,527)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Surplus on property revaluation		-	2,630
Income tax effect		-	(658)
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		-	1,972
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX		**(4,323)**	(555)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT		**46,021**	43,548

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2016

	Notes	**2016** *HK$'000*	2015 *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*11*	**5,860**	6,919
Investment properties	*12*	**67,665**	66,665
Goodwill	*13*	**134,485**	44,575
Other intangible assets	*14*	**51,603**	6,343
Available-for-sale investment	*15*	**1,880**	1,880
Financial assets at fair value through profit or loss	*17*	**2,531**	2,507
Deferred tax assets	*19*	**2,994**	-
Total non-current assets		**267,018**	128,889
CURRENT ASSETS			
Inventories		**38**	236
Trade and bills receivables	*16*	**44,388**	33,080
Prepayments, deposits and other receivables		**13,819**	6,128
Due from contract customers		**10,092**	6,340
Financial assets at fair value through profit or loss	*17*	**9,490**	9,279
Tax recoverable		**8,038**	12,391
Pledged bank deposits		**21,885**	11,239
Cash and cash equivalents		**229,404**	332,120
Total current assets		**337,154**	410,813
CURRENT LIABILITIES			
Trade payables, other payables and accruals	*18*	**(79,024)**	(58,402)
Due to contract customers		**(20,205)**	(9,270)
Deferred revenue		**(35,753)**	(29,753)
Tax payable		**(10,234)**	(10,738)
Total current liabilities		**(145,216)**	(108,163)
NET CURRENT ASSETS		**191,938**	302,650
TOTAL ASSETS LESS CURRENT LIABILITES		**458,956**	431,539
NON-CURRENT LIABILITIES			
Deferred tax liabilities	*19*	**(17,474)**	(2,921)
Net assets		**441,482**	428,618

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*
31 December 2016

	2016	2015
	HK$'000	*HK$'000*
EQUITY		
Equity attributable to owners of the parent		
Issued capital	**24,419**	24,419
Share premium account	**38,493**	38,493
Shares held under the restricted share award scheme	**(2,447)**	(3,019)
Other reserves	**356,810**	351,805
Proposed final and special dividends	**24,207**	16,920
Total equity	**441,482**	428,618

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2016

	Attributable to owners of the parent											
				Other reserves								
	Issued capital	Share premium account	Shares held under the restricted share award scheme	Share-based payment reserve	Goodwill reserve	Asset revaluation reserve	Available-for-sale investment revaluation reserve	Reserve funds	Exchange fluctuation reserve	Retained profits	Proposed final and special dividends	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 2015	24,419	38,493	(3,731)	2,428	(7,227)	–	525	733	5,297	340,172	21,708	422,817
Profit for the year	–	–	–	–	–	–	–	–	–	44,103	–	44,103
Other comprehensive income for the year:												
Changes in fair value of available-for-sale investments	–	–	–	–	–	–	196	–	–	–	–	196
Exchange differences related to translation of foreign operations	–	–	–	–	–	–	–	–	(2,723)	–	–	(2,723)
Surplus on revaluation of a building upon transfer to investment property	–	–	–	–	–	1,972	–	–	–	–	–	1,972
Total comprehensive income for the year	–	–	–	–	–	1,972	196	–	(2,723)	44,103	–	43,548
Vesting of shares held under the restricted share award scheme	–	–	712	(712)	–	–	–	–	–	–	–	–
Share award arrangements	–	–	–	888	–	–	–	–	–	–	–	888
Final and special 2014 dividends declared	–	–	–	–	–	–	–	–	–	(20)	(21,708)	(21,728)
Interim 2015 dividend	–	–	–	–	–	–	–	–	–	(16,907)	–	(16,907)
Proposed final 2015 dividend	–	–	–	–	–	–	–	–	–	(16,920)	16,920	–
At 31 December 2015	24,419	38,493	(3,019)	2,604	(7,227)	1,972	721	733	2,574	350,428	16,920	428,618

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(continued)*
Year ended 31 December 2016

	Attributable to owners of the parent											
				Other reserves								
	Issued capital	Share premium account	Shares held under the restricted share award scheme	Share-based payment reserve	Goodwill reserve	Asset revaluation reserve	Available-for-sale investment revaluation reserve	Reserve funds	Exchange fluctuation reserve	Retained profits	Proposed final and special dividends	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 2016	24,419	38,493	(3,019)	2,604	(7,227)	1,972	721	733	2,574	350,428	16,920	428,618
Profit for the year	–	–	–	–	–	–	–	–	–	50,344	–	50,344
Other comprehensive income for the year:												
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	–	(4,323)	–	–	(4,323)
Total comprehensive income for the year	–	–	–	–	–	–	–	–	(4,323)	50,344	–	46,021
Vesting of shares held under the restricted share award scheme	–	–	572	(572)	–	–	–	–	–	–	–	–
Share award arrangements	–	–	–	713	–	–	–	–	–	–	–	713
Final 2015 dividend declared	–	–	–	–	–	–	–	–	–	(15)	(16,920)	(16,935)
Interim 2016 dividend	–	–	–	–	–	–	–	–	–	(16,935)	–	(16,935)
Proposed final and special 2016 dividends	–	–	–	–	–	–	–	–	–	(24,207)	24,207	–
At 31 December 2016	24,419	38,493	(2,447)	2,745	(7,227)	1,972	721	733	(1,749)	359,615	24,207	441,482

CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**56,795**	50,077
Adjustments for:			
Bank interest income	6	**(4,081)**	(8,849)
Dividend income from listed investments	6	**(657)**	(629)
Loss/(gain) on disposal of items of property, plant and equipment, net	7	**42**	(243)
Gain on disposal of financial assets at fair value through profit or loss	6	**-**	(24)
Fair value losses/(gains), net:			
Available-for-sale investments (transfer from equity on disposal)	6	**-**	414
Financial assets at fair value through profit or loss	7	**(235)**	58
Investment properties	7	**(1,000)**	(3,200)
Depreciation	7	**2,870**	2,544
Impairment of trade receivables	7	**294**	319
Reversal of impairment of trade receivables	7	**(372)**	(338)
Reversal of impairment of an amount due from a contract customer	7	**(4)**	-
Amortisation of other intangible assets	7	**6,024**	821
Equity-settled share-based payment expense		**713**	888
		60,389	41,838
Decrease in inventories		**198**	476
Decrease/(increase) in trade and bills receivables		**(3,776)**	3,400
Increase in amounts due from contract customers		**(3,748)**	(2,470)
Increase in prepayments, deposits and other receivables		**(5,894)**	(304)
Decrease in trade payables, other payables and accruals		**(4,512)**	(4,614)
Increase/(decrease) in amounts due to contract customers		**(396)**	1,863
Increase/(decrease) in deferred revenue		**(3,620)**	3,958
Cash generated from operations		**38,641**	44,147
Hong Kong profits tax paid		**(4,276)**	(10,973)
Overseas taxes paid		**(1,770)**	(98)
Net cash flows from operating activities		**32,595**	33,076

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CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*
Year ended 31 December 2016

	Note	2016 HK$'000	2015 HK$'000
Net cash flows from operating activities		**32,595**	33,076
CASH FLOWS FROM INVESTING ACTIVITIES			
Bank interest received		**4,081**	8,849
Dividends received from listed investments		**657**	629
Purchases of items of property, plant and equipment		**(1,462)**	(1,448)
Purchase of a listed investment		**-**	(2,532)
Acquisition of subsidiaries	*20*	**(86,175)**	(14,988)
Payment of acquisition consideration payable		**(3,442)**	-
Proceeds from disposal of items of property, plant and equipment		**24**	439
Proceeds from disposal of financial assets at fair value through profit or loss		**-**	1,584
Proceeds from disposal of available-for-sale investments		**-**	9,682
Increase in pledged bank deposits		**(10,646)**	(4,296)
Decrease/(increase) in non-pledged bank deposits with original maturity of more than three months when acquired		**(31,617)**	25,381
Net cash flows from/(used in) investing activities		**(128,580)**	23,300
CASH FLOWS USED IN A FINANCING ACTIVITY			
Dividends paid		**(33,870)**	(38,635)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(129,855)**	17,741
Cash and cash equivalents at beginning of year		**304,726**	289,869
Effect of foreign exchange rate changes, net		**(4,478)**	(2,884)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**170,393**	304,726
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the consolidated statement of financial position		**229,404**	332,120
Non-pledged time deposits with original maturity of more than three months when acquired		**(59,011)**	(27,394)
Cash and cash equivalents as stated in the consolidated statement of cash flows		**170,393**	304,726

NOTES TO FINANCIAL STATEMENTS:

1. CORPORATE AND GROUP INFORMATION

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

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

- provision of enterprise applications software and related services, business process outsourcing, e-business, and related maintenance services;
- provision of system and network integration, information technology ("IT") solutions development and implementation, and related maintenance services; and
- property and treasury investments.

2. BASIS OF PREPARATION

These 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, an available-for-sale investment and financial assets at fair value through profit or loss which have been measured at fair value. These 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 2016. 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. CHANGE IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
HKFRS 14	*Regulatory Deferral Accounts*
Amendments to HKAS 1	*Disclosure Initiative*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs

The adoption of the above new and revised standards has had no significant financial effect on these financial statements.

4. ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[2]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[2]
HKFRS 9	*Financial Instruments*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[2]
HKFRS 16	*Leases*[3]
Amendments to HKAS 7	*Disclosure Initiative*[1]
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[1]

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019
4 No mandatory effective date yet determined but available for adoption

4. ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

The Group is in the process of making an assessment of the impact of the new and revised HKFRSs upon initial application but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on the Group's result of operations and financial position.

5. 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 related operation outsourcing, business process outsourcing and e-business, and related maintenance services;

(b) the integration and solutions services segment that primarily engages in the sales of computer networks and system platforms, and the provision of system and network integration, IT solutions development and implementation, and related maintenance services; and

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

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

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

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

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

5. OPERATING SEGMENT INFORMATION *(continued)*

(a) Operating segments

	Application Services		Integration and Solutions Services		Investments		Total	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:								
Sales to external customers	**139,827**	95,946	**116,293**	120,082	**2,579**	3,059	**258,699***	219,087*
Other income and gains, net	**499**	52	**(43)**	128	**657**	354	**1,113^**	534^
Total	**140,326**	95,998	**116,250**	120,210	**3,236**	3,413	**259,812**	219,621
Segment results	**46,980**	42,210	**30,418**	29,143	**3,962**	6,178	**81,360**	77,531
Reconciliation:								
Unallocated interest income							**4,081^**	8,849^
Unallocated foreign exchange differences, net							**(109)**	(9,073)
Corporate and other unallocated depreciation							**(1,809)**	(1,842)
Corporate and other unallocated expenses							**(26,728)**	(25,388)
Profit before tax							**56,795**	50,077
Segment assets	**209,355**	67,576	**43,712**	27,481	**82,534**	81,309	**335,601**	176,366
Reconciliation:								
Corporate and other unallocated assets							**268,571**	363,336
Total assets							**604,172**	539,702
Segment liabilities	**96,780**	53,318	**30,741**	36,382	**834**	845	**128,355**	90,545
Reconciliation:								
Corporate and other unallocated liabilities							**34,335**	20,539
Total liabilities							**162,690**	111,084

* *This represents the consolidated revenue of HK$258,699,000 (2015: HK$219,087,000) in the consolidated statement of profit or loss.*

^ *These comprise the consolidated other income and gains, net, of HK$5,194,000 (2015: HK$9,383,000) in the consolidated statement of profit or loss.*

5. OPERATING SEGMENT INFORMATION *(continued)*

(a) Operating segments *(continued)*

	Application Services		Integration and Solutions Services		Investments		Total	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Other segment information:								
Net fair value gains on investment properties	**–**	–	**–**	–	**1,000**	3,200	**1,000**	3,200
Net fair value gains/(losses) on financial assets at fair value through profit or loss	**–**	–	**–**	–	**235**	(58)	**235**	(58)
Amortisation of other intangible assets	**6,024**	821	**–**	–	**–**	–	**6,024**	821
Depreciation	**619**	329	**408**	314	**34**	59	**1,061**	702
Corporate and other unallocated depreciation							**1,809**	1,842
							2,870	2,544
Impairment losses recognised/(reversed) in the consolidated statement of profit or loss, net*	**(78)**	166	**(4)**	(185)	**–**	–	**(82)**	(19)
Capital expenditure**	**53,302**	6,617	**197**	988	**–**	–	**53,499**	7,605
Corporate and other unallocated capital expenditure							**45**	229
							53,544	7,834

* *Including impairment losses recognised in the consolidated statement of profit or loss attributable to the application services segment of HK$294,000 (2015: HK$319,000) and impairment losses reversed in the consolidated statement of profit or loss attributable to the application services segment and the integration and solutions services segment of HK$372,000 (2015: HK$153,000) and HK$4,000 (2015: HK$185,000), respectively.*

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

5. OPERATING SEGMENT INFORMATION *(continued)*

(b) Geographical information

(i) Revenue from external customers

	Hong Kong and other countries/regions		Mainland China		Total	
	2016	2015	**2016**	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:						
Sales to external customers	**195,261**	202,149	**63,438**	16,938	**258,699**	219,087

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

(ii) Non-current assets

	2016	2015
	HK$'000	*HK$'000*
Hong Kong	**114,554**	112,565
Mainland China	**145,059**	11,937
	259,613	124,502

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

(c) Information about major customers

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

For the year ended 31 December 2016, revenue from a major customer of HK$66,564,000 (2015: HK$62,445,000) was derived from the application services segment and the integration and solutions services segment.

6. REVENUE, OTHER INCOME AND GAINS, NET

Revenue represents the aggregate of the invoiced value of goods sold, net of trade discounts, returns and business tax, where applicable; fees earned from the provision of enterprise applications software, related operation outsourcing, business process outsourcing, e-business, system and network integration, IT solutions development and implementation and related services; fees earned from the provision of maintenance services; gross rental income earned from investment properties; and interest income earned from treasury investments during the year.

An analysis of revenue, other income and gains, net is as follows:

	2016	2015
	HK$'000	*HK$'000*
Revenue		
Provision of enterprise applications software and related operation outsourcing, business process outsourcing and e-business, and related maintenance services	**139,827**	95,946
Sales of computer networks and system platforms, and the provision of system and network integration, IT solutions development and implementation, and related maintenance services	**116,293**	120,082
Gross rental income from investment properties and interest income from treasury investments	**2,579**	3,059
	258,699	219,087
Other income and gains, net		
Bank interest income	**4,081**	8,849
Dividend income from listed investments	**657**	629
Fair value losses, net:		
Available-for-sale investments (transfer from equity on disposal)	**-**	(414)
Gain on disposal of financial assets at fair value through profit or loss	**-**	24
Gain/(loss) on disposal of items of property, plant and equipment, net	**(42)**	243
Others	**498**	52
	5,194	9,383

7. PROFIT BEFORE TAX

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

	2016	2015
	HK$'000	*HK$'000*
Cost of inventories sold	**52,570**	61,249
Cost of services provided	**59,997**	39,165
Depreciation*	**2,870**	2,544
Amortisation of other intangible assets#	**6,024**	821
Loss/(gain) on disposal of items of property, plant and equipment, net	**42**	(243)
Impairment of trade receivables	**294**	319
Reversal of impairment of trade receivables	**(372)**	(338)
Reversal of impairment of an amount due from a contract customer	**(4)**	-
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties	**81**	111
Fair value losses/(gains), net:		
Available-for-sale investments (transfer from equity on disposal)	**-**	414
Financial assets at fair value through profit or loss	**(235)**	58
Investment properties	**(1,000)**	(3,200)

* *Depreciation for the year of HK$11,000 (2015: HK$16,000) 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$6,024,000 (2015:HK$821,000) is included in "Other expenses" on the face of the consolidated statement of profit or loss.*

8. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

	2016	2015
	HK$'000	*HK$'000*
Current - Hong Kong		
Charge for the year	**8,810**	8,256
Under/(over)provision in prior years	**(1,595)**	535
Current - Elsewhere		
Charge for the year	**841**	23
Under/(over)provision in prior years	**18**	(2,705)
Deferred	**(1,623)**	(135)
Total tax charge for the year	**6,451**	5,974

In the prior years, the Hong Kong Inland Revenue Department (the"IRD") had issued protective assessments to a subsidiary of the Company demanding tax of approximately HK$6,622,000 for the years of assessment 2007/08 to 2009/10. Enquiry letters were issued to that subsidiary regarding, inter alia, the nature and the deductibility of certain expenditure/expenses. The subsidiary had objected to the protective assessments and written notices of objection had been filed to the IRD, at the same time, the subsidiary had purchased tax reserve certificates at the request of the IRD.

8. INCOME TAX *(continued)*

In October 2016, the IRD has issued the final tax assessments of the subsidiary for the years of assessment 2007/08 to 2015/16, which allowed the deductions of the abovementioned expenditure/expenses. The tax reserve certificates purchased in the prior years were refunded by the IRD. An overprovision of HK$1,003,000 in relation to the IRD enquires has been adjusted and reflected in current year's profit or loss of the Group.

9. DIVIDENDS

	2016	2015
	HK$'000	*HK$'000*
Interim - HK$0.07 (2015: HK$0.07) per ordinary share	**17,094**	17,093
Less: Dividend for shares held under the Company's restricted share award scheme	**(159)**	(186)
	16,935	16,907
Proposed final - HK$0.07 (2015: HK$0.07) per ordinary share	**17,094**	17,094
Less: Dividend for shares held under the Company's restricted share award scheme	**(149)**	(174)
	16,945	16,920
Proposed special - HK$0.03 (2015: Nil) per ordinary share	**7,326**	-
Less: Dividend for shares held under the Company's restricted share award scheme	**(64)**	-
	7,262	-
	41,142	33,827

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

10. 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 241,864,176 (2015: 241,422,214) 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 exercise or conversion of all dilutive potential ordinary shares granted under the share option scheme of the Company and the deemed vesting of all dilutive restricted shares of the Company awarded under the restricted share award scheme of the Company into ordinary shares.

The calculations of basic and diluted earnings per share are based on:

Earnings

The calculations of basic and diluted earnings per share are based on profit attributable to ordinary equity holders of the parent.

Shares

	Number of shares	
	2016	2015
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**241,864,176**	241,422,214
Effect of dilution - weighted average number of ordinary shares:		
Restricted shares awarded under the Company's restricted share award scheme	**856,914**	874,830
	242,721,090	242,297,044

11. PROPERTY, PLANT AND EQUIPMENT

	2016	2015
	HK$'000	*HK$'000*
Net carrying amount, as at 1 January	**6,919**	10,742
Additions	**1,462**	1,448
Disposals (net book value)	**(66)**	(196)
Surplus on revaluation	**-**	2,630
Transfer to investment properties	**-**	(5,200)
Acquisition of subsidiaries (note 20)	**479**	43
Depreciation provided during the year	**(2,870)**	(2,544)
Exchange realignment	**(64)**	(4)
Net carrying amount, as at 31 December	**5,860**	6,919

12. INVESTMENT PROPERTIES

	2016	2015
	HK$'000	*HK$'000*
Carrying amount at 1 January	**66,665**	58,265
Net gain from a fair value adjustment	**1,000**	3,200
Transfer from owner-occupied property	**-**	5,200
Carrying amount as at 31 December	**67,665**	66,665

13. GOODWILL

	HK$'000
At 31 December 2016	
Cost and carrying amount at 1 January 2016	**44,575**
Acquisition of subsidiaries (note 20)	**89,910**
Carrying amount at 31 December 2016	**134,485**

	HK$'000
At 31 December 2015	
Cost and carrying amount at 1 January 2015	29,211
Acquisition of subsidiaries	15,364
Carrying amount at 31 December 2015	44,575

14. OTHER INTANGIBLE ASSETS

	Deferred development costs	**Customer relationships**	**Software**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
At 31 December 2016				
Cost at 1 January 2016, net of accumulated amortisation and impairment	**-**	**6,343**	**-**	**6,343**
Acquisition of subsidiaries (note 20)	**-**	**7,603**	**43,681**	**51,284**
Amortisation provided during the year	**-**	**(1,656)**	**(4,368)**	**(6,024)**
At 31 December 2016	**-**	**12,290**	**39,313**	**51,603**

14. OTHER INTANGIBLE ASSETS *(continued)*

	Deferred development costs HK$'000	**Customer relationships HK$'000**	**Software HK$'000**	**Total HK$'000**
At 31 December 2016				
Cost	**13,026**	**14,767**	**43,681**	**71,474**
Accumulated amortisation and impairment	**(13,026)**	**(2,477)**	**(4,368)**	**(19,871)**
Net carrying amount	**-**	**12,290**	**39,313**	**51,603**

31 December 2015	**Deferred development costs** *HK$'000*	**Customer relationships** *HK$'000*	**Software** *HK$'000*	**Total** *HK$'000*
Cost at 1 January 2015, net of accumulated amortisation and impairment	-	-	-	-
Acquisition of subsidiaries	-	7,164	-	7,164
Amortisation provided during the year	-	(821)	-	(821)
At 31 December 2015	-	6,343	-	6,343
At 31 December 2015				
Cost	13,026	7,164	-	20,190
Accumulated amortisation and impairment	(13,026)	(821)	-	(13,847)
Net carrying amount	-	6,343	-	6,343

15. AVAILABLE-FOR-SALE INVESTMENT

	2016 ***HK$'000***	2015 *HK$'000*
Club membership debenture, at fair value	**1,880**	1,880

During the prior year, the net loss in respect of the Group's available-for-sale investments recognised in other comprehensive income amounted to HK$218,000, of which HK$414,000 was reclassified from other comprehensive income to the statement of profit or loss for that year.

16. TRADE AND BILLS RECEIVABLES

An aged analysis of the trade and bills receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	2016	2015
	HK$'000	*HK$'000*
Within 1 month	**29,174**	20,867
1 to 3 months	**9,521**	9,631
4 to 6 months	**5,137**	858
7 to 12 months	**556**	1,724
	44,388	33,080

For system integration projects and the provision of maintenance services and software development services, the Group's trading terms with its customers vary from contract to contract or depending on the specific arrangements with individual customers, and may include cash on delivery, advance payment and on credit. For those customers who trade on credit, the overall credit period is generally within 90 days, except for certain projects with longer implementation schedules where the period may extend beyond 90 days, or may be extended for major or specific customers. The Group seeks to maintain strict control over its outstanding trade receivables and overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over these balances. Trade and bills receivables are non-interest-bearing.

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2016	2015
	HK$'000	*HK$'000*
Debt investment, at market value	**2,531**	2,507
Listed equity investments, at market value	**9,490**	9,279
	12,021	11,786
Portion classified as current assets	**(9,490)**	(9,279)
Portion classified as non-current assets	**2,531**	2,507

The debt investment was designated upon initial recognition as financial assets at fair value through profit or loss as it is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the investment is provided internally on that basis to the Group's key management personnel.

The listed equity investments were all included under current assets at 31 December 2016 and 31 December 2015 and were classified as held for trading.

18. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	2016	2015
	HK$'000	*HK$'000*
Trade payables	**21,246**	16,886
Other payables	**27,425**	25,306
Accruals	**15,558**	12,768
Consideration payable on acquisition of subsidiaries (note 20)	**14,795**	3,442
	79,024	58,402

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

	2016	2015
	HK$'000	*HK$'000*
Within 1 month	**17,524**	15,454
1 to 3 months	**2,598**	812
4 to 6 months	**184**	100
Over 6 months	**940**	520
	21,246	16,886

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

19. DEFERRED TAX

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

Deferred tax assets

	2016 Temporary differences of deferred revenue
	HK$'000
At 1 January 2015, 31 December 2015 and 1 January 2016	**-**
Acquisition from subsidiaries (note 20)	**3,018**
Deferred tax credited to the consolidated statement of profit or loss during the year	**153**
Exchange differences	**(177)**
At 31 December 2016	**2,994**

19. DEFERRED TAX *(continued)*

Deferred tax liabilities

	2016			
	Revaluation of properties	**Fair value adjustments arising from acquisition of subsidiaries**	**Withholding taxes**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
At 1 January 2016	**1,378**	**1,047**	**496**	**2,921**
Acquisition from subsidiaries (note 20)	**-**	**12,821**	**3,658**	**16,479**
Deferred tax credited to the consolidated statement of profit or loss during the year	**-**	**(1,430)**	**(40)**	**(1,470)**
Tax paid	**-**	**-**	**(467)**	**(467)**
Exchange differences	**-**	**-**	**11**	**11**
At 31 December 2016	**1,378**	**12,438**	**3,658**	**17,474**

	2015			
	Revaluation of properties	Fair value adjustments arising from acquisition of subsidiaries	Withholding taxes	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2015	720	-	496	1,216
Acquisition from subsidiaries	-	1,182	-	1,182
Deferred tax charged to equity	658	-	-	658
Deferred tax credited to the consolidated statement of profit or loss during the year	-	(135)	-	(135)
At 31 December 2015	1,378	1,047	496	2,921

20. BUSINESS COMBINATION

On 4 January 2016, the Group acquired the entire equity interest in Platinum China Limited ("PCL"). PCL and its subsidiary (collectively "Platinum") are engaged in the provision of Human Resources Management solutions specifically designed to meet the business and regulatory requirements in the PRC. The Group has acquired Platinum to further expand its application services business and to extend the existing product offering. The purchase consideration, including the Cash Adjustment (as defined in the announcement of the Company dated 21 December 2015), of approximately HK$147,002,000 for the acquisition was payable in five tranches in form of cash.

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

	Fair value recognised on acquisition *HK$'000*
Property, plant and equipment (note 11)	479
Cash and bank balances	46,032
Trade receivables	7,144
Prepayments, deposits and other receivables	1,797
Deferred tax assets (note 19)	3,018
Other payables and accruals	(13,781)
Deferred revenue	(9,620)
Due to contract customers	(11,331)
Tax payable	(1,451)
Deferred tax liabilities (note 19)	(3,658)
Total identifiable net assets at fair value	18,629
Goodwill on acquisition (note 13)	89,910
Other intangible assets arising from the acquisition (note 14)	51,284
Deferred tax liabilities arising from the acquisition (note 19)	(12,821)
Total cost of the business combination	147,002
Satisfied by:	
Cash	132,207
Acquisition consideration payable (note 18)	14,795
Total cost of the business combination	147,002

20. BUSINESS COMBINATION *(continued)*

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to HK$7,144,000 and HK$1,797,000, respectively. The gross contractual amounts of trade receivables and other receivables were HK$11,815,000 and HK$1,797,000 respectively, of which trade receivables of HK$4,671,000 were expected to be uncollectible.

Included in the goodwill of HK$89,910,000 recognised above was the value of expected synergies arising from combining operations of the Group and Platinum. None of the goodwill recognised was expected to be deductible for income tax purposes.

An analysis of the cash flows in respect of the acquisition of subsidiaries is as follows:

	HK$'000
Cash consideration paid	(132,207)
Cash and bank balances acquired	46,032
Net outflow of cash and cash equivalents included in cash flows from investing activities	(86,175)

Since the acquisition, Platinum contributed HK$46,394,000 to the Group's revenue and HK$11,822,000 to the consolidated profit for the year ended 31 December 2016.

Had the combination taken place at the beginning of the year, the revenue of the Group and the profit of the Group for the year would have been HK$258,862,000 and HK$48,243,000, respectively.

21. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 12) under operating lease arrangements, with leases negotiated for terms ranging from one to two years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 31 December 2016, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2016	2015
	HK$'000	*HK$'000*
Within one year	**1,908**	1,871
In the second to fifth years, inclusive	**34**	348
	1,942	2,219

21. OPERATING LEASE ARRANGEMENTS *(continued)*

(b) As lessee

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to four years.

At 31 December 2016, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2016	2015
	HK$'000	*HK$'000*
Within one year	**5,426**	4,633
In the second to fifth years, inclusive	**9,055**	7,058
	14,481	11,691

22. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 17 March 2017.

CHAIRMAN'S STATEMENT

Dear Shareholders,

OVERVIEW

On behalf of the board of directors (the "Board") of Computer And Technologies Holdings Limited (the "Company"), I am pleased to present the audited annual results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2016.

The Group's overall revenue grew by HK$39.6 million, or 18.1% to HK$258.7 million (2015: HK$219.1 million). The overall gross profit rose by HK$27.5 million, or 23.1% to HK$146.1 million (2015: HK$118.7 million) and the gross profit margin was also improved to 56.5% (2015: 54.2%).

During the reporting period, the Group's interest income decreased by HK$4.8 million, or 53.9% to HK$4.1 million (2015: HK$8.8 million) and the valuation gain on investment properties dropped by HK$2.2 million, or 68.8% to HK$1.0 million (2015: HK$3.2 million). On the other hand, the Group reduced its holding of Renminbi ("RMB") currency in Hong Kong and accordingly, the Group's foreign exchange loss was significantly reduced by HK$9.0 million, or 98.8% to HK$0.1 million (2015: HK$9.1 million).

In order to maintain the competitiveness of the Group's software products, the Group has been increasing resources in research and development ("R&D") and incurred additional costs of approximately HK$4.2 million in the reporting year. As a combined result of the above mentioned factors, the Group's consolidated net profit attributable to shareholders increased by 14.2% to HK$50.3 million (2015: HK$44.1 million). The basic earnings per share was 20.81 HK cents (2015: 18.27 HK cents) or an increase of 13.9% compared with last year.

Despite around HK$90 million cash outflow used in acquisitions during the reporting year, the Group's liquidity position remained strong. In view of sustained healthy financial position, the Board recommended the distribution of a final dividend of 7 HK cents (2015: 7 HK cents) per ordinary share and a special dividend of 3 HK cents (2015: Nil) per ordinary share. Including the interim dividend of 7 HK cents (2015: 7 HK cents) per ordinary share, the full year dividend payout amounts to 17 HK cents.

BUSINESS REVIEW

Application Software
Benefiting from the acquisition of Platinum China Limited and its wholly-owned subsidiary (collectively "Platinum") in early 2016, the Group's Application Software business[1] was materially enlarged.

The management is delighted to see that the resources of Platinum had been smoothly integrated with the Group and the Human Resources Management Software ("HRMS") business continued to capture new customers with upgraded software packaged with additional functions and features. These new customers are coming from various sectors including prestigious local construction company, multi-national life insurance corporation and world famous food brands. The Group is continuously strengthening its resources in HRMS in order to broaden its product offering and expand its business coverage in the region.

The combined profit contributions of the Group's other software businesses, including Enterprise Information Management Software ("EIMS"), Enterprise Procurement Management Software ("EPMS") and Enterprise Retail Management Software ("ERMS") businesses, were improved during the year under review. Despite the sales of on-premise software license for both EPMS and ERMS businesses were decreased, the businesses managed to acquire new customers and accomplished growth in maintenance and Software as a Service ("SaaS") revenue with recurring nature.

To further enhance the competitiveness, apart from those mentioned in our interim results announcement, the following new software modules of ERMS and EIMS were developed and launched in the second half of the year.

BUSINESS REVIEW *(continued)*

Application Software *(continued)*
To cope with the ever-changing financial technology ("FinTech") development, the Group's ERMS branded after ChainStorePlus has been upgraded to cope with the fast-moving mobile trends. The newly released mobile payment module is now supporting various digital wallets, including Apple Pay, WeChat Pay and Alipay. From the MasterCard's Mobile Shopping Survey conducted in December 2015, 48.6% consumers in Asia made purchase using smartphones, and one in five were now using digital wallet, which was twofold increase from two years ago.

In response to the need of data capturing, the Group's EIMS has released VitalCapture, a comprehensive data capture and document processing solution, which turns vast information into business-ready data and delivers to the Group's proven VitalDoc as well as other third-party systems. VitalCapture allows intelligent and flexible approach to data extraction automation, image enhancement, document template design, machine-learning classification and multi-page handling etc.

The management also glad that the Group was the only Hong Kong company awarded by APAC CIOoutlook magazine as one of the "10 Most Promising Procurement Solution Providers" in the Asia Pacific Region. We differentiated ourselves with pioneering EPM system expertise and stood out from other industry practioners in the region with ensured convenience, efficiency and customer satisfaction. In the near future, the EPMS will be enhanced with new modules and seamless integration of the EIMS to enable systematic management of procurement related documents in a robust and secured repository. With the recent announcement in the HKSAR Government 2017-18 budget report that the Government will earmark HK$300 million to allow property owners to participate in the "Smart Tender" Building Rehabilitation Facilitating Services Scheme run by the Urban Renewal Authority ("URA"), the management is expecting that more revenue will be generated from the service contract signed with URA in early 2016.

The Innovation and Technology Commission of HKSAR Government had launched the Technology Voucher Programme ("TVP[3]") in second half of 2016 as an incentive to promote the effective use of technological services and solutions by small and medium enterprises ("SMEs") to enhance their operational efficiency. A number of the Group's Application Software including HRMS, EIMS, EPMS, ERMS and related services including Cyber Security solution are in the scope of TVP and the management believes the Group may benefit from such program and capture new business accordingly.

Solutions and Integration Services
In view to the absence of one-off material hardware sales order, the revenue of Solutions and Integration Services business[2] slightly dropped by 3.2%. Nonetheness, the business still maintained a steady growth in its operating profit by 4.4%.

As mentioned in the interim results announcement, the Group was awarded the second 10-year maintenance contract to support the Customer Care and Billing System ("CCBS") for the Water Supplies Department of the HKSAR Government. The previous contract was successfully completed in June 2016 and subsequently the new 10-year contract had also smoothly commenced. The management believes that this long term contract will continue to provide solid foundation and growth opportunity to the Group. Apart from CCBS and other long term services engagements, the Group was also awarded with various new services contracts from other government organisations and commercial enterprises including the Marine Department and Census & Statistics Department of the HKSAR Government, a training organization in the construction industry and the management office of a creative digital cluster in Hong Kong.

The Integration Services business kept streamlining its operation and merged office with Application Software teams in Shanghai, for which the effect of cost savings will be reflected in 2017.

e-Service and related business
The revenue and profit contributions of e-Service and related business[1] decreased moderately during the year under review.

Despite the Group's GETS business[4] continued to face intensive competition from other service providers, the Group still managed to maintain its market possession and successfully established another new partnership with a top tier global customized supply chain provider during the reporting year. Going forward, the business will keep focus on providing "fast, convenient and efficient" services to high-value customers to further enhance its competitive edge.

The demand for the Group's BPO service[5] dropped moderately in 2016. The business had been actively exploring new business opportunities and has successfully engaged a new customer in second half of the year. The management will redouble effort in searching new prospects to enlarge the client base.

Investments
The Group's investments segment recorded a decrease in profit of 35.9% to HK$4.0 million (2015: HK$6.2 million) in 2016. The change was in line with the decrease in fair value gain of the investment properties held.

PROSPECT

Looking ahead to 2017, there are global uncertainties or even threats over Sino-US relations, the impact of US interest rate hikes, and the consequences of curbs on capital outflows in Mainland China. Despite these uncertainties, the Group will continue to be alerted to the risk management and remain committed to devote more resources in its software and solutions business to enlarge its business coverage and continue to pursue for suitable acquisition opportunities in the region to accelerate its business growth.

Footnotes:

[1] The Group's Application Services business engages in the provision of application software and e-business services for enterprises including (i) the provision of enterprise application software with implementation and ongoing support services for Human Resource Management, Enterprise Procurement Management, Enterprise Information Management and Enterprise Retail Management (collectively the "Application Software"); and (ii) the Government Electronic Trading Services ("GETS"), cloud services, business process outsourcing ("BPO") 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; and (iii) Integration Services for the provision of IT systems and network infrastructure with related design, implementation and on-going support services.

[3] The TVP is a pilot scheme outlined earlier in the 2016-17 Budget of the HKSAR Government. A fund of HK$500 million is allocated from the Innovation and Technology Fund to promote the effective use of technological services and solutions by SMEs to enhance their operational efficiency. Each eligible enterprise is entitled funding of up to HK$200,000 from the total approved project cost in cash.

[4] Since 2004, the Group has been granted a license (the "GETS License") from the Government for the provision of front-end Government Electronic Trading Services for processing certain official trade-related documents. The Group's GETS License was renewed in 2009 for operation of additional seven years and further extended in 2016 for additional two years until the end of 2018.

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

FINANCIAL REVIEW

Revenue

The Group's turnover and gross profit for the reporting year increased by 18.1 % to HK$258.7 million (2015: HK$219.1 million) and 23.1% to HK$146.1 million (2015: HK$118.7 million), respectively. The overall gross profit margin was also soared to 56.5% (2015: 54.2%). The increase in revenue and gross profit was mainly due to the inclusion of the contributions from Platinum, the newly acquired HRMS business in early 2016.

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

Non-operating incomes and gains (included other incomes and gains, net, foreign exchange differences, net, and fair value gains/(losses), net) recorded a significant increase of 83.1% to HK$6.3 million (2015: HK$3.5 million). The increase was mainly due to a mixed result of the followings.

Bank interest income

Bank interest income recorded a decrease of 53.9% to HK$4.1 million (2015: HK$8.8 million) in view of (i) the decrease in available cash for deposits as some of the fundings had been used for business acquisition; and (ii) the drop of on-handed Renminbi level had reduced the contributions by this relatively high interest yield generator as compared with the Group's other available currencies.

Foreign exchange differences, net

The foreign exchange loss was significantly dropped to HK$0.1 million (2015: HK$9.1 million) as the Group had reduced its holding of Renminbi in Hong Kong during the year under review.

Fair value gain on investment properties

The continuous appreciation in the investment properties held by the Group attributed a fair value gain of HK$1.0 million on the investment properties, however the gain was shrunk by 68.8% or HK$2.2 million lower than that of last year.

Expenses

The Group's overall selling and distribution expenses and the general and administrative expenses increased primarily due to the consolidation of the newly acquired HRMS business since January 2016.

The Group's other expenses consisted of amortisation of other intangible assets. The increase in amortisation was due to the recognition of new other intangible assets arose from the acquisition of Platinum in early 2016.

FINANCIAL REVIEW *(continued)*

Income tax expense
Income tax expense increased from HK$6.0 million last year to HK$6.5 million this year, and was in line with the increase in assessable profits which subject to profits tax. The tax charge at the Group's effective tax rate was around 11.4% in 2016, compared with 11.9% in 2015. The effective tax rate was lower than the Hong Kong statutory profits tax rate because (i) several types of incomes/gain, such as dividend, bank interest income and fair value gain arising from revaluation of investment properties, are exempted from Hong Kong profits tax and (ii) there were reversal of overprovision in prior years and recognition of deferred tax credit arising from amortisation of other intangible assets.

Net profit
Profit for the year attributable to shareholders increased 14.2% to HK$50.3 million (2015: HK$44.1 million) while the net profit margin (profit for the year attributable to shareholders divided by revenue) was slightly decreased to 19.5% (2015: 20.1%). The decrease was due to the growth in expenses was not in proportion with the increase in revenue.

Non-Current Assets
The Group's non-current assets as at 31 December 2016 went up to HK$267.0 million (2015: HK$128.9 million). The change was mainly attributable to the recognition of a goodwill and other intangible asset arising from the acquisition of Platinum in early 2016.

The Group reviewed and concluded that there was no indication of impairment to the carrying value of goodwill during the year under review.

Current Assets
The Group's current assets as at 31 December 2016 decreased 17.9% to HK$337.2 million (2015: HK$410.8 million). The decrease represented the net results of (i) the decrease in cash and cash equivalents due to the distribution of 2015 final dividend, 2016 interim dividend and progress payments for the acquisitions; (ii) the increase in trade receivable, prepayments, deposits and other receivables due to consolidation of newly acquired HRMS business in 2016; (iii) the increase in amount due from contract customers as there were some progress developments under Solutions Services business pending to be billed; and (iv) the decrease in tax recoverable due to refund received in late 2016 for the refund of a tax case previously reported.

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

Current Liabilities
The Group's current liabilities as at 31 December 2016 increased 34.3% to HK$145.2 million (2015: HK$108.2 million). The increase was primarily due to (i) the increase in acquisition consideration payable of HK$14.8 million; and (ii) the increase in amount due to contract customers and deferred revenue as a result of the consolidation of newly acquired HRMS business in the reporting year.

Segment Assets and Liabilities
Segment assets and segment liabilities of Applications Services business increased primarily due to the acquisition of Platinum in early 2016.

Segment assets of Solutions and Integration Services business increased in line with the increase of trade receivables, prepayments and amount due from contract customers of Solutions Services business, while the decrease in deferred revenue of Solutions Services business led to the decrease of segment liabilities of Solutions and Integration Services business.

Segment assets of Investments business increased due to the appreciation in value of investment properties held during the reporting year.

Equity
Total equity as at 31 December 2016 slightly increased by 3.0% to HK$441.5 million (31 December 2015: HK$428.6 million). The change was mainly a result of the retention of the net profit earned in 2016, partially offset by the reclassification of 2015 final dividend to current liability upon the approval of the dividends at the annual general meeting held in May 2016 and the declaration of interim dividend in August 2016.

PLEDGE OF ASSETS

As at 31 December 2016, the Group had pledged an investment property with a fair value of HK$57.0 million (2015: HK$56.0 million), listed debt and equity securities of HK$12.0 million (2015: HK$11.8 million) and bank balances of HK$21.9 million (2015: HK$11.2 million) to secure certain general banking facilities including guarantee/performance bonds facilities granted to the Group in aggregate of HK$105.8 million (2015: HK$127.8 million) of which HK$19.7 million (2015: HK$16.9 million) had been utilised as at 31 December 2016.

FINANCIAL RESOURCES AND LIQUIDITY

As at 31 December 2016, the Group's bank balances and cash (excluded pledged bank deposit of HK$21.9 million (2015: HK$11.2 million)) was HK$229.4 million (2015: HK$332.1 million).

All of the Group's on hand fundings are in Hong Kong dollars, Renminbi and US dollars. The Group had 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 2016, the Group had no bank borrowings (2015: Nil). The Group's current ratio representing current assets divided by current liability was 2.3 (2015: 3.8) and the gearing ratio, representing total liabilities divided by total assets, was 26.9% (2015: 20.6%).

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 2016, the Group employed 334 full time employees and 8 contract-based employees (2015: 261 full time employees and 3 contract-based employees).

As at 31 December 2016, 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 operations as well as retain them for the continual development of the Group.

SIGNIFICANT INVESTMENTS

Save as disclosed in the announcement, the Group has no significant investments held as at 31 December 2016.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

Save as disclosed in note 20 regarding the acquisition of subsidiaries, the Group did not have any material acquisition or disposal of subsidiaries during the reporting year.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in note 20 regarding an acquisition of subsidiaries, there was no specific plan for material investments or capital assets as at 31 December 2016.

CONTINGENT LIABILITIES

In prior year, a subsidiary of the Company was involved in a dispute with a third party, who was claiming incremental license fees from the subsidiary. The dispute has been withdrawn by a third party during the year.

Save as disclosed in the announcement, the Group has no material contingent liabilities as at 31 December 2016.

EVENTS AFTER THE REPORTING PERIOD

There is no other material subsequent event undertaken by the Company or by the Group after 31 December 2016 and up to the date of this annual results announcements.

DIVIDENDS AND BOOK CLOSE

The Board has recommended a final dividend of HK7 cents (2015: HK7 cents) and a special dividend of HK3 cents (2015: nil) per ordinary share payable to shareholders whose names appear on the register of members of the Company on Wednesday, 7 June, 2017. The Register of Members of the Company will be closed from Thursday, 25 May, 2017 to Wednesday, 31 May, 2017 (both days inclusive) for the purpose of ascertaining shareholders' entitlement to attend and vote at the AGM. In order to be eligible to attend and vote at the AGM to be held on Wednesday, 31 May, 2017, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's Share Registrars, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 24 May, 2017. In addition, the Register of Members of the Company will be closed from Tuesday, 6 June, 2017 to Wednesday, 7 June, 2017 (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 Share Registrars, Tricor Tengis Limited, for registration not later than 4:30 p.m. on Monday, 5 June, 2017. During such periods, no share transfer will be effected. The final and special dividends will be distributed on or about Friday, 16 June, 2017 to shareholders whose names appear on the Register of Members of the Company on Wednesday, 7 June, 2017.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

CODE ON CORPORATE GOVERNANCE PRACTICE

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

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

The CG code provision A.2.1 stipulates that the roles of chairman and chief executive officer ("CEO") should be separate and should not be performed by the same individual. Mr. Cheung Wai Lam ("Mr. Cheung") had been appointed as an executive director of the Company and the deputy CEO of the Group since 2013. 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 effect from 1 April 2016, Mr. Cheung has been appointed as the CEO of the Group to manage day-to-day business.

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 specific enquiries of the Company's directors, the directors confirmed and declared that they have complied with the requirements set out in the Model Code throughout the year.

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.

RISK MANAGEMENT FRAMEWORK

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

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

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

AUDIT COMMITTEE

The Company has an audit committee which was established in compliance with Rule 3.21 of the Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises the three independent non-executive directors of the Company. The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 December 2016 with the management the accounting principles and practices adopted by the Group and discussed risk management and internal controls and financial reporting matters related to the preparation of the annual results for the year ended 31 December 2016.

REVIEW OF PRELIMINARY RESULTS ANNOUNCEMENT BY INDEPENDENT AUDITORS

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and the related notes thereto for the year ended 31 December 2016 as set out in the preliminary announcement have been agreed by the Group's auditors, Ernst & Young ("EY"), to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by EY in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by EY on the preliminary announcement.

PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT

This announcement is published on the Stock Exchange's website (www.hkex.com.hk) and the Company website (www.ctil.com). The 2016 annual report will be published on the Stock Exchange's website (www.hkex.com.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, 17 March 2017

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