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computer technologies

COMPUTER AND TECHNOLOGIES HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 00046)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

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 2017, together with the comparative amounts. These condensed consolidated interim financial results have been reviewed by the Company’s audit committee.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	For the six months ended 30 June	
		2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
REVENUE	5	118,193	120,620
Cost of sales and services		<u>(54,515)</u>	<u>(51,168)</u>
Gross profit		63,678	69,452
Other income and gains, net	5	5,101	2,878
Foreign exchange differences, net		3	(500)
Fair value gains, net:			
Financial assets at fair value through profit or loss		738	568
Investment properties		1,440	500
Selling and distribution expenses		(16,225)	(16,678)
General and administrative expenses		(27,188)	(27,111)
Other expenses		<u>(3,011)</u>	<u>(3,011)</u>
PROFIT BEFORE TAX	6	<u>24,536</u>	<u>26,098</u>

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS *(continued)*

		For the six months ended 30 June	
		2017	2016
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
PROFIT BEFORE TAX	<i>6</i>	24,536	26,098
Income tax expense	<i>7</i>	<u>(1,727)</u>	<u>(3,471)</u>
PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT		<u>22,809</u>	<u>22,627</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
	<i>9</i>	HK cents	HK cents
Basic		<u>9.42</u>	<u>9.36</u>
Diluted		<u>9.39</u>	<u>9.33</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2017 (Unaudited) <i>HK\$'000</i>	2016 (Unaudited) <i>HK\$'000</i>
PROFIT FOR THE PERIOD	<u>22,809</u>	<u>22,627</u>
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>1,816</u>	<u>(1,295)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT	<u>24,625</u>	<u>21,332</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2017 (Unaudited) <i>HK\$'000</i>	31 December 2016 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment	10	4,979	5,860
Investment properties	11	69,105	67,665
Goodwill	12	134,485	134,485
Other intangible assets	13	48,592	51,603
Available-for-sale investment	14	1,880	1,880
Financial assets at fair value through profit or loss	16	2,566	2,531
Deferred tax assets	18	<u>2,921</u>	<u>2,994</u>
Total non-current assets		<u>264,528</u>	<u>267,018</u>
CURRENT ASSETS			
Inventories		565	38
Trade and bills receivables	15	50,957	44,388
Prepayments, deposits and other receivables		13,061	13,819
Due from contract customers		8,670	10,092
Financial assets at fair value through profit or loss	16	10,193	9,490
Tax recoverable		8,038	8,038
Pledged bank deposits		20,195	21,885
Cash and cash equivalents		<u>212,113</u>	<u>229,404</u>
Total current assets		<u>323,792</u>	<u>337,154</u>
CURRENT LIABILITIES			
Trade payables, other payables and accruals	17	55,007	79,024
Due to contract customers		18,349	20,205
Deferred revenue		44,565	35,753
Tax payable		<u>12,569</u>	<u>10,234</u>
Total current liabilities		<u>130,490</u>	<u>145,216</u>
NET CURRENT ASSETS		<u>193,302</u>	<u>191,938</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>457,830</u>	<u>458,956</u>
NON-CURRENT LIABILITIES			
Deferred tax liabilities	18	<u>15,600</u>	<u>17,474</u>
Net assets		<u>442,230</u>	<u>441,482</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) 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	(2,187)	(2,447)
Other reserves	381,505	356,810
Proposed final and special dividends	-	24,207
	<hr/>	<hr/>
Total equity	442,230	441,482

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the parent											
	Issued capital	Share premium account	Shares held under the restricted share award scheme	Other reserves							Proposed final dividend	Total equity
				Share-based payment reserve	Goodwill reserve	Asset revaluation reserve	Available-for-sale investment revaluation reserve	Reserve funds	Exchange fluctuation reserve	Retained profits		
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 period	-	-	-	-	-	-	-	-	-	22,627	-	22,627
Other comprehensive loss for the period:												
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	-	(1,295)	-	-	(1,295)
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	-	-	(1,295)	22,627	-	21,332
Vesting of shares held under the restricted share award scheme	-	-	331	(331)	-	-	-	-	-	-	-	-
Share award arrangements	-	-	-	327	-	-	-	-	-	-	-	327
Final 2015 dividend declared	-	-	-	-	-	-	-	-	-	(15)	(16,920)	(16,935)
At 30 June 2016	24,419	38,493	(2,688)	2,600	(7,227)	1,972	721	733	1,279	373,040	-	433,342

	Attributable to owners of the parent											
	Issued capital	Share premium account	Shares held under the restricted share award scheme	Other reserves							Proposed final and special dividends	Total equity
				Share-based payment reserve	Goodwill reserve	Asset revaluation reserve	Available-for-sale investment revaluation reserve	Reserve funds	Exchange fluctuation reserve	Retained profits		
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 2017	24,419	38,493	(2,447)	2,745	(7,227)	1,972	721	733	(1,749)	359,615	24,207	441,482
Profit for the period	-	-	-	-	-	-	-	-	-	22,809	-	22,809
Other comprehensive income for the period:												
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	-	1,816	-	-	1,816
Total comprehensive income for the period	-	-	-	-	-	-	-	-	1,816	22,809	-	24,625
Vesting of shares held under the restricted share award scheme	-	-	260	(260)	-	-	-	-	-	-	-	-
Share award arrangements	-	-	-	350	-	-	-	-	-	-	-	350
Transferred from retained profits	-	-	-	-	-	-	-	13	-	(13)	-	-
Final and special 2016 dividends declared	-	-	-	-	-	-	-	-	-	(20)	(24,207)	(24,227)
At 30 June 2017	24,419	38,493	(2,187)	2,835	(7,227)	1,972	721	746	67	382,391	-	442,230

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

		For the six months ended 30 June	
		2017	2016
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		24,536	26,098
Adjustments for:			
Bank interest income	5	(1,594)	(2,417)
Dividend income from listed investments	5	(314)	(322)
Loss on disposal of items of property, plant and equipment	5	26	-
Fair value gains, net:			
Financial assets at fair value through profit or loss		(738)	(568)
Investment properties		(1,440)	(500)
Depreciation	6	1,431	1,400
Impairment of trade receivables	6	651	134
Reversal of impairment of trade receivables	6	(34)	(105)
Reversal of impairment of an amount due from a contract customer		-	(4)
Amortisation of other intangible assets	6	3,011	3,011
Equity-settled share-based payment expense	6	350	327
		<u>25,885</u>	<u>27,054</u>
Increase in inventories		(527)	(283)
Increase in trade and bills receivables		(7,186)	(5,836)
Decrease/(increase) in prepayments, deposits and other receivables		758	(1,859)
Decrease/(increase) in amounts due from contract customers		1,422	(5,144)
Decrease in trade payables, other payables and accruals		(9,222)	(11,124)
Increase/(decrease) in amounts due to contract customers		(1,856)	8,511
Increase/(decrease) in deferred revenue		8,812	(6,740)
Cash generated from operations		<u>18,086</u>	4,579
Hong Kong profits tax paid		-	(1,645)
Overseas taxes paid		(1,114)	(1,840)
Net cash flows from operating activities		<u>16,972</u>	<u>1,094</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

	For the six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash flows from operating activities	<u>16,972</u>	<u>1,094</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Bank interest received	1,594	2,417
Dividends received from listed investments	314	322
Purchases of items of property, plant and equipment	(553)	(550)
Acquisition of subsidiaries	-	(71,012)
Payment of acquisition consideration payable	(14,795)	(3,442)
Proceeds from disposal of items of property, plant and equipment	6	14
Decrease in pledged bank deposits	1,690	5,562
Decrease in non-pledged bank deposits with original maturity of more than three months when acquired	44,920	7,394
Net cash flows from/(used in) investing activities	<u>33,176</u>	<u>(59,295)</u>
CASH FLOWS USED IN A FINANCING ACTIVITY		
Dividends paid	<u>(24,227)</u>	<u>(16,935)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		
	25,921	(75,136)
Cash and cash equivalents at beginning of period	170,393	304,726
Effect of foreign exchange rate changes, net	1,708	(1,233)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>198,022</u>	<u>228,357</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents as stated in the condensed consolidated statement of financial position	212,113	248,357
Non-pledged time deposits with original maturity of more than three months when acquired	<u>(14,091)</u>	<u>(20,000)</u>
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	<u>198,022</u>	<u>228,357</u>

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 period, 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

This unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2017 has been prepared in accordance with the applicable provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and Hong Kong Accounting Standards (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

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 2016.

3.1 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 2016, except for the adoption of the following 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.

3.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKAS 7	<i>Disclosure Initiative</i>
Amendments to HKAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i>
<i>Annual Improvements 2014-2016 Cycle</i>	<i>Amendment to HKFRS 12 Disclosure of Interests in Other Entities</i>

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

3.3 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	<i>Classification and Measurement of Share-based Payment Transactions</i> ¹
Amendments to HKFRS 4 HKFRS 9	<i>Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts</i> ¹ <i>Financial Instruments</i> ¹
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ³
HKFRS 15	<i>Revenue from Contracts with Customers</i> ¹
Amendments to HKFRS 15 HKFRS 16	<i>Clarifications to HKFRS 15 Revenue from Contracts with Customers</i> ¹ <i>Leases</i> ²
Amendments to HKAS 40	<i>Transfers of Investment Property</i> ¹
HK(IFRIC)-Int 22	<i>Foreign Currency Transactions and Advance Consideration</i> ¹
HK(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments</i> ²
<i>Annual Improvements 2014-2016 Cycle</i>	Amendments to a number of HKFRSs ¹

¹ Effective for annual periods beginning on or after 1 January 2018

² Effective for annual periods beginning on or after 1 January 2019

³ No mandatory effective date yet determined but available for adoption

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.

4. OPERATING SEGMENT INFORMATION

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

- (a) the application services segment that primarily engages in the provision of enterprise applications software and 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 other income and gains, net, 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 period.

4. OPERATING SEGMENT INFORMATION (continued)

(a) Operating segments

	Application Services		Integration and Solutions Services		Investments		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment revenue:								
Sales to external customers	69,584	69,814	47,346	49,513	1,263	1,293	118,193*	120,620*
Other income and gains, net	3,219	139	(26)	(60)	314	382	3,507^	461^
Total	72,803	69,953	47,320	49,453	1,577	1,675	121,700	121,081
Segment results	25,851	22,168	8,319	12,894	3,364	2,619	37,534	37,681
<i>Reconciliation:</i>								
Unallocated interest income							1,594^	2,417^
Unallocated foreign exchange differences, net							3	(500)
Corporate and other unallocated depreciation							(934)	(892)
Corporate and other unallocated expenses							(13,661)	(12,608)
Profit before tax							24,536	26,098

	Application Services		Integration and Solutions Services		Investments		Total	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016	30 June 2017	31 December 2016	30 June 2017	31 December 2016
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment assets	208,125	209,355	47,733	43,712	84,657	82,534	340,515	335,601
<i>Reconciliation:</i>								
Corporate and other unallocated assets							247,805	268,571
Total assets							588,320	604,172
Segment liabilities	80,734	96,780	33,753	30,741	921	834	115,408	128,355
<i>Reconciliation:</i>								
Corporate and other unallocated liabilities							30,682	34,335
Total liabilities							146,090	162,690

* This represents the consolidated revenue of HK\$118,193,000 (2016: HK\$120,620,000) in the condensed consolidated statement of profit or loss.

^ These comprise the consolidated other income and gains, net, of HK\$5,101,000 (2016: HK\$2,878,000) in the condensed consolidated statement of profit or loss.

4. OPERATING SEGMENT INFORMATION (continued)

(a) Operating segments (continued)

	Application Services		Integration and Solutions Services		Investments		Total	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Other segment information:								
Net fair value gains on investment properties	-	-	-	-	1,440	500	1,440	500
Net fair value gains on financial assets at fair value through profit or loss	-	-	-	-	738	568	738	568
Amortisation of other intangible assets	3,011	3,011	-	-	-	-	3,011	3,011
Depreciation	323	281	157	210	17	17	497	508
Corporate and other unallocated depreciation							934	892
							1,431	1,400
Impairment losses recognised/(reversed) in the condensed consolidated statement of profit or loss, net*	617	29	-	(4)	-	-	617	25
Capital expenditure**	126	55,314	12	264	-	-	138	55,578
Corporate and other unallocated capital expenditure							415	67
							553	55,645

* Including impairment losses recognised in the condensed consolidated statement of profit or loss attributable to the application services segment of HK\$651,000 (2016: HK\$134,000) and impairment losses reversed in the condensed consolidated statement of profit or loss attributable to the application services segment and the integration and solutions services segment of HK\$34,000 (2016: HK\$105,000) and nil (2016: HK\$4,000), respectively.

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

4. OPERATING SEGMENT INFORMATION (continued)

(b) Geographical information

(i) Revenue from external customers

	Hong Kong and other countries/regions		Mainland China		Total	
	2017	2016	2017	2016	2017	2016
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Segment revenue:						
Sales to external customers	88,630	95,089	29,563	25,531	118,193	120,620

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

(ii) Non-current assets

	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
Hong Kong	110,748	114,554
Mainland China	146,413	145,059
	257,161	259,613

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

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

For the period ended 30 June 2017, revenue from a major customer of HK\$30,893,000 was derived from the application services segment and the integration and solutions services segment.

For the period ended 30 June 2016, revenue from a major customer of HK\$30,485,000 was derived from the integration and solutions services segment.

5. 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 period.

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

	For the six months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Revenue		
Provision of enterprise applications software and related operation outsourcing, business process outsourcing and e-business, and related maintenance services	69,584	69,814
Sales of computer networks and system platforms, and the provision of system and network integration, IT solutions development and implementation, and related maintenance services	47,346	49,513
Gross rental income from investment properties and interest income from treasury investments	<u>1,263</u>	<u>1,293</u>
	<u>118,193</u>	<u>120,620</u>
Other income and gains, net		
Tax refund received	3,218	139
Bank interest income	1,594	2,417
Dividend income from listed investments	314	322
Loss on disposal of items of property, plant and equipment	(26)	-
Others	<u>1</u>	<u>-</u>
	<u>5,101</u>	<u>2,878</u>

6. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Depreciation [^]	1,431	1,400
Amortisation of other intangible assets ^{**}	3,011	3,011
Minimum lease payments under operating leases	3,331	3,344
Equity-settled share-based payment expense	350	327
Impairment of trade receivables	651	134
Reversal of impairment of trade receivables	<u>(34)</u>	<u>(105)</u>

[^] Depreciation for the period of HK\$8,000 (2016: HK\$12,000) is included in "Cost of sales and services" on the face of the condensed consolidated statement of profit or loss.

^{**} Amortisation of other intangible assets for the period of HK\$3,011,000 (2016: HK\$3,011,000) is included in "Other Expenses" on the face of the condensed consolidated statement of profit or loss.

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2016: 16.5%) 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/jurisdictions in which the Group operates.

	For the six months ended 30 June	
	2017 (Unaudited)	2016 (Unaudited)
Current – Hong Kong		
Charge for the period	2,433	3,900
Overprovision in prior years	-	(20)
Current – Elsewhere		
Charge for the period	744	306
Overprovision in prior years	(8)	-
Deferred	<u>(1,442)</u>	<u>(715)</u>
Total tax charge for the period	<u>1,727</u>	<u>3,471</u>

8. DIVIDENDS

- a. Subsequent to the end of the interim period, the Board has determined that an interim dividend of HK7 cents and a special dividend of HK3 cents (2016: an interim dividend of HK7 cents) in cash per ordinary share should be paid to the shareholders of the Company whose names appear in the Register of Members on Wednesday, 30 August 2017.
- b. Dividends attributable to the previous financial year, approved and paid during the interim period.

	For the six months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Final and special dividends in respect of the previous financial year, approved and paid during the interim period of HK\$0.10 (2016: final dividend of HK\$0.07) per ordinary share	24,420	17,094
<i>Less:</i> Dividend for shares held under the Company's restricted share award scheme	<u>(193)</u>	<u>(159)</u>
	<u>24,227</u>	<u>16,935</u>

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

The calculation of basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 242,137,734 (2016: 241,780,462) in issue during the period, as adjusted to exclude the shares held under the restricted share award scheme of the Company.

The calculation of diluted earnings per share amounts is based on the profit for the period 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 period, 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.

	Number of shares	
	2017 (Unaudited)	2016 (Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	242,137,734	241,780,462
Effect of dilution – weighted average number of ordinary shares:		
Restricted shares awarded under the Company's restricted share award scheme	<u>729,420</u>	<u>765,008</u>
	<u>242,867,154</u>	<u>242,545,470</u>

10. PROPERTY, PLANT AND EQUIPMENT

	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
Net carrying amount, at 1 January	5,860	6,919
Additions	553	1,462
Disposals (net book value)	(32)	(66)
Acquisition of subsidiaries	-	479
Depreciation provided during the period / year	(1,431)	(2,870)
Exchange realignment	29	(64)
	<u>4,979</u>	<u>5,860</u>
Net carrying amount, at 30 June / 31 December	<u>4,979</u>	<u>5,860</u>

11. INVESTMENT PROPERTIES

	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
Carrying amount at 1 January	67,665	66,665
Net gains from fair value adjustments	1,440	1,000
	<u>69,105</u>	<u>67,665</u>
Carrying amount, at 30 June / 31 December	<u>69,105</u>	<u>67,665</u>

12. GOODWILL

	<i>HK\$'000</i>
At 31 December 2016	
Cost and carrying amount at 1 January 2016	44,575
Acquisition of subsidiaries	<u>89,910</u>
Carrying amount at 31 December 2016	<u>134,485</u>
	<i>HK\$'000</i>
At 30 June 2017	
Cost and carrying amount at 1 January 2017 and 30 June 2017	<u>134,485</u>

13. OTHER INTANGIBLE ASSETS

	Deferred development costs HK\$'000	Customer relationships HK\$'000	Software HK\$'000	Total HK\$'000
30 June 2017				
Cost at 1 January 2017, net of accumulated amortisation and impairment	-	12,290	39,313	51,603
Amortisation provided during the period	-	(827)	(2,184)	(3,011)
At 30 June 2017	<u>-</u>	<u>11,463</u>	<u>37,129</u>	<u>48,592</u>
At 30 June 2017				
Cost	13,026	14,767	43,681	71,474
Accumulated amortisation and impairment	<u>(13,026)</u>	<u>(3,304)</u>	<u>(6,552)</u>	<u>(22,882)</u>
Net carrying amount	<u>-</u>	<u>11,463</u>	<u>37,129</u>	<u>48,592</u>

	Deferred development costs HK\$'000	Customer relationships HK\$'000	Software HK\$'000	Total HK\$'000
31 December 2016				
Cost at 1 January 2016, net of accumulated amortisation and impairment	-	6,343	-	6,343
Acquisition of subsidiaries	-	7,603	43,681	51,284
Amortisation provided during the year	-	(1,656)	(4,368)	(6,024)
At 31 December 2016	<u>-</u>	<u>12,290</u>	<u>39,313</u>	<u>51,603</u>
At 31 December 2016				
Cost	13,026	14,767	43,681	71,474
Accumulated amortisation and impairment	<u>(13,026)</u>	<u>(2,477)</u>	<u>(4,368)</u>	<u>(19,871)</u>
Net carrying amount	<u>-</u>	<u>12,290</u>	<u>39,313</u>	<u>51,603</u>

14. AVAILABLE-FOR-SALE INVESTMENT

	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
Club membership debenture, at fair value	<u>1,880</u>	<u>1,880</u>

15. 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:

	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
Within 1 month	37,067	29,174
1 to 3 months	10,904	9,521
4 to 6 months	1,847	5,137
7 to 12 months	<u>1,139</u>	<u>556</u>
	<u>50,957</u>	<u>44,388</u>

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.

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
Debt investment, at market value	2,566	2,531
Listed equity investments, at market value	<u>10,193</u>	<u>9,490</u>
	12,759	12,021
Portion classified as current assets	<u>(10,193)</u>	<u>(9,490)</u>
	2,566	2,531
Portion classified as non-current assets	<u>2,566</u>	<u>2,531</u>

The debt investment was designated upon initial recognition as financial asset 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 30 June 2017 and 31 December 2016 and were classified as held for trading.

17. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
Trade payables	17,925	21,246
Other payables	27,328	27,425
Accruals	9,754	15,558
Consideration payable on acquisition of subsidiaries	-	14,795
	<u>55,007</u>	<u>79,024</u>

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

	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
Within 1 month	16,453	17,524
1 to 3 months	1,060	2,598
4 to 6 months	52	184
Over 6 months	360	940
	<u>17,925</u>	<u>21,246</u>

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

18. DEFERRED TAX

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

Deferred tax assets

	2017 Temporary differences of deferred revenue HK\$'000
At 1 January 2017	2,994
Deferred tax charged to the condensed consolidated statement of profit or loss during the period	(152)
Exchange differences	79
At 30 June 2017	<u>2,921</u>

18. DEFERRED TAX (continued)

Deferred tax liabilities

	2017			
	Revaluation of properties <i>HK\$'000</i>	Fair value adjustments arising from acquisition of subsidiaries <i>HK\$'000</i>	Withholding taxes <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2017	1,378	12,438	3,658	17,474
Deferred tax charged/(credited) to the condensed consolidated statement of profit or loss during the period	110	(715)	(989)	(1,594)
Tax paid	-	-	(280)	(280)
At 30 June 2017	<u>1,488</u>	<u>11,723</u>	<u>2,389</u>	<u>15,600</u>

Deferred tax assets

	2016 Temporary differences of deferred revenue <i>HK\$'000</i>
At 1 January 2016	-
Acquisition from subsidiaries	3,018
Deferred tax credited to the consolidated statement of profit or loss during the year	153
Exchange differences	(177)
At 31 December 2016	<u>2,994</u>

Deferred tax liabilities

	2016			
	Revaluation of properties <i>HK\$'000</i>	Fair value adjustments arising from acquisition of subsidiaries <i>HK\$'000</i>	Withholding taxes <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2016	1,378	1,047	496	2,921
Acquisition from subsidiaries	-	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	<u>1,378</u>	<u>12,438</u>	<u>3,658</u>	<u>17,474</u>

19. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 11) 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 30 June 2017, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
Within one year	2,972	1,908
In the second to fifth years, inclusive	<u>2,225</u>	<u>34</u>
	<u>5,197</u>	<u>1,942</u>

(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 30 June 2017, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
Within one year	6,292	5,426
In the second to fifth years, inclusive	<u>6,787</u>	<u>9,055</u>
	<u>13,079</u>	<u>14,481</u>

20. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

The interim financial statements were approved and authorised for issue by the board of directors on 14 August 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 unaudited interim results of the Company and its subsidiaries (collectively the "Group") for the six-month ended 30 June 2017.

The Group's overall revenue slightly dropped by HK\$2.4 million, or 2.0% to HK\$118.2 million (2016: HK\$120.6 million). The gross profit of the Group also dropped by HK\$5.8 million, or 8.3% to HK\$63.7 million (2016: HK\$69.5 million). The drop was primarily due to delay in projects' completion and increased delivery costs of the Group's Solutions Services business^[1].

On the other hand, the Group recorded an increment in other non-operating incomes during the reporting period. In particular, the Group's Application Software business^[2] in PRC successfully received HK\$3.2 million (2016: HK\$0.1 million) tax refund for some of value added tax ("VAT") previously paid^[3]. Besides, the Group's income tax expense also reduced by HK\$1.7 million, or 50.2% to HK\$1.7 million (2016: HK\$3.5 million) due to the reduction in the assessable profits and the reversal of dividend withholding taxes which previously provided.

With the abovementioned, the Group's consolidated net profit attributable to shareholders recorded a slight increase of 0.8% to HK\$22.8 million (2016: HK\$22.6 million). The basic earnings per share increased to 9.42 HK cents (2016: 9.36 HK cents) or improved by 0.6% compared with same period last year.

In view of sustained healthy financial position and as to celebrate the Group's 25th anniversary of its incorporation, the Board recommended the distributions of an interim dividend of 7 HK cents and a special dividend of 3 HK cents (2016: interim dividend of 7 HK cents) per ordinary share.

BUSINESS REVIEW

Application Software

Building on existing customer base with recurring business and ongoing maintenance and service incomes, the Group's Application Software business had performed steadily in the first half of 2017.

While the revenue contributions of the Group's Human Resources Management Software ("HRMS") business were stably maintained during the reporting period, the business continued to expand its customer base and capture prestigious clients from various industries in the region, including a global quality top-class drug developer, a leading manufacturer of infant formula, an Asian-based insurance provider and an industry leader in premium airport services.

Furthermore, the management is also delighted to announce that the Group had launched its first version of business intelligence ("BI") module for its HRMS. This module will make use of the available human resources ("HR") data and provide various tools for users to do data mining and create accurate and meaningful reports timely. The module was also designed with great user friendliness such that dashboards and charts with drag-and-drop functions can easily be designed and presented in the way that users prefer.

BUSINESS REVIEW *(continued)*

Application Software *(continued)*

The combined profit contributions from the Group's other software businesses, including Enterprise Information Management Software ("EIMS"), Enterprise Procurement Management Software ("EPMS") and Enterprise Retail Management Software ("ERMS") were also stably maintained during the period under review.

Attributable to market acceptance of the Group's upgraded software versions, the sales of on premise software license for both EIMS and ERMS were improved. The EPMS business is also maintaining its growth trend in Software as a Service ("SaaS") revenue with recurring nature. However, the service revenue recognised by EPMS business was reduced following the completion of a milestone project in December 2016.

Apart from business performance, the Group's ERMS product - ChainStorePlus was endorsed by the industry and awarded the "Best Business Solution (Product & Service) Award: Certificate of Merit" at the Hong Kong ICT Awards 2017^[4].

Solutions and Integration Services

Owing to delay in project completion and increment in cost for delivery of the Group's Solutions Services, the revenue and profit contributions of Solutions and Integration Services business dropped by 4.4% and 35.5%, respectively.

The Group's Solutions Business had experienced some delays in project completions during the reporting period. The current status of these projects had resumed on tracks and expected to generate more revenues in the coming months. Despite some hiccups in delivery progress, the Solutions Services business continued to benefit from its solid foundation and acquired new multi-million orders from various departments of the HKSAR Government (the "Government") including but not limited to University Grants Committee Secretariat, Marine Department and Leisure and Cultural Services Department. In July 2017, the Group was successfully awarded for three categories under the Standing Offer Arrangements for Quality Professional Services 4^[5] ("SOA-QPS4") by the Government. Including SOA-QPS4, the Group had been successfully awarded as a qualified contractor from the Government for four consecutive times and the latest one would last until July 2021. Apart from the Government's engagements, the Group also secured new multi-year service agreements with Hong Kong Airport Authority for provision of system implementation, development and maintenance services to their business applications.

As reported previously, the Group commenced the second 10-year maintenance contract to support the Customer Care and Billing System ("CCBS") for the Water Supplies Department of the Government last year. Additional costs were incurred in fulfilling certain enhancements and upgrades on the current CCBS during the reporting period. Despite the related enhancement works that will incur additional delivery costs in the first few years of the contract period, the management expected such costs advancements would pave the way for greater cost savings in ongoing maintenance services in long term.

During the reporting period, the Group was also honored with the Certificate of Merit award in the "Best HK Professional Services Brand"^[6] category organized by South China Morning Post which is a recognition of the Group's distinguished branding in professional services.

The performance of the Group's Integration Services business^[1] in China was maintained in about the same level as comparing to same period last year.

e-Service and related business

The profit contribution from the e-Service and related business^[2] dropped moderately during the reporting period.

Market share as well as revenue of the Group's GETS^[7] business was slightly better than same period last year. However, profit margin was dropped due to change in revenue mix with lower contribution from paper conversion services with higher service fee. While the existing GETS license lasts until end of 2018, the Group is the process of bidding the tender for new GETS license and is prepared to continue to provide the services from 2019 onwards.

BUSINESS REVIEW *(continued)*

e-Service and related business *(continued)*

The demand for the Group's BPO^[8] service was dropped in first half of 2017. The management is kept searching for new prospects and consolidating the related resources with the Group's other business units in order to provide better cost efficiency.

Investments

The Group's investments segment recorded an increase in profit of 28.4% to HK\$3.4 million (2016: HK\$2.6 million). The change was in line with the increase in fair value gain of the investment properties held.

PROSPECT

Although there are uncertainties affecting the global economy, the Group remains optimistic about the Asia-Pacific markets backed by moderate economic growth in PRC. Looking ahead to the second half of 2017, the Group will continue to keep focus on the development of its software and solutions services portfolio and look for acquisition opportunities in the region to accelerate its business growth.

Footnotes:

- [1] 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.
- [2] 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").
- [3] Such refund can generally be applied for all invoices issued with 17% VAT paid for the sales of software license by an enterprise with "double soft certification" in PRC.
- [4] The Hong Kong ICT Awards was established in 2006 with the collaborative efforts of the industry, academia and the government to promote outstanding information and communications technology ("ICT") applications by Hong Kong's ICT enterprises in their constant pursuit of creative and better solutions to meet business and social needs.
- [5] The Standing Offer Agreement for Quality Professional Services 4 (SOA-QPS4) is part of the Government's IT outsourcing strategy aiming to enlarge the delivery capacity for IT services and accelerate the delivery of IT solutions to support the next generation of e-government services. It also aims to provide business opportunities for the IT sector and helps further the development of the local IT industry. The total contract value for the scheme, according to the Government, is estimated to be over HK\$1.5 billion over the contract period of four years till July 2021.

The Group was awarded as one of the selected services providers for SOA-QPS4 contracts from the HKSAR Government in July 2017. These contracts will cover three different types of IT professional services, namely (Category 1) pre-implementation & independent programme / project management services; (Category 3) implementation & combined system development services; and (Category 4) information security and independent testing services.

PROSPECT *(continued)*

Footnotes:

- [6] The “Best HK Professional Services Brand” category is one of the 13 streams under Enterprising Hong Kong Brand Awards 2017 organized by South China Morning Post which is a celebration and recognition of the most inventive, ambitious and successful brand building efforts of Hong Kong’s homegrown brands.
- [7] 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.
- [8] 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 and gross profit

Due to delay in project delivery of the Group’s Solutions Services business, the Group’s turnover and gross profit for the reporting period decreased by 2.0% to HK\$118.2 million (2016: HK\$120.6 million) and 8.3% to HK\$63.7 million (2016: HK\$69.5 million), respectively.

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

Non-operating incomes and gains (included other incomes and gains, net, foreign exchange differences, net, and fair value gains, net) recorded an increase of 111.3% to HK\$7.3 million (2016: HK\$3.4 million). The increase was mainly due to a combination of the following factors.

VAT refund

The Group’s Application Software business in PRC successfully received HK\$3.2 million (2016: HK\$0.1 million) refund of VAT in first half of 2017. The refund was related to the VAT paid for the sales of software license from 2015 to early 2017.

Interest income

Bank interest income recorded a decrease of 34.1% to HK\$1.6 million (2016: HK\$2.4 million) in view of (i) the decrease in cash available for deposits as some of the fundings had been used for business acquisition; and (ii) the drop of on-handed Renminbi level had weakened the contributions as this currency carries relatively high interest yield as compared with the Group’s other currencies.

Foreign exchange differences, net

The Group recorded foreign exchange gain of HK\$3,000 (2016: loss of HK\$0.5 million) as RMB recorded a mild appreciation against HKD in first half of 2017.

Fair value gains on investment properties, net

The continuous appreciation in the investment properties held by the Group attributed to the fair value gains of HK\$1.4 million on the investment properties. Moreover, the gain was 188.0% or HK\$0.94 million higher than same period last year.

Expenses

The Group’s overall expenses incurred were basically in line with same period last year.

FINANCIAL REVIEW *(continued)*

Income tax expense

Income tax expense decreased by 50.2% to HK\$1.7 million (2016: HK\$3.5 million) compared with same period last year. The change was primarily due to the decrease of assessable profits which subject to profits tax and the reversal of dividend withholding taxes provided in prior year.

The tax charge at the Group's effective tax rate was around 7.0% in 2017, comparing with 13.3% in 2016. The effective tax rate was lower than the Hong Kong statutory profits tax rate because several types of onshore incomes/gain, including dividend, bank interest income and fair value gains from the revaluation of investment properties, were not subject to the Hong Kong profits tax. Besides, the rate was further driven down by the reversal of dividend withholding taxes and the recognition of deferred tax credit arising from amortisation of other intangible assets.

Net profit

Profit for the period attributable to shareholders increased to HK\$22.8 million (2016: HK\$22.6 million) while the net profit margin (profit for the period attributable to shareholders divided by revenue) rose to 19.3% (2016: 18.8%). The change was due to the net effect of the decrease in gross profit, the increase in non-operating incomes and gains, net and the reduction in the income tax expenses.

Non-Current Assets

The Group's non-current assets as at 30 June 2017 slightly dropped by 0.9% to HK\$264.5 million from HK\$267.0 million as at 31 December 2016. The change was mainly arrived after charging of amortisation of other intangible assets and depreciation of property, plant and equipment during the period under review.

The Group reviewed and considered no impairment indication to the carrying value of goodwill during the period under review.

Current Assets

The Group's current assets as at 30 June 2017 fell 4.0% to HK\$323.8 million (31 December 2016: HK\$337.2 million). The change represented the net results of (i) the decrease in cash and cash equivalents due to the distribution of 2016 final and special dividends and final payment for respective acquisition; and (ii) the increase in trade receivables due to multi-million billings issued to a department of the Government in late June for some ongoing maintenance services.

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 30 June 2017 dropped 10.1% to HK\$130.5 million (31 December 2016: HK\$145.2 million). The decrease was primarily due to the payment of HK\$14.8 million for an acquisition in early 2017.

Segment Assets and Liabilities

The decrease of segment assets of Applications Services business was mainly due to the amortisation of other intangible assets while the decrease of respective segment liabilities was primarily caused by the payment of HK\$14.8 million for an acquisition in early 2017.

The increase of segment assets of Solutions and Integration Services business was in line with the increase in the trade receivables of Solutions Services business as there were multi-million billings issued to a department of the Government in late June for some ongoing maintenance services.

FINANCIAL REVIEW *(continued)*

Segment Assets and Liabilities *(continued)*

The increase of segment liabilities of Solutions and Integration Services business was due to the recognition of deferred income arising from various maintenance services to be provided by the Solution Services business.

Segment assets of Investments business increased due to the appreciation in value of investment properties held and investments held under available-for-sale investments and financial assets at fair value through profit or loss.

Equity

Total equity as at 30 June 2017 was maintained approximate the same level as compared with 31 December 2016.

TREASURY POLICY

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the period under review. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

PLEDGE OF ASSETS

As at 30 June 2017, the Group had pledged an investment property with a fair value of HK\$58.0 million (31 December 2016: HK\$57.0 million), listed debt and equity securities of HK\$12.8 million (31 December 2016: HK\$12.0 million) and bank balances of HK\$20.2 million (31 December 2016: HK\$21.9 million) to secure certain general bank facilities including guarantee/performance bonds facilities granted to the Group in aggregate of HK\$106.8 million (31 December 2016: HK\$105.8 million) of which HK\$20.2 million (31 December 2016: HK\$19.7 million) have been utilised as at 30 June 2017.

FINANCIAL RESOURCES AND LIQUIDITY

As at 30 June 2017, the Group's bank balances and cash (excluded pledged bank deposit of HK\$20.2 million) was HK\$212.1 million (31 December 2016: HK\$229.4 million).

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

As at 30 June 2017, the Group had no bank borrowings (31 December 2016: Nil). The Group's current ratio representing current assets divided by current liability was 2.5 (31 December 2016: 2.3) and the gearing ratio, representing total liabilities divided by total assets, was 24.8% (31 December 2016: 26.9%).

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.

The remuneration policies adopted for the six months ended 30 June 2017 are consistent with those disclosed in the Group's 2016 Annual Report. As at 30 June 2017, the Group employed 329 full time employees and 8 contract-based employees (31 December 2016: 334 full time employees and 8 contract-based employees).

As at 30 June 2017, the Company operates a share option scheme and a share award scheme for the purpose of providing incentives and rewards to the employees who contribute to the success of the Group's operations.

SIGNIFICANT INVESTMENTS

Save as disclosed in the announcement, the Group has no significant investments held as at 30 June 2017.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

Save as disclosed in the announcement, the Group did not have any material acquisition or disposal of subsidiaries during the period and up to the date of this announcement.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in the announcement, there was no specific plan for material investments or capital assets as at 30 June 2017.

CONTINGENT LIABILITIES

Save as disclosed in the announcement, the Group has no material contingent liabilities as at 30 June 2017.

INTERIM AND SPECIAL DIVIDENDS

The Board recommends the payment of an interim dividend of HK7 cents and a special dividend of HK3 cents (30 June 2016: an interim dividend of HK7 cents) per ordinary share for the period ended 30 June 2017.

CLOSURE OF THE REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Tuesday, 29 August 2017 to Wednesday, 30 August 2017, both days inclusive, during which period no transfer of shares will be registered. In order to qualify the interim and special dividends, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Monday, 28 August 2017. The dividends will be distributed on or about Wednesday, 13 September 2017 to shareholders whose names appear on the Register of Members of the Company on Wednesday, 30 August 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 reporting period.

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 of directors of the Company (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").

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 required standard set out in the Model Code throughout the six months ended 30 June 2017.

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 three independent non-executive directors of the Company. The Audit Committee has reviewed the Group's consolidated financial statements for the period ended 30 June 2017 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 unaudited interim financial information for the six months ended 30 June 2017.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This announcement is published on the Stock Exchange's website (www.hkex.com.hk) and the Company website (www.ctil.com). The 2017 interim 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 period.

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

Hong Kong, 14 August 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.