COMPUTER AND TECHNOLOGIES HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 46)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2006

The Board of Directors (the "Board") of Computer And Technologies Holdings Limited (the "Company") presents the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2006, together with the comparative amounts. These condensed consolidated interim financial statements have been reviewed by the Company's audit committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

		For the six months ended 30 June (Unaudited)	
	Notes	**2006**	2005 (Restated)
		HK$'000	*HK$'000*
REVENUE	*4*	**113,726**	101,501
Cost of sales		**(73,762)**	(65,387)
Gross profit		**39,964**	36,114
Other income and gains		**4,412**	1,151
Selling and distribution costs		**(22,697)**	(20,769)
Administrative expenses		**(16,804)**	(13,923)
Other expenses		**(1,007)**	(139)
Finance costs		**–**	(14)
PROFIT BEFORE TAX	*5*	**3,868**	2,420
Tax	*6*	**(538)**	(19)
PROFIT FOR THE PERIOD		**3,330**	2,401
ATTRIBUTABLE TO:			
Equity holders of the parent		**3,556**	2,455
Minority interests		**(226)**	(54)
		3,330	2,401
DIVIDEND	*7*	**Nil**	Nil
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*8*		
Basic		**1.32 HK cents**	0.89 HK cents
Diluted		**N/A**	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	30 June 2006 (Unaudited) *HK$'000*	31 December 2005 (Audited) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**14,623**	16,249
Investment properties		**17,820**	17,820
Goodwill		**23,790**	23,790
Other intangible assets		**6,669**	7,868
Held-to-maturity investments		**1,265**	1,265
Available-for-sale investment		**1,231**	750
Deferred tax assets		**2,000**	2,000
Total non-current assets		**67,398**	69,742
CURRENT ASSETS			
Held-to-maturity securities		**–**	3,900
Inventories		**11,672**	20,631
Trade receivables	*9*	**56,971**	21,392
Due from contract customers		**33,677**	68,865
Prepayments, deposits and other receivables		**6,991**	9,513
Equity investments at fair value through profit and loss		**7,669**	5,008
Pledged bank deposits		**10,608**	8,012
Cash and cash equivalents		**171,731**	171,788
Total current assets		**299,319**	309,109
CURRENT LIABILITIES			
Trade payables, other payables and accruals	*10, 11*	**(54,695)**	(39,816)
Deferred income		**(6,143)**	(4,818)
Due to minority shareholders of subsidiaries		**(3,008)**	(2,649)
Tax payable		**(482)**	(1,004)
Total current liabilities		**(64,328)**	(48,287)
NET CURRENT ASSETS		**234,991**	260,822
TOTAL ASSETS LESS CURRENT LIABILITIES		**302,389**	330,564
NON-CURRENT LIABILITIES			
Other financial liabilities	*11*	**–**	(23,400)
Net assets		**302,389**	307,164
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital		**26,950**	26,950
Reserves		**274,578**	271,059
Proposed final and special dividends		**–**	8,085
		301,528	306,094
Minority interests		**861**	1,070
Total equity		**302,389**	307,164

Notes:

1. Corporate information

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

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

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

2. Basis of preparation

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

The unaudited condensed consolidated interim financial statements do 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 2005.

3. Accounting policies

The accounting policies and basis of preparation adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2005, except in relation to the following amendments to and interpretation of Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that affect the Group and are adopted for the first time for the current period's financial statements:

HKAS 39 Amendment	The Fair Value Option
HKAS 39 & HKFRS 4 Amendment	Financial Guarantee Contracts
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease

The adoption of these amendments and interpretation has had no material impact on the accounting policies of the Group and the methods of computation in the Group's unaudited interim condensed consolidated financial statements.

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these unaudited interim condensed consolidated financial statements. The Group has already commenced an assessment of the potential impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on its results of operations and financial position.

HKAS 1 (Amendment)	Capital Disclosures *(Note 1)*
HKFRS 7	Financial Instruments: Disclosures *(Note 1)*
HK(IFRIC) – INT 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies *(Note 2)*
HK(IFRIC) – INT 8	Scope of HKFRS 2 *(Note 3)*
HK(IFRIC) – INT 9	Reassessment of Embedded Derivatives *(Note 4)*

Notes:

1. Effective for accounting periods beginning on or after 1 January 2007
2. Effective for accounting periods beginning on or after 1 March 2006
3. Effective for accounting periods beginning on or after 1 May 2006
4. Effective for accounting periods beginning on or after 1 June 2006

4. Segment information

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

(a) the integration and solution services segment is engaged in the provision of system and network integration services, industry-specific IT application implementation services, IT solutions implementation and application development services;

(b) the application services segment is engaged in the provision of enterprise applications and IT operation outsourcing services;

(c) the distribution segment is engaged in the distribution of digital media products and other computer accessories; and

(d) the investments segment is primarily engaged in various types of investing activities including, inter alia, property investments for rental income and treasury investments in listed securities and held-to-maturity securities for dividend income and interest income.

An analysis of the Group's revenue and profit/(loss) for the six months ended 30 June 2006 by the Group's business segments is as follows:

	Integration and Solutions Services		Application Services		Distribution		Investments		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue										
Sales to external customers	**74,025**	63,985	**24,010**	20,894	**13,367**	15,534	**2,324**	1,088	**113,726**	101,501
Other revenue and gains	**202**	–	**98**	–	**864**	–	**171**	738	**1,335**	738
Total	**74,227**	63,985	**24,108**	20,894	**14,231**	15,534	**2,495**	1,826	**115,061**	102,239
Segment results before significant non-cash expenses	**4,475**	9,696	**6,618**	3,277	**(447)**	197	**2,280**	1,644	**12,926**	14,814
Depreciation	**(706)**	(1,575)	**(645)**	(805)	**(265)**	(346)	**(138)**	(138)	**(1,754)**	(2,864)
Amortisation of deferred development costs	**(121)**	–	**(1,078)**	(1,403)	**–**	–	**–**	–	**(1,199)**	(1,403)
Provision for bad and doubtful debts	**–**	–	**(1,010)**	–	**–**	–	**–**	–	**(1,010)**	–
Segment results	**3,648**	8,121	**3,885**	1,069	**(712)**	(149)	**2,142**	1,506	**8,963**	10,547
Unallocated interest income and gains									**3,077**	413
Unallocated expenses									**(8,172)**	(8,526)
Finance costs									**–**	(14)
Profit before tax									**3,868**	2,420
Tax									**(538)**	(19)
Profit for the period									**3,330**	2,401

5. Profit before tax

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

	Unaudited Six months ended 30 June	
	2006	2005
	HK$'000	*HK$'000*
Depreciation	**1,892**	3,309
Amortisation of deferred development costs[#]	**1,199**	1,404
Provision for bad and doubtful debts*	**1,010**	–
Interest income	**(3,046)**	(1,151)

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

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

6. Tax

Hong Kong profits tax has been provided at the applicable rate of 17.5% (2005: 17.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Unaudited Six months ended 30 June	
	2006	2005
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the period	**97**	19
Overprovision in prior periods	**(92)**	–
Current – Elsewhere		
Charge for the period	**533**	–
Total	**538**	19

7. Dividend

The Board does not recommend the payment of any dividends in respect of the period (2005: Nil).

8. Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the net profit for the period attributable to ordinary equity holder of the parent of HK$3,556,000 (2005 (restated): HK$2,455,000), and the weighted average number of 269,502,000 (2005: 275,198,000) ordinary shares of the Company in issue during the period.

(b) Diluted earnings per share

No diluted earnings per share is presented for the current period and the prior period as the effect of the Company's share options was anti-dilutive.

9. Trade receivables

The Group's trading terms with its customers for system integration services and the provision of maintenance services and software development services vary from contract to contract and may include cash on delivery, advance payment and on credit. For those customers who trade on credit, the credit period is generally for a period of 30 to 120 days, except for certain well-established or major customers, where the terms are extended beyond 120 days. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management.

The ageing analysis of the Group's trade receivables is as follows:

	Unaudited 30 June 2006	Audited 31 December 2005
	HK$'000	*HK$'000*
Current	**23,641**	9,972
Overdue 1 to 3 months	**18,521**	7,967
Overdue more than 3 months	**14,809**	3,453
	56,971	21,392

Included in the trade receivables amounting to HK$27.1 million being billings to certain departments of Hong Kong Special Administrative Region Government (the "HK Government") for the provision of IT services. During the period, due to the significant changes of responsible personnel in those departments, the HK Government has formed different views toward their commitments on its payment obligations for the services provided. The Group, with the involvement of the senior management, is in the course of resolving the disputes. The Group has also sought legal opinion and was advised that the Group is entitled to demand the HK Government for prompt payment of the disputed amounts. The senior management has been in continuous negotiation with the HK Government and shall consider taking legal actions against the HK Government if the outcome of the negotiations is not positive. In view of the recent development, the actions taken and the legal opinion obtained, no provision has been made in respect thereof.

10. Trade payables, other payables and accruals

Included in the balance is an amount of HK$7,284,000 (31 December 2005: HK$22,182,000) representing the trade payables of the Group. An aged analysis of trade payables as at the balance sheet date, based on the invoice date, is as follows:

	Unaudited 30 June 2006	Audited 31 December 2005
	HK$'000	*HK$'000*
Current	**5,966**	16,220
Within 1 to 3 months	**1,123**	1,913
Between 4 to 6 months	**195**	4,049
	7,284	22,182

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

11. Other financial liabilities

On 9 June 2004, the Group entered into a subscription agreement with an independent third party (the "Investor") for the subscription (the "Subscription") by the Investor of 40,000 Class B shares of Global e-Business Services (BVI) Limited ("GEBS-BVI", a subsidiary of the Company) (the "Subscription Shares"), representing 20% of the issued share capital of GEBS-BVI as enlarged by the Subscription and 2% of the voting rights in the general meetings of GEBS-BVI, for a cash consideration of HK$23.4 million (the "Subscription Proceeds"). On 18 June 2004, the Group and the Investor entered into a shareholders' agreement to provide for their rights and obligations in respect of GEBS-BVI (the "Shareholders' Agreement"). The Subscription was completed and the Investor had fully settled the subscription consideration in June 2004.

Pursuant to the Shareholders' Agreement, the Investor was granted an adjustment option (the "Adjustment Option") (exercisable in the event that the audited consolidated after-tax net profit of GEBS-BVI for the year ending 31 December 2006 does not meet an agreed threshold) to require GEBS-BVI either to issue additional number of Class B shares at nominal value or to pay cash, subject to a maximum amount of approximately HK$14 million to the Vendor. In addition, pursuant to the Shareholders' Agreement, the Investor has the rights to require the Company (at the discretion of the Company) either to exchange the Subscription Shares into the Company's shares or to pay cash, subject to a maximum amount of HK$23.4 million to the Investor (the "Exchange Options") in the event that GEBS-BVI has not effected an initial public offering of its shares in an agreed period of time and GEBS-BVI has failed to achieve the agreed threshold profit level in the year ending 31 December 2006.

Accordingly, due to the existence of the contingent settlement provisions attached to the arrangement and that the occurrence or non-occurrence of the abovementioned triggering events are beyond the control of the Group, the Subscription Proceeds received from the Investor was classified as "Other financial liabilities" as at 31 December 2005.

During the current period, on 29 June 2006, the Group entered into a sale and purchase agreement with the Investor (the "Sale and Purchase") to purchase from the Investor 40,000 Class B shares of GEBS-BVI with a cash consideration of HK$23.4 million.

Upon completion of the Sale and Purchase on 29 June 2006, the rights and obligations of each parties to the Shareholders' Agreement (including but not limited to the Adjustment Option and Exchange Options as mentioned above) were cancelled, terminated and ceased to be binding upon each parties. Accordingly, the "Other financial liabilities" of HK$23.4 million was reclassified as current liabilities under "Trade payables, other payables and accruals" as at 30 June 2006.

Subsequent to the balance sheet date, in July and August 2006, the consideration of the Sale and Purchase has been fully settled by the Group.

Further details of the Sale and Purchase are set out in the Company's circular dated 20 July 2006.

12. Commitments and contingent liabilities

Other than the normal course of business and except for as disclosed below, the Group has no significant commitment and contingent liability as at 30 June 2006.

13. Comparative amounts

Certain comparative amounts have been adjusted/restated to conform with the current period's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Operations

The Group's consolidated revenue increased by 12.0% to HK$113.7 million. Net profit attributable to shareholders increased to HK$3.6 million, or a rise of 44.0% from HK$2.5 million of last year. Earnings per share was HK1.32 cents compared with HK0.89 cents same period last year. The Board does not recommend the payment of any interim dividend (2005: Nil).

The contributions to the Group's overall revenue by Integration & Solutions Services, Application Services and Distribution segments were 65.1%, 21.1% and 11.8%, respectively. Benefited from the business transformation for diversified sources of recurring income, the Group's overall gross profit margin was healthily maintained at around 35.1%. As of 31 August 2006, the Group's order book kept a balance of approximately HK$285 million of which majority of them were maintenance and outsourcing related services.

During the period the Group also maintained a strong financial position, with cash balance of approximately HK$171.7 million at the end of June 2006, that would strengthen the foundation for future expansions.

The Integration and Solutions Services segment achieved a revenue growth of 15.7% as compared to the same period last year. The growth was mainly resulting from the sale of additional infrastructure system upgrades and enhancements to customers, particularly in finance and transportation sectors. At the same time, the Group continued to generate strong recurring revenue from its existing outsourcing service contracts. Nevertheless, the profit was impacted by the higher operating cost caused by staff turnover due to the strong demand of I.T. related job market in Hong Kong.

In the past few years, the Group has secured a number of long-term I.T. outsourcing contracts from the Hong Kong SAR Government (the "HK Government"). These contracts would continue to generate stable service income to the Group. During the reporting period, the Group was facing certain disputes with the HK Government on collection of outstanding payments of approximately HK$27.1 million. The Group has been in continuous negotiation with the HK Government. It has also obtained legal opinion on its position from the legal counsel. The Group shall consider taking legal proceedings to recover the outstanding payments from the HK Government if the outcome of the negotiations is not positive. At this stage, the management is confident that the outstanding amounts are recoverable therefore no financial adjustment to this interim report is being made.

Consistent with its objective to strengthen the recurring income base, the Group has partnered with Shanghai Stocom Communication Co., Ltd., a subsidiary of Shanghai Stock Exchange, to develop and market an integrated application and information management platform for securities brokers in China. The Group will be able to receive recurring annual software subscription and service income from brokers who subscribed to the related service. Management expects that such platform will generate a stable recurring income to the Group in long term.

The Group's Application Services segment also reported an increase of 14.9% in revenue during the reporting period. In particular, the Group's electronic service business has achieved a steady growth in revenue. In June 2006, the Group launched the electronic cargo manifests services ("EMAN Services") which enlarged its service scope and also provided more opportunities for growth.

The Group's human resource management software sustained its strong market share especially in the large corporate customers group with presence in both Hong Kong and China. In the first half of the year, the Group has secured several new and upgrade orders from large customers.

The performance of the Group's distribution business remained weak. The sales volumes of the new product lines are yet to be boosted up to deliver material contribution.

Prospect

The transformed business model provided the Group with the increase in recurring service and software income. Following the path, the Group would continue to enlarge the scale in order to achieve the optimal economy of scale for the operation to improve profitability.

In order to create more synergy effects, the Group has been actively integrating the management and technical resources among its subsidiaries. The recent acquisition of interest in Global e-Business Services (BVI) Limited held by The China Fund, Inc. had also provided more flexibility for the Group to better leverage the complementary strengths of the related subsidiaries. At the same time, the Group has also been actively strengthening its low-cost development and support resources in China.

With the above initiatives being implemented, the outlook of the Group remains positive.

Financial Resources and Liquidity

As at 30 June 2006, the Group's bank balances and cash (excluded pledged bank deposit of HK$10.6 million) was HK$171.7 million compared with HK$171.8 million as of 31 December 2005.

The Group made no bank borrowings during the current period. As a result, gearing ratio comparing net debt (borrowings net of cash and bank balances available) to equity was zero as of 30 June 2006 and 31 December 2005.

Currency and Financial Risk Management

Over 90% of the Group's on hand funding is in Hong Kong, US and Renminbi currencies. Any surplus cash is placed in savings and short-term bank deposits to earn interest income. The Group has not adopted any hedging policies, as all these currencies carry no or low exchange fluctuation risks.

Remuneration Policy and Number of Employees

The remuneration policies adopted for the 6 months period ended 30 June 2006 were consistent with those disclosed in the Group's 2005 Annual Report. As at 30 June 2006, the Group employed approximately 291 full time and 41 contract-based employees (31 December 2005: 299 full time and 34 contract-based employees).

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

CODE ON CORPORATE GOVERNANCE PRACTICE

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

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS

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

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

AUDIT COMMITTEE

The Company has an audit committee which was established in compliance with Rule 3.21 of the Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises the three independent non-executive directors of the Company. The Audit Committee has reviewed with Management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters related to the preparation of the unaudited interim financial statements for the six months ended 30 June 2006.

On behalf of the Board
Ng Cheung Shing
Chairman

Hong Kong, 12 September 2006

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

Please also refer to the published version of this announcement in The Standard.