

AUTOMATED

Automated Systems Holdings Limited

(Incorporated in Bermuda with Limited Liability)

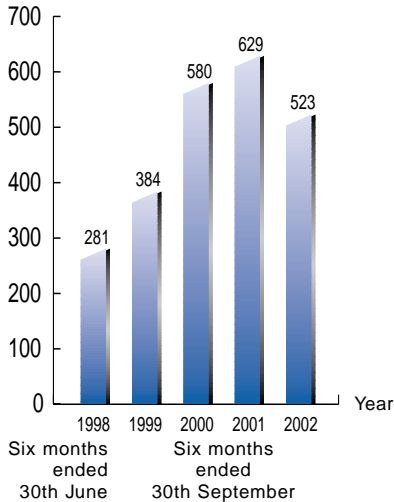


Interim Report
2003

FINANCIAL SUMMARY

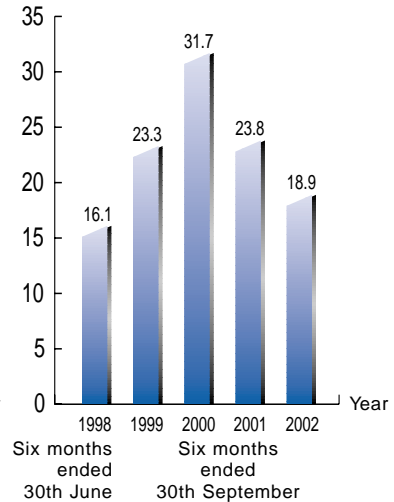
Turnover

(HK\$ Million)



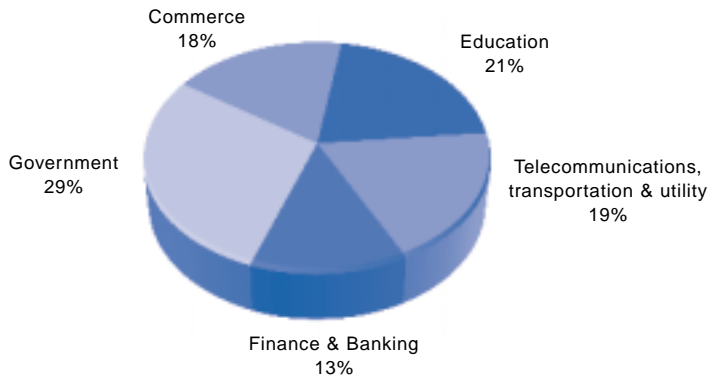
Net Profit Attributable to Shareholders

(HK\$ Million)



Turnover Analysis by Customers

(For the six months ended 30th September 2002)



INTERIM RESULTS

The Board of Directors (the “Directors”) of Automated Systems Holdings Limited (the “Company”) are pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30th September 2002 together with the comparative figures for the prior period as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited	
		Six months ended	
		30th September	
		2002	2001
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
TURNOVER	(3)	523,141	628,501
Cost of sales		(362,950)	(462,478)
Gross profit		160,191	166,023
Other operating income	(4)	27,833	18,355
Sales and technical support costs		(132,096)	(128,976)
Distribution costs		(7,421)	(8,716)
Administrative expenses		(21,226)	(21,618)
Restructuring costs		(5,303)	—
PROFIT FROM OPERATIONS	(5)	21,978	25,068
Finance costs		(775)	(1,939)
Share of results of associates		(163)	5,816
PROFIT BEFORE TAXATION		21,040	28,945
Taxation	(6)	(1,957)	(5,183)
PROFIT BEFORE MINORITY INTERESTS		19,083	23,762
Minority interests		(145)	38
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		18,938	23,800
Interim dividend	(7)	(4,623)	(5,806)
EARNINGS PER SHARE			
Basic	(8)	6.56 cents	8.27 cents
Diluted	(8)	6.54 cents	8.20 cents

CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited 30th September 2002 HK\$'000	Audited 31st March 2002 HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment	(9)	167,016	171,038
Intangible assets		3,415	5,591
Interests in associates		807	585
Club memberships		400	900
		<u>171,638</u>	<u>178,114</u>
CURRENT ASSETS			
Inventories		129,245	139,042
Trade receivables	(10)	193,259	150,859
Other receivables, deposits and prepayments		24,690	23,803
Investments in securities		71,301	123,215
Bank balances and cash		166,950	231,825
		<u>585,445</u>	<u>668,744</u>
CURRENT LIABILITIES			
Trade and bills payables	(11)	115,827	165,800
Unearned revenue		75,927	88,664
Other payables and accruals		35,969	54,364
Taxation		2,441	2,268
Bank loans and overdrafts	(12)	79,865	38,621
		<u>310,029</u>	<u>349,717</u>
NET CURRENT ASSETS		<u>275,416</u>	<u>319,027</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>447,054</u>	<u>497,141</u>
NON-CURRENT LIABILITIES			
Deferred taxation		(5,984)	(5,984)
MINORITY INTERESTS		<u>(3,172)</u>	<u>(3,027)</u>
		<u>437,898</u>	<u>488,130</u>
CAPITAL AND RESERVES			
Share capital		28,891	28,883
Reserves		409,007	459,247
		<u>437,898</u>	<u>488,130</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Unaudited
For the six months ended 30th September 2002

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Investment revaluation reserve <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st April, 2001	28,719	67,473	34,350	—	(2,348)	212,445	340,639
Exchange difference on translation of overseas operations not recognised in the income statement	—	—	—	—	(4,729)	—	(4,729)
Issue of shares pursuant to exercise of share options	102	816	—	—	—	—	918
Profit for the period	—	—	—	—	—	23,800	23,800
Dividend paid	—	—	—	—	—	(8,709)	(8,709)
At 30th September, 2001	<u>28,821</u>	<u>68,289</u>	<u>34,350</u>	<u>—</u>	<u>(7,077)</u>	<u>227,536</u>	<u>351,919</u>
At 1st April, 2002	<u>28,883</u>	<u>68,799</u>	<u>34,350</u>	<u>78,060</u>	<u>(84)</u>	<u>278,122</u>	<u>488,130</u>
Exchange difference on translation of overseas operations	—	—	—	—	(5)	—	(5)
Deficit on revaluation of investments	—	—	—	(54,728)	—	—	(54,728)
Net losses not recognised in the income statement	—	—	—	(54,728)	(5)	—	(54,733)
Issue of shares pursuant to exercise of share options	8	64	—	—	—	—	72
Realised on disposal of investments	—	—	—	(5,844)	—	—	(5,844)
Profit for the period	—	—	—	—	—	18,938	18,938
Dividend paid	—	—	—	—	—	(8,665)	(8,665)
At 30th September, 2002	<u>28,891</u>	<u>68,863</u>	<u>34,350</u>	<u>17,488</u>	<u>(89)</u>	<u>288,395</u>	<u>437,898</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited	
	Six months ended	
	30th September	
	2002	2001
	HK\$'000	HK\$'000
NET CASH USED IN OPERATING ACTIVITIES	(114,146)	(101,071)
NET CASH FROM INVESTING ACTIVITIES	9,324	4,933
NET CASH FROM FINANCING ACTIVITIES	42,501	28,884
NET DECREASE IN CASH AND CASH EQUIVALENTS	(62,321)	(67,254)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	229,864	147,605
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(593)	(411)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<u>166,950</u>	<u>79,940</u>
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	166,950	83,720
Bank overdrafts	—	(3,780)
	<u>166,950</u>	<u>79,940</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS:

1. **Basis of Preparation**

The condensed financial statements have been prepared in accordance with Statement of Standard Accounting Practice (“SSAP”) No. 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

In the opinion of the directors, the ultimate holding company is Computer Sciences Corporation (“CSC”), which is publicly listed in the United States of America.

2. **Principal Accounting Policies**

The condensed financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain properties and investments in securities.

The accounting policies adopted are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31st March 2002, except for the adoption of the following new/revised SSAPs which become effective in the current period:

Statement of changes in equity

The revisions to SSAP 1 “Presentation of Financial Statements” have introduced a choice for the format of presentation of the statement of changes in equity. In prior periods, the Group presented a statement of recognised gains and losses, with the details of capital transactions with owners and distributions to owners separately disclosed in the notes to the financial statements. Pursuant to the adoption of SSAP 1 (Revised), the Group has chosen to present a comprehensive statement of all changes in equity.

Foreign currencies

The revisions to SSAP 11 “Foreign Currency Translation” have eliminated the choice of translating the income statements of overseas operations at the closing rate for the period. They are now required to be translated at an average rate. Accordingly, on consolidation, the assets and liabilities of the Group’s operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group’s translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Cash flow statements

In the current period, the Group has adopted SSAP 15 (Revised) "Cash Flow Statements". Under SSAP 15 (Revised), cash flows are classified under three headings - operating, investing and financing, rather than the previous five headings. Interest and dividends, which were previously presented under a separate heading, are classified on a consistent basis under either operating, investing or financing activities. Cash flows arising from taxes on income are classified as operating activities, unless they can be separately identified with investing or financing activities. In addition, the amounts presented for cash and cash equivalents have been amended to exclude trust receipt loans that are financing in nature. Cash flows of overseas operations have been re-translated at the rates prevailing at the dates of the cash flows rather than the rate of exchange ruling on the balance sheet date.

Employees benefits

In the current period, the Group has adopted SSAP 34 "Employee Benefits", which introduces measurement rules for employee benefits, including retirement benefit plans. The principal effect of the implementation of SSAP 34 is in connection with the recognition of costs for the Group's defined benefit retirement benefit plan. In prior periods, the cost of providing retirement benefits under this plan was determined using a projected benefit valuation method, with actuarial valuations carried out every three years. Actuarial gains and losses and past service cost were spread systematically over the expected remaining working lives of existing employees, irrespective of the date of vesting.

Under SSAP 34, the cost of providing retirement benefits under the Group's defined benefit retirement benefit plan is determined using the projected unit credit method, with actuarial valuations being carried out annually. Actuarial gains and losses which exceed 10% of the greater of the present value of the Group's pension obligations and the fair value of plan assets are amortised over the expected average remaining working lives of the employees participating in the plan. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the amended benefits become vested.

The adoption of the above new/revised SSAPs has resulted in a change in the format of presentation of the statement of changes in equity and the cash flow statement, but has had no significant effect on the results for the current or prior accounting periods. Comparative figures have been restated in order to achieve a consistent presentation.

3. Segmental Information

The Group's revenues and results for the six months ended 30th September 2002 were derived from the selling of computer products and the provision of IT services. An analysis of the Group's revenues and results by business and geographical segments for the period ended 30th September 2002 is as follows:

(a) Business Segments

	Unaudited					
	Computer products		IT services		Consolidated	
	Six months ended		Six months ended		Six months ended	
	30th September		30th September		30th September	
	2002	2001	2002	2001	2002	2001
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
SEGMENT REVENUE:						
Sales to external customer	370,241	486,672	152,900	141,829	523,141	628,501
SEGMENT RESULTS	(6,701)	3,109	27,375	25,222	20,674	28,331
Gain on partial disposal of listed securities/interest in an associate					5,181	15,091
Unallocated other operating income					22,652	3,264
Unallocated expenses					(21,226)	(21,618)
Restructuring costs					(5,303)	—
Profit from operations					21,978	25,068

(b) **Geographical Segments**

	Unaudited							
	Hong Kong		Outside Hong Kong		Eliminations		Consolidated	
	Six months ended		Six months ended		Six months ended		Six months ended	
	30th September		30th September		30th September		30th September	
	2002	2001	2002	2001	2002	2001	2002	2001
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
SEGMENT REVENUES:								
Sales to external customers	499,096	613,959	24,045	14,542	—	—	523,141	628,501
Intersegment sales	12,880	8,003	69	68	(12,949)	(8,071)	—	—
	<u>511,976</u>	<u>621,962</u>	<u>24,114</u>	<u>14,610</u>	<u>(12,949)</u>	<u>(8,071)</u>	<u>523,141</u>	<u>628,501</u>
SEGMENT RESULTS	<u>18,752</u>	<u>27,516</u>	<u>1,922</u>	<u>815</u>	<u>—</u>	<u>—</u>	<u>20,674</u>	<u>28,331</u>
Gain on partial disposal of listed securities/ interest in an associate							5,181	15,091
Unallocated other operating income							22,652	3,264
Unallocated expenses							(21,226)	(21,618)
Restructuring costs							(5,303)	—
Profit from operations							<u>21,978</u>	<u>25,068</u>

4. **Other Operating Income**

Other operating income was mainly attributable to the dividend income at HK\$20,810,000 (2001: Nil) derived from the Group's listed investment in Taiwan. The dividend was received partly in cash (HK\$1,290,000) and in scrip (HK\$19,520,000) that was valued at the market value as at the ex-dividend date.

5. Profit from Operations

The Group's profit from operations has been arrived at after charging:

	Unaudited Six months ended 30th September	
	2002 HK\$'000	2001 HK\$'000
Depreciation and amortisation:		
Property, plant and equipment	15,353	14,253
Intangible assets (included in sales and technical support cost)	3,008	2,025
Loss on disposal of property, plant and equipment	804	96
and after crediting:		
Interest income	1,104	1,823
Dividend income from listed securities (see note 4)	20,810	—
Gain on partial disposal of listed securities	5,181	—
Gain on partial disposal of interest in an associate	—	15,091
	<u>15,353</u>	<u>15,091</u>

6. Taxation

	Unaudited Six months ended 30th September	
	2002 HK\$'000	2001 HK\$'000
Hong Kong Profits Tax	1,509	3,922
Overseas taxation	448	322
Taxation attributable to the Company and its subsidiaries	1,957	4,244
Share of tax attributable to associates	—	939
Tax charge for the period	<u>1,957</u>	<u>5,183</u>

Hong Kong Profits Tax is calculated at 16% (2001: 16%) on the estimated assessable profits for the period. Overseas taxation is calculated at the rates prevailing in the respective jurisdictions.

7. Interim Dividend

	Unaudited	
	Six months ended	
	30th September	
	2002	2001
	HK\$'000	HK\$'000
Interim dividend — HK1.6 cents (2001: HK2.0 cents) per ordinary share	4,623	5,806

The Directors declared an interim dividend of HK1.6 cents (2001: HK2.0 cents) per share for the six months ended 30th September 2002 to shareholders whose names appear on the register of members of the Company on 17th December 2002. The dividend warrants will be despatched on 30th December 2002.

8. Earnings per Share

The calculation of the basic and diluted earnings per share is based on the following data:

	Unaudited	
	30th	30th
	September	September
	2002	2001
	HK\$'000	HK\$'000
Earnings for the purpose of basic earnings per share and diluted earnings per share	18,938	23,800

	Number of shares	
	'000	'000
Weighted average number of ordinary shares for the purpose of basic earnings per share	288,843	287,807
Effect of dilutive share options	778	2,591
Weighted average number of ordinary shares for the purpose of diluted earnings per share	289,621	290,398

9. Movements in Property, Plant and Equipment

During the period, the Group spent HK\$14,266,000 on property, plant and equipment.

The Group disposed of property, plant and equipment with an aggregate carrying amount of HK\$3,047,000 for proceeds of HK\$2,243,000, resulting in a loss on disposal of HK\$804,000.

10. Trade Receivables

The Group has granted credit to substantially all of its debtors for 30 days. The Group seeks to maintain strict control over its outstanding receivables and has credit control procedures in place to minimise credit risk. Overdue balances are reviewed regularly by senior management.

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

	Unaudited 30th September 2002 HK\$'000	Audited 31st March 2002 HK\$'000
Current	112,285	71,232
0 – 1 month	48,340	37,434
1 – 2 months	15,620	24,002
2 – 3 months	8,279	13,093
Over 3 months	8,735	5,098
Total	193,259	150,859

11. Trade And Bills Payable

The aged analysis of the trade and bills payables as at the balance sheet date, based on payment due date, is as follows:

	Unaudited 30th September 2002 HK\$'000	Audited 31st March 2002 HK\$'000
Current	84,972	121,450
0 – 1 month	23,974	31,891
1 – 2 months	2,913	5,909
2 – 3 months	1,963	3,458
Over 3 months	2,005	3,092
Total	115,827	165,800

12. Bank Loans and Overdrafts

	Unaudited 30th September 2002 HK\$'000	Audited 31st March 2002 HK\$'000
Bank loans	4,215	2,701
Bank overdrafts	—	1,961
Trust receipt loans	75,650	33,959
	79,865	38,621

13. Capital Commitments

	Unaudited 30th September 2002 HK\$'000	Audited 31st March 2002 HK\$'000
Capital expenditure in respect of the acquisition of property, plant and equipment authorised but not contracted for	640	700

14. Contingent Liabilities

	Unaudited 30th September 2002 HK\$'000	Audited 31st March 2002 HK\$'000
Counter indemnities given to banks to indemnify letters of guarantee issued by the banks to the Group's customers	19,121	13,858

15. Related Party Transactions

During the period, the Group had the following transactions with fellow subsidiaries:

Nature of transactions	Note	Unaudited	
		Six months ended	
		30th September	
		2002	2001
		HK\$'000	HK\$'000
Sales by the Group	(a)	337	3,355
Purchases by the Group	(a)	840	892
Management fees received by the Group	(b)	—	838
Rental income received by the Group	(c)	72	197
Staff costs reimbursed to the Group	(d)	346	309
Rentals and administrative expenses, reimbursed by the Group	(d)	141	—
		<u> </u>	<u> </u>

The above transactions were entered into on the following bases:

- (a) The sale and purchase transactions were made according to the published prices and conditions similar to those offered to/by the major customers/suppliers of the Group.
 - (b) The management fees related to warehousing, corporate secretarial services, office and personnel administration services, centralised computer services and accounting services provided by the Group. The recharge was determined based on the sales of the fellow subsidiary as a percentage of the total sales of the Group and the fellow subsidiary, multiplied by the Group's total general and administrative costs.
 - (c) The rental income related to the letting of certain of the Group's properties to the fellow subsidiaries for office use. The monthly rental was determined by reference to open market rates.
 - (d) The staff costs, and rentals and administrative expenses were reimbursed at cost.
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FINANCIAL REVIEW

The Group's performance was affected by the continued sluggish economy in Hong Kong. Turnover decreased by 16.8% to HK\$523.1 million while gross profit reduced by a lower percentage of 3.5% to HK\$160.2 million mainly due to the improvement in the gross profit margin from 26.4% to 30.6%. The business mix for the Group changed with computer product revenue decreasing by 23.9% and IT services revenue increasing by 7.8% compared to the prior period. IT services accounted for 29.2% of the Group's turnover, a satisfactory increase as compared to 23.0% reported in the prior period.

Other operating income was primarily attributable to the dividend income derived from Data Systems Consulting Company Limited (DSC), the Group's listed investment in Taiwan and a gain from the partial disposal of DSC shares. Income derived from the DSC investment in the prior period comprised the Group's share of DSC's profit as an associate as well as a gain from partial disposal of shares.

Sales and technical support costs increased as the Group incurred costs to support the growing service business. The Group has introduced measures to control costs including the implementation of an Enterprise Resource Planning system, continual control of discretionary costs and consolidation of certain back office services. Certain operations within the Group have been restructured to enhance efficiency and to reduce costs. Some restructuring costs have been incurred as a result of these actions.

Net profit attributable to shareholders was HK\$18.9 million (2001: HK\$23.8 million). The net profit margin was 3.6% (2001: 3.8%).

At the end of the interim period, the net cash balance was HK\$167.0 million. The gearing ratio was 18.2%.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Segment Review

The Group is engaged in the sale of computer equipment, computer software, patents and licenses and the provision of systems integration, systems development, maintenance and outsourcing services.

Revenues from the sale of computer products in Hong Kong, which generated the major portion of the Group's turnover, decreased as a result of reduced market demand and price competition. Although the sale of products did not contribute directly to the Group's profitability, it generated significant systems integration, recurring maintenance and other service revenues. This business also helped to further develop and maintain close relationships with customers for the long-term growth of the Group.

Computer Products

The Group continued to provide services to the Hong Kong government under various bulk contracts for Oracle software & services and PC & Network equipment. It also provided PC equipment and related IT services to the Vocational Training Council under another bulk contract.

In June this year, ELM Computer Technologies Limited (ELM), one of the Group's subsidiaries, benefited from the government's contract of a UNIX Bulk Contract. The value of the contract rose to HK\$139.0 million from the original amount of HK\$45.0 million granted in April last year. This revised contract also brings in annual recurring maintenance support service amounting to HK\$22.0 million for the Group.

ELM was appointed as one of the approved IT suppliers under the 24-month Education bulk contract ED5 since January 2002. Under this contract, ELM has been delivering computer systems and related IT services to primary and secondary schools in Hong Kong.

The Group continues to expand its operations in overseas markets such as Macau, Taiwan and Thailand. In Macau, it implemented a storage area network infrastructure and backup site for a leading local bank. The solution provided the highest protection for the bank's critical data from catastrophies and unplanned downtimes. In Thailand, the Group installed a centralized backup solution for leading oil & gas companies including PTT Exploration and Production Public Company Limited and Kuwait Petroleum (Q8). The solution managed all the corporation's business data in the centralized server with data backup in the tape library, which reduced administrative costs greatly.

IT Services

The Group established a special team to implement the Colour Imaging of Plans (CIP) project for The Land Registry. Facilitated by its ASL Digital Imaging Center with a floor space of 12,000 sq. ft., the Group currently processes over 3.5 million plans and their conversion into digital images.

Following the award of a 39-month application maintenance outsourcing contract in February this year, the Group won another contract for the Information Technology Professional Services Arrangement (ITPSA) for Service Category A in June this year. The Group is one of the authorized companies in this 30-month contract to provide general system development and maintenance services to various government departments. The contract can be further extended for a maximum of 18 months.

In the education sector, the Group won the Technical Support Services Contract (ED6) to provide comprehensive technical support services to over 110 schools in Hong Kong. The 12-month contract, with an estimated value of HK\$16.0 million, may be extended for another 12 months.

In outsourcing, the Group continued to partner with Computer Sciences Corporation (CSC), its ultimate holding company in the US, to meet the outsourcing needs of a number of multinational companies in the Asian region.

New Business and Prospects

The Group has been well established in Hong Kong for almost 30 years as one of the leading IT companies in the region. Through the years, it has developed a large pool of business skills and technology expertise. By sharing the ample resources and the knowledge base in Hong Kong with its subsidiaries and branches, the Group is well positioned to tap the business opportunities in other potential markets in the region, such as Macau, Thailand and Taiwan. The Group's operations in these countries produced a revenue growth of 65.3%. As a result, the contribution to the Group's revenue increased from 2.3% in the prior period to 4.6% in the current period.

In addition to expanding its overseas business through its subsidiaries and branches, the Group also partners with CSC and the sister companies of its parent company, CSA Holdings Ltd (CSA) to develop and deliver regional customers' solutions outside Hong Kong. The Group believes that the tremendous business network shared by the CSC and CSA will accelerate the Group's future development. Although the Hong Kong economy remains uncertain, the growing trend towards IT outsourcing in various government departments and multi-national companies has created additional business opportunities.

The Group continues to introduce new products to meet enterprise needs. In addition to the close business relationships with many leading IT vendors' products, such as Sun Microsystems, Oracle, Computer Associates, EMC, Microsoft, IBM, Stratus and Brocade, the Group has assumed a broader range of responsibilities by carrying new hardware and software products in various IT categories. Products such as Check Point and M-TECH further enrich the security product category while products such as OpenSys and SOLAR expand the Group's product portfolio to the e-banking and service management areas. By broadening its product offerings, the Group is able to fulfil additional requirements of its customers and also to capitalize on more business opportunities in various Asian markets.

Having overcome many difficulties since its establishment, the Group is confident that it is able to overcome the challenges caused by the global economic downturn.

Financial Resources and Liquidity

As at 30th September, 2002, the Group's total assets of HK\$757.1 million were financed by shareholders' equity of HK\$437.9 million. The balance was represented by current liabilities of HK\$310.0million, deferred tax of HK\$6.0 million and minority interests of HK\$3.2 million. The Group had a working capital ratio of approximately 1.89:1. The Directors believe that the Group has a healthy working capital ratio.

As at 30th September, 2002, the Group had aggregate composite banking facilities from banks of approximately HK\$520.0 million of which HK\$104.0 million have been utilized (31st March, 2002: HK\$59.0 million). The Group's gearing ratio was 18.2% (31st March, 2002: 7.9%) as at 30th September, 2002.

There was no charge on the Group's assets as at 30th September, 2002.

Treasury Policies

The Group financed its operations with internally generated resources. Credit facilities provided by banks include trust receipt loans, overdrafts and term loans. The interest rates of these borrowings are fixed by reference to the respective countries' Interbank Offer Rate. Bank deposits and borrowings are mainly in Hong Kong dollars and United States dollars ("US dollars").

Foreign Exchange Exposure

The Group earns revenue and incurs costs primarily in US dollars and Hong Kong dollars. Foreign exchange exposure of the Group will continue to be minimal as long as the policy of the Government of HKSAR to link the Hong Kong dollar to the US dollar remains in effect. There was no material exposure to fluctuations in exchange rates and therefore no related financial hedging instrument was applied during the period ended 30th September, 2002.

Contingent Liabilities

Corporate guarantees to banks and vendors as security for banking facilities and goods supplied to the Group amounted to approximately HK\$397.1 million. The performance bond issued by the Group to customers as contract security amounted to approximately HK\$19.1 million.

Employee and Remuneration Policies

As at 30th September, 2002, the Group, excluding its associates, employed 930 permanent and contract staff in Hong Kong, Macau, Taiwan and Thailand. The Group remunerates its employees based on their performance, work experience and the prevailing market conditions. Bonuses are granted on a discretionary basis. Other employee benefits include mandatory provident fund, insurance, medical coverage and a share option scheme.

DIRECTORS' INTERESTS

As at 30th September, 2002, the interests of the directors and their associates in the share capital and share options of the Company and its associated corporations (as defined under the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance")), as recorded in the register maintained pursuant to Section 29 of the SDI Ordinance were as follows:

1. Interests in the Company:

(a) Company's share

Name of Director	Nature of interest	Number of Ordinary shares
Peter KUO Chi Yung	Personal	9,271,241
LAI Yam Ting	Personal	4,091,621

(b) Company's options

Details of share options granted to directors which remained outstanding as at 30th September,2002 were as follows:

Name of Director	Number of share options				At 30th September 2002	Date of grant of share options	Exercise period of share options	Exercise price of share options HK\$
	At 1st April 2002	Granted during the period	Exercised during the period	Cancelled during the period				
Peter KUO Chi Yung	245,000	—	—	—	245,000	19.10.1999	20.10.2001 to 19.10.2009	2.30
	245,000	—	—	—	245,000	11.2.2000	12.2.2002 to 11.2.2010	3.35
	218,000	—	—	—	218,000	27.7.2001	27.7.2003 to 26.7.2011	2.40
	708,000	—	—	—	708,000			
LAI Yam Ting	490,000	—	—	—	490,000	2.3.1999	3.3.2001 to 2.3.2009	0.90
	245,000	—	—	—	245,000	19.10.1999	20.10.2001 to 19.10.2009	2.30
	245,000	—	—	—	245,000	11.2.2000	12.2.2002 to 11.2.2010	3.35
	196,000	—	—	—	196,000	27.7.2001	27.7.2003 to 26.7.2011	2.40
1,176,000	—	—	—	1,176,000				
Edward LAU Ming Chi	120,000	—	—	—	120,000	19.10.1999	20.10.2001 to 19.10.2009	2.30
	120,000	—	—	—	120,000	11.2.2000	12.2.2002 to 11.2.2010	3.35
	148,000	—	—	—	148,000	27.7.2001	27.7.2003 to 26.7.2011	2.40
	388,000	—	—	—	388,000			

2. Interests in Associated Corporations:

Name of Subsidiary	Name of Director	Nature of Interest	Number of non-voting deferred shares
Automated Systems (H.K.) Limited	Peter KUO Chi Yung	Personal	2,140,000
	LAI Yam Ting	Personal	1,070,000

Notes:

Save as disclosed above and certain nominee interests in the subsidiaries held in trust for the benefit of the Company, no director held any interest beneficial or non-beneficial, in the share capital of the Company or its associated corporations.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 18th December, 2002 to 20th December, 2002, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's registrars, Tengis Limited at 4th Floor, Hutchinson House, 10 Harcourt Road, Hong Kong, for registration not later than 4:00 p.m. on 17th December, 2002

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30th September, 2002, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the unaudited interim results.

SUBSTANTIAL SHAREHOLDERS

As at 30th September, 2002, according to the register kept by the Company under Section 16(1) of the SDI Ordinance, the shareholders with registered interest in 10% or more of the issued share capital of the Company are as follows:

Name of substantial shareholders	No. of Shares		%
	Direct	Indirect	
CSA Holdings Ltd.	189,701,896	—	65.66%
CSC Computer Sciences International Inc. *	13,730,000	189,701,896	70.41%
Computer Sciences Corporation **	—	203,431,896	70.41%

Notes

* CSC Computer Sciences International Inc. ("CSCI") held more than 70% of the issued share capital of CSA Holdings Ltd. ("CSA"). Accordingly, CSCI is deemed to have an interest in the shares referred to above.

** CSCI is a wholly owned subsidiary of Computer Sciences Corporation ("CSC"). Accordingly, CSC is deemed to have an interest in the shares referred to above.

CODE OF BEST PRACTICE

None of the directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the accounting period under review, in compliance with Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, except that non-executive directors of the Company are not appointed for a specific term but are subject to retirement by rotation and re-election in accordance with the Articles of Association of the Company.

By Order of the Board
LAI Yam Ting
Managing Director

Hong Kong, 8th November, 2002
