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computer technologies

COMPUTER AND TECHNOLOGIES HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 00046)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

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 2017 together with comparative figures for the corresponding period in 2016 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2017

	<i>Notes</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
REVENUE	5	253,915	258,699
Cost of sales and services		<u>(110,424)</u>	<u>(112,578)</u>
Gross profit		143,491	146,121
Other income and gains, net	5	9,264	5,194
Foreign exchange differences, net		(905)	(109)
Fair value gains, net:			
Financial assets at fair value through profit or loss		1,380	235
Investment properties		3,590	1,000
Selling and distribution expenses		(34,497)	(33,823)
General and administrative expenses, net		(55,453)	(55,799)
Other expenses		<u>(6,024)</u>	<u>(6,024)</u>
PROFIT BEFORE TAX	6	<u>60,846</u>	<u>56,795</u>

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS *(continued)*

Year ended 31 December 2017

	<i>Notes</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
PROFIT BEFORE TAX	6	60,846	56,795
Income tax expense	7	<u>(6,517)</u>	<u>(6,451)</u>
PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT		<u>54,329</u>	<u>50,344</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9	HK cents	HK cents
Basic		<u>22.43</u>	<u>20.81</u>
Diluted		<u>22.36</u>	<u>20.74</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2017

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
PROFIT FOR THE YEAR	<u>54,329</u>	<u>50,344</u>
OTHER COMPREHENSIVE INCOME		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investment:		
Change in fair value	(100)	-
Exchange differences on translation of foreign operations	<u>5,020</u>	<u>(4,323)</u>
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods	<u>4,920</u>	<u>(4,323)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT	<u>59,249</u>	<u>46,021</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2017

	<i>Notes</i>	2017 HK\$'000	2016 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment	10	3,950	5,860
Investment properties	11	71,255	67,665
Goodwill	12	134,485	134,485
Other intangible assets	13	49,706	51,603
Available-for-sale investment	14	1,780	1,880
Financial assets at fair value through profit or loss	16	2,544	2,531
Deferred tax assets	18	2,984	2,994
Total non-current assets		<u>266,704</u>	<u>267,018</u>
CURRENT ASSETS			
Inventories		1,433	38
Trade and bills receivables	15	41,363	44,388
Prepayments, deposits and other receivables		15,466	13,819
Due from contract customers		16,276	10,092
Financial assets at fair value through profit or loss	16	10,857	9,490
Tax recoverable		8,433	8,038
Pledged bank deposits		1,071	21,885
Cash and cash equivalents		246,547	229,404
Total current assets		<u>341,446</u>	<u>337,154</u>
CURRENT LIABILITIES			
Trade payables, other payables and accruals	17	(74,274)	(79,024)
Due to contract customers		(20,407)	(20,205)
Deferred revenue		(35,969)	(35,753)
Tax payable		(9,285)	(10,234)
Total current liabilities		<u>(139,935)</u>	<u>(145,216)</u>
NET CURRENT ASSETS		<u>201,511</u>	<u>191,938</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>468,215</u>	<u>458,956</u>
NON-CURRENT LIABILITIES			
Deferred tax liabilities	18	(15,247)	(17,474)
Net assets		<u>452,968</u>	<u>441,482</u>

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

31 December 2017

	2017 HK\$'000	2016 <i>HK\$'000</i>
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	(1,919)	(2,447)
Other reserves	362,879	356,810
Proposed final and special dividends	29,096	24,207
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Total equity	452,968	441,482
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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2017

	Attributable to owners of the parent											
	Issued capital <i>HK\$'000</i>	Share premium account <i>HK\$'000</i>	Shares held under the restricted share award scheme <i>HK\$'000</i>	Other reserves							Retained profits <i>HK\$'000</i>	Proposed final and special dividends <i>HK\$'000</i>
Share-based payment reserve <i>HK\$'000</i>				Goodwill reserve <i>HK\$'000</i>	Asset revaluation reserve <i>HK\$'000</i>	Available-for-sale investment revaluation reserve <i>HK\$'000</i>	Reserve funds <i>HK\$'000</i>	Exchange fluctuation reserve <i>HK\$'000</i>				
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 CHANGES IN EQUITY (continued)

Year ended 31 December 2017

	Attributable to owners of the parent											
	Issued capital HK\$'000	Share premium account HK\$'000	Shares held under the restricted share award scheme HK\$'000	Share-based payment reserve HK\$'000	Goodwill reserve HK\$'000	Asset revaluation reserve HK\$'000	Other reserves				Proposed final and special dividends HK\$'000	Total equity HK\$'000
Available-for-sale investment revaluation reserve HK\$'000							Reserve funds HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits 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 year	-	-	-	-	-	-	-	-	-	54,329	-	54,329
Other comprehensive income for the year:												
Change in fair value of an available-for-sale investment	-	-	-	-	-	-	(100)	-	-	-	-	(100)
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	-	5,020	-	-	5,020
Total comprehensive income for the year	-	-	-	-	-	-	(100)	-	5,020	54,329	-	59,249
Vesting of shares held under the restricted share award scheme	-	-	528	(528)	-	-	-	-	-	-	-	-
Share award arrangements	-	-	-	691	-	-	-	-	-	-	-	691
Transferred from retained profits	-	-	-	-	-	-	-	13	-	(13)	-	-
Final and special 2016 dividends declared	-	-	-	-	-	-	-	-	-	(20)	(24,207)	(24,227)
Interim and special 2017 dividends	-	-	-	-	-	-	-	-	-	(24,227)	-	(24,227)
Proposed final and special 2017 dividends	-	-	-	-	-	-	-	-	-	(29,096)	29,096	-
At 31 December 2017	24,419	38,493	(1,919)	2,908	(7,227)	1,972	621	746	3,271	360,588	29,096	452,968

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2017

	Notes	2017 HK\$'000	2016 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		60,846	56,795
Adjustments for:			
Bank interest income	5	(3,849)	(4,081)
Dividend income from listed investments	5	(689)	(657)
Loss on disposal of items of property, plant and equipment, net	6	18	42
Fair value gains, net:			
Financial assets at fair value through profit or loss	6	(1,380)	(235)
Investment properties	6	(3,590)	(1,000)
Depreciation	6	2,833	2,870
Impairment of trade receivables	6	746	294
Reversal of impairment of trade receivables	6	(401)	(372)
Reversal of impairment of an amount due from a contract customer	6	-	(4)
Amortisation of other intangible assets	6	6,024	6,024
Equity-settled share-based payment expense		691	713
		61,249	60,389
Decrease/(increase) in inventories		(1,395)	198
Decrease/(increase) in trade and bills receivables		2,680	(3,776)
Increase in amounts due from contract customers		(6,184)	(3,748)
Increase in prepayments, deposits and other receivables		(1,647)	(5,894)
Increase/(decrease) in trade payables, other payables and accruals		10,045	(4,512)
Increase/(decrease) in amounts due to contract customers		202	(396)
Increase/(decrease) in deferred revenue		216	(3,620)
Cash generated from operations		65,166	38,641
Hong Kong profits tax paid		(8,929)	(4,276)
Overseas taxes paid		(1,047)	(1,770)
Net cash flows from operating activities		55,190	32,595

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CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

Year ended 31 December 2017

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Net cash flows from operating activities	<u>55,190</u>	<u>32,595</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Bank interest received	3,849	4,081
Dividends received from listed investments	689	657
Purchases of items of property, plant and equipment	(914)	(1,462)
Additions to other intangible assets	(4,127)	-
Acquisition of subsidiaries	-	(86,175)
Payment of acquisition consideration payable	(14,795)	(3,442)
Proceeds from disposal of items of property, plant and equipment	16	24
Decrease/(increase) in pledged bank deposits	20,814	(10,646)
Decrease/(increase) in non-pledged bank deposits with original maturity of more than three months when acquired	<u>11,164</u>	<u>(31,617)</u>
Net cash flows from/(used in) investing activities	<u>16,696</u>	<u>(128,580)</u>
CASH FLOWS USED IN A FINANCING ACTIVITY		
Dividends paid	<u>(48,454)</u>	<u>(33,870)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		
	23,432	(129,855)
Cash and cash equivalents at beginning of year	170,393	304,726
Effect of foreign exchange rate changes, net	<u>4,875</u>	<u>(4,478)</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>198,700</u>	<u>170,393</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents as stated in the consolidated statement of financial position	246,547	229,404
Non-pledged time deposits with original maturity of more than three months when acquired	<u>(47,847)</u>	<u>(59,011)</u>
Cash and cash equivalents as stated in the consolidated statement of cash flows	<u>198,700</u>	<u>170,393</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 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

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, an available-for-sale investment and financial assets at fair value through profit or loss which have been measured at fair value. The financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2017. 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 revised HKFRSs for the first time for the current year'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>
Amendments to HKFRS 12 included in <i>Annual Improvements to HKFRSs 2014-2016 Cycle</i>	<i>Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12</i>

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

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 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.

4. OPERATING SEGMENT INFORMATION (continued)

(a) Operating segments

	Application Services		Integration and Solutions Services		Investments		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:								
Sales to external customers	144,293	139,827	106,991	116,293	2,631	2,579	253,915*	258,699*
Other income and gains, net	4,751	499	(25)	(43)	689	657	5,415^	1,113^
Total	149,044	140,326	106,966	116,250	3,320	3,236	259,330	259,812
Segment results	53,557	46,980	26,765	30,418	7,810	3,962	88,132	81,360
<i>Reconciliation:</i>								
Unallocated interest income							3,849^	4,081^
Unallocated foreign exchange differences, net							(905)	(109)
Corporate and other unallocated depreciation							(1,828)	(1,809)
Corporate and other unallocated expenses							(28,402)	(26,728)
Profit before tax							60,846	56,795
Segment assets	209,600	209,355	47,422	43,712	87,349	82,534	344,371	335,601
<i>Reconciliation:</i>								
Corporate and other unallocated assets							263,779	268,571
Total assets							608,150	604,172
Segment liabilities	87,935	96,780	34,230	30,741	936	834	123,101	128,355
<i>Reconciliation:</i>								
Corporate and other unallocated liabilities							32,081	34,335
Total liabilities							155,182	162,690

* This represents the consolidated revenue of HK\$253,915,000 (2016: HK\$258,699,000) in the consolidated statement of profit or loss.

^ These comprise the consolidated other income and gains, net, of HK\$9,264,000 (2016: HK\$5,194,000) in the consolidated statement of profit or loss.

4. OPERATING SEGMENT INFORMATION (continued)

(a) Operating segments (continued)

	Application Services		Integration and Solutions Services		Investments		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
	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	-	-	-	-	3,590	1,000	3,590	1,000
Net fair value gains on financial assets at fair value through profit or loss	-	-	-	-	1,380	235	1,380	235
Amortisation of other intangible assets	6,024	6,024	-	-	-	-	6,024	6,024
Depreciation	607	619	364	408	34	34	1,005	1,061
Corporate and other unallocated depreciation							1,828	1,809
							2,833	2,870
Impairment losses recognised/(reversed) in the consolidated statement of profit or loss, net*	345	(78)	-	(4)	-	-	345	(82)
Capital expenditure**	235	53,302	4,139	197	-	-	4,374	53,499
Corporate and other unallocated capital expenditure							667	45
							5,041	53,544

* Including impairment losses recognised in the consolidated statement of profit or loss attributable to the application services segment of HK\$746,000 (2016: HK\$294,000) 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\$401,000 (2016: HK\$372,000) and nil (2016: HK\$4,000), respectively.

** Capital expenditure consists of additions to property, plant and equipment and other intangible assets including 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
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:						
Sales to external customers	186,914	195,261	67,001	63,438	253,915	258,699

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

(ii) Non-current assets

	2017	2016
	HK\$'000	HK\$'000
Hong Kong	115,465	114,554
Mainland China	143,931	145,059
	259,396	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

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

For the year ended 31 December 2017, revenue from a major customer of HK\$61,437,000 (2016: HK\$66,564,000) was derived from the application services segment and 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 sales related 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:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Revenue		
Provision of enterprise applications software and related operation outsourcing, business process outsourcing and e-business, and related maintenance services	144,293	139,827
Sales of computer networks and system platforms, and the provision of system and network integration, IT solutions development and implementation, and related maintenance services	106,991	116,293
Gross rental income from investment properties and interest income from treasury investments	<u>2,631</u>	<u>2,579</u>
	<u>253,915</u>	<u>258,699</u>
Other income and gains, net		
Tax refund received	4,354	212
Bank interest income	3,849	4,081
Dividend income from listed investments	689	657
Loss on disposal of items of property, plant and equipment, net	(18)	(42)
Others	<u>390</u>	<u>286</u>
	<u>9,264</u>	<u>5,194</u>

6. PROFIT BEFORE TAX

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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Cost of inventories sold	56,722	52,570
Cost of services provided	53,669	59,997
Depreciation*	2,833	2,870
Amortisation of other intangible assets [#]	6,024	6,024
Loss on disposal of items of property, plant and equipment, net	18	42
Impairment of trade receivables	746	294
Reversal of impairment of trade receivables	(401)	(372)
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	132	81
Fair value gains, net:		
Financial assets at fair value through profit or loss	(1,380)	(235)
Investment properties	(3,590)	(1,000)

* Depreciation for the year of HK\$33,000 (2016: HK\$11,000) 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 (2016: HK\$6,024,000) is included in "Other expenses" on the face of the consolidated statement of profit or loss.

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 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.

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Current - Hong Kong		
Charge for the year	7,905	8,810
Overprovision in prior years	(430)	(1,595)
Current - Elsewhere		
Charge for the year	775	841
Underprovision in prior years	-	18
Deferred	(1,733)	(1,623)
Total tax charge for the year	6,517	6,451

8. DIVIDENDS

	2017 HK\$'000	2016 HK\$'000
Interim and special dividends - HK\$0.10 (2016: interim dividend of HK\$0.07) per ordinary share	24,420	17,094
Less: 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>
Proposed final - HK\$0.07 (2016: HK\$0.07) per ordinary share	17,094	17,094
Less: Dividend for shares held under the Company's restricted share award scheme	<u>(121)</u>	<u>(149)</u>
	<u>16,973</u>	<u>16,945</u>
Proposed special - HK\$0.05 (2016: HK\$0.03) per ordinary share	12,210	7,326
Less: Dividend for shares held under the Company's restricted share award scheme	<u>(87)</u>	<u>(64)</u>
	<u>12,123</u>	<u>7,262</u>
	<u>53,323</u>	<u>41,142</u>

The proposed final and special dividends for the year will be payable in cash with a scrip dividend alternative. The proposed dividends are subject to the approval of the Company's shareholders at the forthcoming annual general meeting ("AGM") and the permission of The Stock Exchange of Hong Kong Limited of the listing of new shares to be issued.

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

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 242,229,239 (2016: 241,864,176) 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	
	2017	2016
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	242,229,239	241,864,176
Effect of dilution - weighted average number of ordinary shares:		
Restricted shares awarded under the Company's restricted share award scheme	<u>753,412</u>	<u>856,914</u>
	<u>242,982,651</u>	<u>242,721,090</u>

10. PROPERTY, PLANT AND EQUIPMENT

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Net carrying amount, as at 1 January	5,860	6,919
Additions	914	1,462
Disposals (net book value)	(34)	(66)
Acquisition of subsidiaries	-	479
Depreciation provided during the year	(2,833)	(2,870)
Exchange realignment	43	(64)
	<u>3,950</u>	<u>5,860</u>
Net carrying amount, as at 31 December	<u>3,950</u>	<u>5,860</u>

11. INVESTMENT PROPERTIES

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Carrying amount at 1 January	67,665	66,665
Net gain from a fair value adjustment	<u>3,590</u>	<u>1,000</u>
Carrying amount as at 31 December	<u>71,255</u>	<u>67,665</u>

12. GOODWILL

	<i>HK\$'000</i>
At 31 December 2017	
Cost and carrying amount at 1 January 2017 and 31 December 2017	<u>134,485</u>
	<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>

13. OTHER INTANGIBLE ASSETS

	Deferred development costs HK\$'000	Customer relationships HK\$'000	Software HK\$'000	Total HK\$'000
At 31 December 2017				
Cost at 1 January 2017, net of accumulated amortisation and impairment	-	12,290	39,313	51,603
Additions	4,127	-	-	4,127
Amortisation provided during the year	-	(1,656)	(4,368)	(6,024)
At 31 December 2017	<u>4,127</u>	<u>10,634</u>	<u>34,945</u>	<u>49,706</u>
At 31 December 2017:				
Cost	17,153	14,767	43,681	75,601
Accumulated amortisation and impairment	(13,026)	(4,133)	(8,736)	(25,895)
Net carrying amount	<u>4,127</u>	<u>10,634</u>	<u>34,945</u>	<u>49,706</u>
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 and at 1 January 2017:				
Cost	13,026	14,767	43,681	71,474
Accumulated amortisation and impairment	(13,026)	(2,477)	(4,368)	(19,871)
Net carrying amount	<u>-</u>	<u>12,290</u>	<u>39,313</u>	<u>51,603</u>

14. AVAILABLE-FOR-SALE INVESTMENT

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Club membership debenture, at fair value	<u>1,780</u>	<u>1,880</u>

15. TRADE AND BILLS RECEIVABLES

An ageing 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:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Within 1 month	29,190	29,174
1 to 3 months	9,366	9,521
4 to 6 months	1,084	5,137
7 to 12 months	<u>1,723</u>	<u>556</u>
	<u>41,363</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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Debt investment, at market value	2,544	2,531
Listed equity investments, at market value	<u>10,857</u>	<u>9,490</u>
	13,401	12,021
Portion classified as current assets	<u>(10,857)</u>	<u>(9,490)</u>
	2,544	2,531
Portion classified as non-current assets	<u>2,544</u>	<u>2,531</u>

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 2017 and 31 December 2016 and were classified as held for trading.

17. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Trade payables	25,306	21,246
Other payables	29,874	27,425
Accruals	19,094	15,558
Consideration payable on acquisition of subsidiaries	-	14,795
	<u>74,274</u>	<u>79,024</u>

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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Within 1 month	21,493	17,524
1 to 3 months	2,807	2,598
4 to 6 months	547	184
Over 6 months	459	940
	<u>25,306</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 year are as follows:

Deferred tax assets

	2017 Temporary differences of deferred revenue <i>HK\$'000</i>
At 1 January 2017	2,994
Deferred tax charged to the consolidated statement of profit or loss during the year	(214)
Exchange differences	<u>204</u>
At 31 December 2017	<u>2,984</u>

18. DEFERRED TAX (continued)

Deferred tax liabilities

	2017			Total HK\$'000
	Revaluation of properties HK\$'000	Fair value adjustments arising from acquisition of subsidiaries HK\$'000	Withholding taxes HK\$'000	
At 1 January 2017	1,378	12,438	3,658	17,474
Deferred tax charged/(credited) to the consolidated statement of profit or loss during the year	148	(1,430)	(665)	(1,947)
Tax paid	-	-	(280)	(280)
At 31 December 2017	<u>1,526</u>	<u>11,008</u>	<u>2,713</u>	<u>15,247</u>

Deferred tax assets

	2016 Temporary differences of deferred revenue HK\$'000
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	<u>(177)</u>
At 31 December 2016	<u>2,994</u>

Deferred tax liabilities

	2016			Total HK\$'000
	Revaluation of properties HK\$'000	Fair value adjustments arising from acquisition of subsidiaries HK\$'000	Withholding taxes HK\$'000	
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 31 December 2017, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Within one year	2,797	1,908
In the second to fifth years, inclusive	<u>2,089</u>	<u>34</u>
	<u>4,886</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 31 December 2017, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Within one year	5,754	5,426
In the second to fifth years, inclusive	<u>2,998</u>	<u>9,055</u>
	<u>8,752</u>	<u>14,481</u>

20. CONTINGENT LIABILITIES

At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

Guarantees have been given to certain banks by the Company for performance bonds/guarantees issued by the banks in relation to certain contracts undertaken by the Group amounting to HK\$27,800,000 (2016: HK\$27,800,000), of which HK\$20,537,000 (2016: HK\$19,682,000) were utilised as at 31 December 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 annual results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2017.

The Group's overall revenue slightly dropped by HK\$4.8 million, or 1.8% to HK\$253.9 million (2016: HK\$258.7 million). The gross profit of the Group also reduced by HK\$2.6 million, or 1.8% to HK\$143.5 million (2016: HK\$146.1 million) while the gross profit margin was maintained at around 56.5% (2016: 56.5%). The drop was primarily due to delay in project completions of the Group's Solutions Services business^[1] in early 2017. The respective delivery progress had gradually been resumed in second half of the year and the result of the related business was improved in the corresponding period. On the other hand, the Group's Application Software business^[2] recorded sustained growth during the year under review.

The Group recorded an increment in other non-operating incomes during the reporting year. In particular, the Group's Application Software business in PRC successfully received tax rebates of HK\$4.4 million (2016: HK\$0.2 million) for some of value added tax ("VAT") previously paid^[3]. The Group also recorded valuation gains on financial assets and investment properties of HK\$5.0 million (2016: HK\$1.2 million) in view of continual appreciation of related assets.

Apart from increasing resources in research and development ("R&D") of its existing application software products, during the year under review, the Group had also incurred additional development costs of HK\$4.1 million in building a software to replace an existing system under a long term services contract ("Contract") with a department of the HKSAR Government (the "Government"). Considering that such software replacement will generate cost savings under the Contract in the future, related costs had been capitalised as deferred development costs and would amortise over the remaining contract period.

With the abovementioned, the Group's consolidated net profit attributable to shareholders recorded an increase of 7.9% to HK\$54.3 million (2016: HK\$50.3 million). The basic earnings per share increased to 22.43 HK cents (2016: 20.81 HK cents) or improved by 7.8% compared with last year.

In view of sustained healthy financial position and as celebrating the 20th anniversary of the Company being publicly listed, the Board recommended the distributions of a final dividend of 7 HK cents and a special dividend of 5 HK cents (2016: a final dividend of 7 HK cents and a special dividend of 3 HK cents) per ordinary share with a scrip dividend alternative. Counting the interim and special dividends of 10 HK cents being paid (2016: an interim dividend of 7 HK cents) together with these proposed dividends, the Group's full year dividend payout had reached a record high of 22 HK cents.

BUSINESS REVIEW

Application Software

With the improved business performance and benefited from significant increase in VAT refunds, the Group's Application Software business recorded a satisfactory results with double-digit growth in profit contributions.

The revenue of the Group's Human Resources Management Software ("HRMS") business was mildly improved during the year. The business continued to grow with more new contracts acquired from different industries in the region, including a diversified global conglomerate with around 10,000 employees, an international multi-channel retailer and a leading global financial services provider.

During the reporting period, the Group entered into a long-term partnership agreement with Shanghai Foreign Service (Group) Co., Ltd. ("FSG") for the provision of payroll outsourcing services through the Group's HRMS Platform. By synergising the effects of the Group's robust HRMS and FSG's huge customer base in PRC, this partnership enables both industry leaders to extend customer reach and accelerate business growth in the scope of payroll outsourcing.

In December 2017, the Group's HRMS operating subsidiary in Hong Kong was granted the ISO 20000-1:2011 certification by the International Organisation for Standardisation ("ISO"). The ISO 20000 based on the ITIL V3 framework is considered the foremost IT service management standard in the world, which enables organisations to ensure their processes are aligned with the needs of the business, customers and international best practices. The certification demonstrated the Group's commitment in providing quality services to its customers consistently.

BUSINESS REVIEW *(continued)*

Application Software *(continued)*

Besides, the Group's HRMS was named one of the "Best 100 Human Resource Service Brands in Greater China" by HRoot's Human Capital Management magazine for four consecutive years and awarded the "HR Leading Enterprise Award" by INFOBS.com, CCIDNET.com and National Public Service Platform. These awards not only showed the industry recognitions but also reaffirmed the Group's competency in delivering high quality services.

The overall revenue and 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 stably maintained during the reporting year.

Supported by the various enhancement orders from existing customers, the revenue recognised by ERMS business was improved during the reporting year. The EIMS business was also stably maintained and was named one of the "Top 25 Document Management Solution Providers" by APAC CIOoutlook^[4]. While the service revenue recognised by EPMS business was dropped after the completion of a milestone project in 2016, the management foresees the performance of related business would be improved upon the conclusion of the various new contracts under negotiation.

During the reporting period, the Group had launched a numbers of new Software modules and Software as a Service ("SaaS") over Cloud platform. In particular, the Group's EIMS is integrated with Azure, an enterprise-grade cloud platform powered by Microsoft. Users of VitalDoc (one of the Group's EIMS products) on Azure can collaborate blissfully anytime, anywhere, by embracing digital document management and sharing with seamless integration of Microsoft Office applications on the Azure cloud.

The new Work Force Management ("WFM") module of the Group's HRMS was launched in second half of 2017 and received enormous market interest during the launch roadshow held in Beijing, Shanghai and Guangzhou in November 2017. This new WFM software will bring more convenience and transparency to the enterprises by giving employees and managers more control over their work autonomy, thus realising the interactive integration of mobile intelligent management and individual service.

In September 2017, our flagship ERMS, ChainStorePlus also released the Member e-Reg module, a mobile-centric application designed for multinational retail groups to better manage their membership registration and management system.

Solutions and Integration Services

As mentioned in our interim results announcement, the Group's Solutions Business had experienced some delays in project completions at the beginning of the reporting year. Although those projects had resumed on tracks in the second half of the year, it had impacted the revenue and profit contributions of the related business for the full year to drop by 8.0% and 12.0%, respectively.

During the reporting year, the Group continue to carry on the second 10-year services contract to support the Customer Care and Billing System ("CCBS") for the Water Supplies Department of the Government. Additional development costs were incurred in fulfilling certain enhancements and new software development on the CCBS. Considered that such development works would generate cost savings in the future, the related development costs of HK\$4.1 million had been capitalised as deferred development costs by end of the reporting year.

In July 2017, the Group awarded contracts for three categories of services under the Standing Offer Agreement for Quality Professional Services 4 ("SOA-QPS4") by the HKSAR Government for a period of 48 months starting from 31 July 2017. The three categories of services include pre-implementation & independent program/ project management services (Category 1), implementation & combined system development services (Category 3 Major Group), and information security and independent testing services (Category 4). In addition, the business continued to acquire new service contracts from government and organisations and commercial enterprises, including Hong Kong Deposit Protection Board, Food and Environmental Hygiene Department and Education Bureau under the Government.

Building on these new SOA-QPS4 agreement and other multi-year service engagements with organisations such as Hong Kong Airport Authority, the management expects the business will continue to benefit from its solid foundation and able to deliver a satisfactory result in the coming year.

BUSINESS REVIEW *(continued)*

Solutions and Integration Services *(continued)*

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

e-Service and related business

Due to decreasing demand from an existing customer, the revenue as well as the result of the Group's BPO^[6] service was dropped moderately. As a result, the profit contribution from the e-Service and related business^[2] dropped 8.4% during the year under review.

Market share of the Group's GETS^[5] business was improved and profit contribution from the related business is slightly better than last year. It is most important that the Group's GETS license had further been renewed for another six-year till the end of year 2024, which is momentous for the Group to continue our commitment to providing high-value and cost-effective services for Hong Kong's trading community.

Investments

The Group's investments segment recorded an increase in profit of 97.1% to HK\$7.8 million (2016: HK\$4.0 million). The change was in line with the increase in fair value gains of the investment properties and financial assets held.

PROSPECT

Looking ahead, the 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 would continue to impact the global economy in 2018. Despite these uncertainties, the Group will keep monitoring the business environment cautiously and remain committed to devoting more resources in the software and solutions businesses and look for regional acquisition opportunities 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] APAC CIOoutlook is a magazine with 6,000 qualified subscribers in the Asia Pacific region that aims to provide a platform for top CIOs, CTOs and other senior IT managers and decision makers to share their experience, wisdom and advice with the enterprise IT community.
- [5] 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 further renewed in early 2018 for operation of additional six years until the end of 2024.
- [6] 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

Both the overall revenue and gross profit were slightly shrunk during the year. The revenue dropped by HK\$4.8 million, or 1.8% to HK\$253.9 million (2016: HK\$258.7 million) and the gross profit dropped by HK\$2.6 million, or 1.8% to HK\$143.5 million (2016: HK\$146.1 million).

The decrease in overall revenue was primarily due to delay in project completions of the Group's Solutions Services business in early 2017. Although the situation being rectified during the second half of the year, the improvement was still not big enough to recover all the adverse impacts. On the other hand, the overall gross profit margin had not been deteriorated and maintained at around 56.5% (2016: 56.5%).

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 110.9% to HK\$13.3 million (2016: HK\$6.3 million). The change was in line with the significant increase in VAT refund received and the appreciation of investment properties and financial assets held.

Expenses

The Group's overall expenses had no significant change from last year.

Income tax expense

Income tax expense slightly increased by 1.0% to HK\$6.5 million (2016: HK\$6.5 million) compared with same period last year.

The Group's overall effective tax rate for the tax charge in 2017 was around 10.7%, whereas in 2016 was 11.4%. 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 reversal of certain withholding taxes on dividend and the recognition of deferred tax credit arising from amortisation of other intangible assets had further driven down the effective tax rate.

Net profit

The profit for the year attributable to shareholders increased to HK\$54.3 million (2016: HK\$50.3 million) while the net profit margin (profit for the year attributable to shareholders divided by revenue) rose to 21.4% (2016: 19.5%). The improvement was mainly due to the increase of non-operating incomes and gains, net as abovementioned.

Non-Current Assets

The Group's non-current assets as at 31 December 2017 slightly dropped by 0.1% to HK\$266.7 million (31 December 2016: HK\$267.0 million). The change was mainly due to the net of the amortisation of other intangible assets and depreciation of property, plant and equipment, addition of deferred development costs for a solution project and appreciation of investment properties held.

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

FINANCIAL REVIEW (continued)

Current Assets

The Group's current assets as at 31 December 2017 slightly increased by 1.3% to HK\$341.4 million (31 December 2016: HK\$337.2 million). The change mainly represented the net results of (i) decrease in cash and bank balances (including pledged bank deposits) as there were cash outflows for the dividend payments of 2016 final and 2017 interim results and the final payment for completion of respective acquisition; (ii) increase in amount due from contract customers as there was an increase in progress development awaiting for billing; (iii) decrease in trade receivables as good progress had been made in the collection of some long outstanding balances; and (iv) increase in inventories and prepayments, deposits and other receivables due to increase in work in progress for trade orders scheduled to be delivered in the first quarter of 2018.

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 2017 dropped 3.6% to HK\$139.9 million (31 December 2016: HK\$145.2 million). The change was primarily due to the net effect of reduction in consideration payable on an acquisition as payment made in early 2017 and increase in trade and other payables for purchase orders placed by the Integration Services business in fulfilling its trade orders.

Segment Assets and Liabilities

The segment assets of Applications Services business remained at approximate the same level while the segment liabilities decreased due to the payment of HK\$14.8 million in early 2017 for an acquisition taken place in prior year.

The segment assets of Solutions and Integration Services business increased in line with the increase in deferred development costs arising from Solutions Services business while the segment liabilities increased in line with the increase in trade and other payables for purchase orders placed by the Integration Services business in fulfilling its trade orders.

Segment assets of Investments business increased due to the appreciation in value of investment properties and financial assets held.

Equity

Total equity as at 31 December 2017 mildly increased by 2.6% to HK\$453.0 million (31 December 2016: HK\$441.5 million). The change was mainly due to the profit earned in 2017 partially offset by the dividend payments for 2016 final and 2017 interim results.

PLEDGE OF ASSETS

As at 31 December 2017, the Group had pledged an investment property with a fair value of HK\$60.0 million (31 December 2016: HK\$57.0 million), listed debt and equity securities of HK\$13.4 million (31 December 2016: HK\$12.0 million) and bank balances of HK\$1.1 million (31 December 2016: HK\$21.9 million) to secure certain general banking 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\$20.5 million (31 December 2016: HK\$19.7 million) had been utilised as at 31 December 2017.

FINANCIAL RESOURCES AND LIQUIDITY

As at 31 December 2017, the Group's bank balances and cash (excluded pledged bank deposit) was HK\$246.5 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 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 2017, the Group had no bank borrowings (31 December 2016: Nil). The Group's current ratio representing current assets divided by current liabilities was 2.4 (2016: 2.3) and the gearing ratio, representing total liabilities divided by total assets, was 25.5% (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.

As at 31 December 2017, the Group employed 327 full time employees and 6 contract-based employees (31 December 2016: 334 full time employees and 8 contract-based employees).

As at 31 December 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 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 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 reporting year.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in the announcement, there was no specific plan for material investments or capital assets as at 31 December 2017.

CONTINGENT LIABILITIES

Save as disclosed in the announcement, the Group has no material contingent liabilities as at 31 December 2017.

EVENTS AFTER THE REPORTING PERIOD

There is no other material subsequent event undertaken by the Company or by the Group after 31 December 2017 and up to the date of this annual results announcements.

FINAL AND SPECIAL DIVIDENDS

The Board has recommended the payment of a final dividend of 7 HK cents and a special dividend of 5 HK cents (2016: a final dividend of 7 HK cents and a special dividend of 3 HK cents) per ordinary share for the year ended 31 December 2017.

CLOSURE OF THE REGISTER OF MEMBERS

The Company's Register of Members will be closed from Thursday, 17 May 2018 to Wednesday, 23 May 2018, 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, 23 May 2018, 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, 16 May 2018.

In addition, the Company's Register of Members will be closed from Tuesday, 29 May 2018 to Wednesday, 30 May 2018, 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, shareholders must lodge their duly stamped instruments of transfer, accompanied by the relevant share certificates, to the Company's Share Registrars, Tricor Tengis Limited, for registration no later than 4:30 p.m. on Monday, 28 May 2018. During this period, no transfers of shares will be registered. The proposed final and special dividends will be offered with a scrip alternative for shareholders to elect to receive such final and special dividends wholly or partly in the form of new fully paid shares instead of in cash. The new shares to be issued pursuant to the scrip dividend scheme that are subject to their listing being granted by The Stock Exchange of Hong Kong Limited.

A circular containing details of this scrip dividend scheme will be dispatched to shareholders together with an election form for the scrip dividend on or about Thursday, 14 June 2018. The final and special dividends will be distributed on or about Monday, 23 July 2018 to shareholders whose names appear on the Company's Register of Members on Wednesday, 30 May 2018.

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.

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 enquiry 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 director 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, risk management 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 year ended 31 December 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 annual results for the year ended 31 December 2017.

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 2017 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.hkexnews.hk) and the Company's website (www.ctil.com). The 2017 annual report will be published on the Stock Exchange's website (www.hkexnews.hk) and the Company's website (www.ctil.com) and also to be despatched to the shareholders of the Company in due course.

APPRECIATIONS

On behalf of the Board and the management, I would like to express our sincere thanks to all employees, shareholders, customers and business partners for their supports to the Group during the reporting year.

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

Hong Kong, 13 March 2018

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.