

AUTOMATED

Automated Systems Holdings Limited

(Incorporated in Bermuda with Limited Liability)

Stock Code: 771

LISTED ON SEHK SINCE 1997



FinanceAsia



ASIA'S
BEST
COMPANIES
2007

2008
Interim Report

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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

Deloitte. 德勤

TO THE BOARD OF DIRECTORS OF AUTOMATED SYSTEMS HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 3 to 15 which comprises the condensed consolidated balance sheet of Automated Systems Holdings Limited as of 30th September, 2007 and the related condensed consolidated income statement, statement of changes in equity and cash flow statement for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

5th November, 2007

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th September, 2007

	Notes	Unaudited	
		2007	2006
		HK\$'000	HK\$'000
TURNOVER	(3)	666,953	560,104
Cost of goods sold		(388,989)	(330,353)
Costs of services rendered		(204,943)	(174,559)
Other income	(4)	7,725	8,666
Selling expenses		(30,563)	(24,542)
Administrative expenses		(19,079)	(17,162)
Finance costs	(5)	(1)	(3)
Share of results of associates		158	104
		<hr/>	<hr/>
PROFIT BEFORE TAXATION	(6)	31,261	22,255
Taxation	(7)	(5,525)	(3,956)
		<hr/>	<hr/>
Profit for the period attributable to equity holders of the Company		25,736	18,299
		<hr/>	<hr/>
Interim dividend	(8)	11,845	8,825
		<hr/>	<hr/>
		HK cents	HK cents
EARNINGS PER SHARE	(9)		
– Basic		8.73	6.22
		<hr/>	<hr/>
– Diluted		8.62	6.19
		<hr/>	<hr/>

CONDENSED CONSOLIDATED BALANCE SHEET

At 30th September, 2007

	Notes	Unaudited 30th September, 2007 HK\$'000	Audited 31st March, 2007 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	(10)	204,056	199,916
Intangible assets		4,052	5,283
Interests in associates		400	242
Available-for-sale investments	(11)	–	33,641
		208,508	239,082
CURRENT ASSETS			
Inventories		101,891	108,973
Trade receivables	(12)	201,818	135,919
Other receivables, deposits and prepayments	(13)	67,399	60,871
Tax recoverable		–	4,497
Available-for-sale investments	(11)	41,211	–
Short term bank deposits		100	7,914
Bank balances and cash		257,101	335,197
		669,520	653,371
CURRENT LIABILITIES			
Trade and bills payables	(14)	180,039	185,352
Other payables and accruals	(15)	66,311	65,810
Receipts in advance		85,651	97,934
Tax liabilities		438	–
		332,439	349,096
NET CURRENT ASSETS			
		337,081	304,275
TOTAL ASSETS LESS CURRENT LIABILITIES			
		545,589	543,357
NON-CURRENT LIABILITY			
Deferred taxation		22,352	19,402
		523,237	523,955
CAPITAL AND RESERVES			
Share capital	(16)	29,613	29,417
Reserves		493,624	494,538
Equity attributable to equity holders of the Company		523,237	523,955

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th September, 2007

	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	Investment revaluation reserve HK\$'000	Property revaluation reserve HK\$'000	Translation reserve HK\$'000	Share options reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000
At 1st April, 2006 (audited)	29,379	74,008	34,350	3,537	3,682	(87)	3,022	338,923	486,814
Exchange difference on translation of overseas operations	-	-	-	-	-	386	-	-	386
Increase in fair value of available-for-sale investments	-	-	-	2,726	-	-	-	-	2,726
Net income recognised directly in equity	-	-	-	2,726	-	386	-	-	3,112
Profit for the period	-	-	-	-	-	-	-	18,299	18,299
Total recognised income for the period	-	-	-	2,726	-	386	-	18,299	21,411
Exercise of share options	37	449	-	-	-	-	-	-	486
Recognition of equity settled share based payments	-	-	-	-	-	-	750	-	750
Final dividend for 2006 paid	-	-	-	-	-	-	-	(32,345)	(32,345)
At 30th September, 2006 (unaudited)	29,416	74,437	34,350	6,263	3,682	299	3,772	324,877	477,116
Exchange difference on translation of overseas operations	-	-	-	-	-	1,083	-	-	1,083
Revaluation increase of leasehold land and buildings	-	-	-	-	12,836	-	-	-	12,836
Deferred taxation arising on revaluation of leasehold land and buildings	-	-	-	-	(2,246)	-	-	-	(2,246)
Increase in fair value of available-for-sale investments	-	-	-	7,825	-	-	-	-	7,825
Net income recognised directly in equity	-	-	-	7,825	10,590	1,083	-	-	19,498
Profit for the period	-	-	-	-	-	-	-	35,261	35,261
Total recognised income for the period	-	-	-	7,825	10,590	1,083	-	35,261	54,759
Exercise of share options	1	9	-	-	-	-	-	-	10
Recognition of equity settled share based payments	-	-	-	-	-	-	895	-	895
Interim dividend for 2007 paid	-	-	-	-	-	-	-	(8,825)	(8,825)
At 31st March, 2007 (audited)	29,417	74,466	34,350	14,088	14,272	1,382	4,667	351,313	523,955

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Cont'd)

	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	Investment revaluation reserve HK\$'000	Property revaluation reserve HK\$'000	Translation reserve HK\$'000	Share options reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000
Exchange difference on translation of overseas operations	-	-	-	-	-	722	-	-	722
Increase in fair value of available-for-sale investments	-	-	-	7,174	-	-	-	-	7,174
Deferred tax liability on changes in fair value of available-for-sale investments	-	-	-	(2,400)	-	-	-	-	(2,400)
Net income recognised directly in equity	-	-	-	4,774	-	722	-	-	5,496
Profit for the period	-	-	-	-	-	-	-	25,736	25,736
Total recognised income for the period	-	-	-	4,774	-	722	-	25,736	31,232
Exercise of share options	196	3,001	-	-	-	-	-	-	3,197
Recognition of equity settled share-based payments	-	-	-	-	-	-	375	-	375
Final dividend for 2007 paid	-	-	-	-	-	-	-	(35,522)	(35,522)
At 30th September, 2007 (unaudited)	29,613	77,467	34,350	18,862	14,272	2,104	5,042	341,527	523,237

The special reserve of the Group represents the difference between the nominal value of the shares of the acquired subsidiaries and the nominal value of the Company's shares issued for the acquisition at the time of the group reorganisation prior to the listing of the Company's shares in 1997.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th September, 2007

	Unaudited	
	Six months ended	
	30th September,	
	2007	2006
	HK\$'000	HK\$'000
NET CASH USED IN OPERATING ACTIVITIES	(33,486)	(19,769)
NET CASH USED IN INVESTING ACTIVITIES		
Additions to property, plant and equipment	(27,112)	(39,048)
Other investing cash flows	14,712	5,891
	(12,400)	(33,157)
NET CASH USED IN FINANCING ACTIVITIES		
Dividends paid	(35,522)	(32,345)
Other financing activities	3,196	483
	(32,326)	(31,862)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(78,212)	(84,788)
CASH AND CASH EQUIVALENTS		
AT THE BEGINNING OF THE PERIOD	335,197	368,220
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	116	333
CASH AND CASH EQUIVALENTS		
AT THE END OF THE PERIOD,		
represented by bank balances and cash	257,101	283,765

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th September, 2007

1. Basis of Preparation

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

2. Principal Accounting Policies

The condensed consolidated financial statements have been prepared under the historical cost basis except for properties and certain financial instruments, which are measured at revalued amounts or fair values.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Company's annual consolidated financial statements for the year ended 31st March, 2007.

In the current interim period, the Group has applied, for the first time, the following new standard, amendment and interpretations ("new HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning on 1st April, 2007.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) – Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC) – Int 8	Scope of HKFRS 2
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment
HK(IFRIC) – Int 11	HKFRS 2: Group and Treasury Share Transactions

The application of these new HKFRSs had no material effect on the results and the financial position of the Group for the current and prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the following new or revised standards or interpretations that have been issued but are not yet effective.

HKAS 23 (Revised)	Borrowing Costs ¹
HKFRS 8	Operating Segments ¹
HK(IFRIC) – Int 12	Service Concession Arrangements ²
HK(IFRIC) – Int 13	Customer Loyalty Programmes ³
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction ²

¹ Effective for annual periods beginning on or after 1st January, 2009

² Effective for annual periods beginning on or after 1st January, 2008

³ Effective for annual periods beginning on or after 1st July, 2008

The Directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group.

3. Turnover and Segmental Information

Turnover represents the net amount received and receivable for goods sold by the Group to outside customers, less returns and allowances and revenue from service contracts, and is analysed as follows:

	Unaudited	
	Six months ended	
	30th September,	
	2007	2006
	HK\$'000	HK\$'000
Sales of goods	416,186	366,321
Revenue from service contracts	250,767	193,783
	<u>666,953</u>	<u>560,104</u>

Over 90% of the Group's revenue is derived from the Hong Kong market. Although the Group sells computer products and provides a wide range of services, in the opinion of the Directors, all the sales of goods and provision of services are information technology ("IT") related and, in most of the time, are negotiated under a single contract with a single customer. Accordingly, the Directors consider that the Group is engaged in one single business segment, namely IT services.

4. Other Income

	Unaudited	
	Six months ended	
	30th September,	
	2007	2006
	HK\$'000	HK\$'000
Interest on bank deposits	4,961	5,701
Dividend income from available-for-sale investments	2,313	2,683
Miscellaneous	451	282
	<u>7,725</u>	<u>8,666</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

5. Finance Costs

The amount represents interest on bank borrowings wholly repaid during the period.

6. Profit Before Taxation

	Unaudited	
	Six months ended	
	30th September,	
	2007	2006
	HK\$'000	HK\$'000
Profit before taxation has been arrived at after charging:		
Depreciation and amortisation:		
Property, plant and equipment	22,766	18,070
Intangible assets (included in costs of services rendered)	1,383	1,970
Loss on disposal of property, plant and equipment	96	82
Share-based payment expense	375	750
	<u>375</u>	<u>750</u>

7. Taxation

	Unaudited	
	Six months ended	
	30th September,	
	2007	2006
	HK\$'000	HK\$'000
The charge comprises:		
Current taxation:		
Hong Kong Profits Tax	4,536	1,317
Overseas taxation	439	779
Overprovision of Hong Kong Profits Tax in prior period	-	(75)
Deferred taxation	550	1,935
	<u>5,525</u>	<u>3,956</u>

Hong Kong Profits Tax is calculated at 17.5% (six months ended 30th September, 2006: 17.5%) of the estimated assessable profits derived from Hong Kong for the period.

Overseas taxation is calculated at the rates prevailing in the respective jurisdictions.

8. Interim Dividend

The Directors have determined that an interim dividend of 4.0 HK cents (six months ended 30th September, 2006: 3.0 HK cents) per share for the six months ended 30th September, 2007 is to be paid to the shareholders of the Company whose names appear in the register of members on 11th December, 2007.

During the period, the final dividend of 6.0 HK cents (six months ended 30th September, 2006: 5.0 HK cents) and special dividend of 6.0 HK cents (six months ended 30th September, 2006: 6.0 HK cents) per share in respect of the year ended 31st March, 2007 was paid to shareholders in respect of the financial year.

9. Earnings Per Share

The calculation of the basic and diluted earnings per share attributable to equity holders of the Company is based on the following data:

	Unaudited	
	Six months ended	
	30th September,	
	2007	2006
	HK\$'000	HK\$'000
Earnings for the purpose of basic earnings per share and diluted earnings per share	<u>25,736</u>	<u>18,299</u>
	Number of shares	
	'000	'000
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>294,956</u>	293,969
Effect of dilutive potential ordinary shares – Share options	<u>3,539</u>	1,751
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>298,495</u>	<u>295,720</u>

10. Property, Plant and Equipment

During the period, the Group spent approximately HK\$27,112,000 (six months ended 30th September, 2006: HK\$39,048,000) mainly on additions to computer and office equipment.

At 30th September, 2007, the Directors of the Company considered the carrying amount of the Group's leasehold land and buildings carried at revalued amounts and estimated that the carrying amounts do not differ significantly from that which would be determined using fair values at the balance sheet date.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

11. Available-for-sale Investments

	Unaudited 30th September, 2007 HK\$'000	Audited 31st March, 2007 HK\$'000
Overseas listed shares, at market value	<u>41,211</u>	<u>33,641</u>
Analysed for reporting purpose as:		
Non-current assets	–	33,641
Current assets	<u>41,211</u>	–
	<u>41,211</u>	<u>33,641</u>

On 4th October, 2007, the Group has disposed of the available-for-sale investments to an outsider at a consideration of HK\$42 million. The Directors of the Company estimated the disposal will result in a net gain of disposal after tax effect of approximately HK\$20 million (net of tax effect of approximately HK\$2.4 million), after release of cumulative gain previously recognised in investment revaluation reserves upon disposal.

12. Trade Receivables

The Group has granted credit to substantially all of its customers for 30 days and has credit control procedures to minimise credit risk. Overdue balances are reviewed regularly by senior management.

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

	Unaudited 30th September, 2007 HK\$'000	Audited 31st March, 2007 HK\$'000
0 – 1 month	161,634	102,507
1 – 2 months	24,559	10,459
2 – 3 months	5,845	9,407
Over 3 months	<u>9,780</u>	<u>13,546</u>
	<u>201,818</u>	<u>135,919</u>

13. Other Receivables, Deposits and Prepayments

	Unaudited	Audited
	30th September,	31st March,
	2007	2007
	HK\$'000	HK\$'000
Included in other receivables, deposits and prepayments are:		
Other debtors, deposits and prepayments	62,136	55,784
Amount due from immediate holding company	6	6
Amounts due from fellow subsidiaries	4,185	4,292
Amount due from an associate	1,072	789
	<hr/>	<hr/>
	67,399	60,871
	<hr/> <hr/>	<hr/> <hr/>

14. Trade and Bills Payables

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

	Unaudited	Audited
	30th September,	31st March,
	2007	2007
	HK\$'000	HK\$'000
0 – 1 month	119,323	157,344
1 – 2 months	37,948	5,942
2 – 3 months	12,612	2,771
Over 3 months	10,156	19,295
	<hr/>	<hr/>
	180,039	185,352
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

15. Other Payables and Accruals

	Unaudited 30th September, 2007 HK\$'000	Audited 31st March, 2007 HK\$'000
Included in other payables and accruals are:		
Other creditors and accruals	32,799	41,237
Amount due to immediate holding company	886	833
Amount due to ultimate holding company	9,532	7,334
Amounts due to fellow subsidiaries	23,094	16,406
	<u>66,311</u>	<u>65,810</u>

16. Share Capital

	Number of Shares '000	Amount HK\$'000
Ordinary shares of HK\$0.1 each		
Authorised:		
At 30th September, 2007 and 31st March, 2007	<u>600,000</u>	<u>60,000</u>
Issued and fully paid:		
At 1st April, 2006 (audited)	293,792	29,379
Exercise of share options	<u>378</u>	<u>38</u>
At 31st March, 2007 (audited)	294,170	29,417
Exercise of share options	<u>1,957</u>	<u>196</u>
At 30th September, 2007 (unaudited)	<u>296,127</u>	<u>29,613</u>

17. Contingent Liabilities

At 30th September, 2007, the Group has provided counter indemnities to banks in respect of guarantees issued by the banks to the Group's customers amounting to HK\$26,400,000 (31st March, 2007: HK\$20,350,000).

18. Pledge of Assets

The Group's bank deposits of approximately HK\$100,000 (31st March, 2007: HK\$100,000) have been pledged to secure the banking facilities of the Group and excluded from bank balances and cash at 30th September, 2007 and 30th September, 2006.

19. Related Party Transactions

During the period, the Group had the following transactions with fellow subsidiaries and ultimate holding company:

<u>Nature of transaction</u>	Unaudited	
	Six months ended	
	30th September,	
	2007	2006
	HK\$'000	HK\$'000
Fellow subsidiaries:		
Sales by the Group	2,106	459
Purchases by the Group	1,016	-
Staff costs charged by the Group	196	1,244
Expenses charged to the Group	9,567	5,819
Ultimate holding company:		
Staff costs charged by the Group	98	98
Expenses charged to the Group	2,198	1,663
	<u>2,198</u>	<u>1,663</u>

The remuneration of key management personnel for the six months ended 30th September, 2007 is HK\$2,920,000 (six months ended 30th September, 2006: HK\$3,025,000).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

Turnover for the first six months of FY08 was HK\$667.0 million, an increase of 19.1% was noted by comparing to the corresponding period in FY07. Turnover for the second quarter was HK\$342.8 million, representing an increase of 9.4% as compared to the previous year.

Product sales and service revenue for the first six months contributed 62.4% and 37.6% to the turnover respectively, which represented an increase of 13.6% and 29.4% respectively comparing to the same period last year.

Private and public sector sales for the first half of FY08 contributed 58.7% and 41.3% to the turnover respectively, which was at approximately the same level as last year.

Profit before taxation for the first six months was HK\$31.3 million; higher than the corresponding period in FY07 by HK\$9.0 million, representing an increase of 40.4%. Profit before taxation for the second quarter was HK\$15.6 million, it was increased by HK\$2.5 million or 18.9% from the same period last year. The improvement in profit was achieved mainly because of increasing contribution from managed service and outsourcing business; good performance in professional services on software application and an increase of multi-million projects for new infrastructure system or infrastructure upgrade/enhancements, particularly in the finance sector.

The order book as at 30th September, 2007 stood at approximately HK\$500.0 million. We are pleased to report that we continue to maintain a healthy balance sheet with no debt, a net cash of HK\$257.1 million with a working capital ratio of 2.01:1. The net cash remained at the same level as at the end of the first quarter but it was reduced as compared to the end of FY07 due to increased payment of trade payables and purchase of equipment to fulfill new outsourcing services requirement. The increase in trade receivables is due to high level of current receivable balance yet to be due as a result of increasing number of projects with longer delivery cycle.

Business Review

IT infrastructure business

The IT system infrastructure business performed well during the first half of FY08, particularly in the commercial sector. The Group has secured significant multi-millions infrastructure deals to provide servers of different IT platforms for multinational enterprises to boost operational performance and meet their service requirement. These deals included the supplying of IBM System p5 and System p6 servers for a renowned telecommunication services provider to upgrade its mobile phone services and for Cathay Pacific to replace the existing flight scheduling system. In the banking and finance sector, the Group also provided 3 Sun E25K high-end servers for an international bank to upgrade its banking system.

Services business

The services business continued to grow in the first six months. Carrying on from last year, the Group completed all the SWIFTNet Phase 2 migration orders for Hong Kong and Macau financial institutions and started receiving new orders of SWIFT Alliance Gateway system upgrade from more than 15 financial institutions in order to run the new generation of Real Time Gross Settlement System (RTGS). The Group also completed the implementation of an Oracle's identity management solution for a government body and won a contract to provide upgrade for the Oracle database system for a government department.

ASL was appointed as one of the two service providers in Hong Kong for a leading computer vendor to deliver warranty services and hardware products services specific to their platform for the end users on behalf of this vendor. These hardware products include enterprise servers and storage products, desktop and notebooks for the end users. The Group has also signed an agreement with this vendor to provide installation service for end users by the end of this year.

In August, the Group commenced a 1-year service agreement to provide information security management and consultancy services for a leading property developer and hospitality industry player in Hong Kong. These services include security advice, compliance, assessment, audit and awareness training. In addition, a US based marketing services corporation has chosen ASL as a preferred service supplier to provide IT services to all its offices and related agencies in Asia Pacific countries. The scope of services will include providing daily operation support, project management and implementation, IT Governance review(s), and corporate standards enforcement. Currently the Group is providing IT support service for 3 projects in Hong Kong, as well as equipment procurement and IT Governance review.

MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

Solutions business

Solutions development continued to expand in the first half of FY08. The Group secured the first deal to provide implementation and customisation of its front office and back office systems in Taiwan for a hotel located in Taipei. Moreover, the Group won 3 projects of providing Human Resources Management System (HRMS) from chain store business operators in Hong Kong and Macau.

Overseas business

The overseas business of the Group continued to be strong in the first six months of FY08. ASL Macau secured contracts to provide Playing Card Tracking System and Baccarat Score Board System for two new major casinos in Macau; we are now serving five out of the six concession holders allowed to operate casinos in Macau. ASL Guangzhou also won a deal to provide IT infrastructure, networking and help desk support services for a Hong Kong listed company's major offices in Chengdu and Xiamen.

Announcement pursuant to Rule 3.7 of the Hong Kong Code on Takeovers and Mergers

In relation to the possible sale of its controlling stake in the Group, Computer Sciences Corporation, our ultimate holding company, has advised that it is no longer pursuing opportunities to complete the transaction, as disclosed in the Company's announcement dated 2nd October, 2007.

Outlook and Prospects

The Group celebrates its 10th anniversary of listing on the Hong Kong Stock Exchange this year accompanied by an unbroken record of profitability in the past 10 years. In order to grow further and enhance shareholders' value, the Group has engaged in regional expansion, in particular the Greater China while maintaining Hong Kong as the centre of excellence.

Currently the Group is pursuing expansion opportunities in Beijing, Shanghai and other areas through strategic alliance and mergers & acquisitions. Apart from establishing our service team in mainland China, the Group has extended its vendor network outside Hong Kong by forming alliance and reseller relationship with major vendors such as SUN, Oracle and EMC in Greater China. The Group is still continuing in its efforts in this respect and expects to cover more vendors with wider variety of services and products in the near future. The expansion into mainland China also involves development on customer front. Considering the rapid business development of our customers in PRC, we have conducted further customer survey with a view to tracking our customers' needs arising from their PRC expansion, refining our service offerings specific to their needs and ultimately increasing our chance of winning projects from their PRC operations.

For local development, the Group will continue to explore new outsourcing opportunities in Hong Kong, and refine our services quality and offerings to make Hong Kong a centre of excellence for overseas operations.

With the establishment of our Guangzhou subsidiary in FY07, this year, we are proceeding on different fronts including mergers & acquisitions, vendor network and customer development in strengthening our presence. However, while exploring new revenue from the mainland, the Group also aims to provide a more comprehensive service package for existing client with particular focus regarding client's operation in China. With solid performance in the second quarter and the first half of FY08, the Group's performance remains positive.

Financial Resources and Liquidity

As at 30th September, 2007, the Group's total assets of HK\$878.0 million were financed by current liabilities of HK\$332.4 million, deferred taxation of HK\$22.4 million and shareholders' equity of HK\$523.2 million. The Group had a working capital ratio of approximately 2.01:1.

As at 30th September, 2007, the Group had an aggregate composite banking facilities from banks of approximately HK\$97.0 million of which HK\$26.4 million was utilised (31st March, 2007: HK\$20.4 million). The Group's gearing ratio was zero (31st March, 2007: zero) as at 30th September, 2007.

Treasury Policies

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

MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

Foreign Exchange Exposure

The Group mainly earns revenue and incurs costs 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 the Hong Kong Special Administrative Region to link the Hong Kong dollars to the US dollars remains in effect. There was no material exposure to fluctuations in exchange rates, and therefore no related hedging financial instrument was applied during the six-month period ended 30th September, 2007.

Contingent Liabilities

Corporate guarantee to banks and vendors as security for banking facilities and goods supplied to the Group amounted to approximately HK\$51.8 million as at 30th September, 2007. The amount utilised against such facilities and goods supplied as at 30th September, 2007 which was secured by the corporate guarantee amounted to approximately HK\$3.4 million. The performance bond issued by the Group to customers as security of contract was approximately HK\$26.4 million as at 30th September, 2007.

Employee and Remuneration Policies

As at 30th September, 2007, the Group, excluding its associates, employed 1,319 permanent and contract staff in Hong Kong, Macau, Taiwan, mainland China and Thailand. The Group remunerates its employees based on their performance, working experience and the prevailing market conditions. Bonuses are granted on a discretionary basis. Other employee benefits include mandatory provident fund, insurance, medical coverage and share options scheme.

ADDITIONAL INFORMATION

Directors' Interests in Shares and Underlying Shares

As at 30th September, 2007, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which (a) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), to be notified to the Company and the Stock Exchange, were as follows:

(a) Shares

Name of company	Director	Personal interests	Family interests	Corporate interests	Other	Total	Approximate
							% of shareholding
Automated Systems Holdings Limited	Lai Yam Ting	4,141,621	-	-	-	4,141,621	1.40%
	Kuo Chi Yung, Peter	9,271,241	-	-	-	9,271,241	3.13%
Automated Systems (H.K.) Limited	Lai Yam Ting	1,070,000 ¹	-	-	-	1,070,000	N/A ²
	Kuo Chi Yung, Peter	2,140,000 ¹	-	-	-	2,140,000	N/A ²

ADDITIONAL INFORMATION (Cont'd)

(b) Underlying shares

Name of company	Director	Personal interests	Family interests	Corporate interests	Other	Total
Automated Systems Holdings Limited	Lai Yam Ting	1,947,000 ³	–	–	–	1,947,000
	Lau Ming Chi, Edward	1,436,000 ³	–	–	–	1,436,000
	Kuo Chi Yung, Peter	587,000 ³	–	–	–	587,000
Computer Sciences Corporation	George Finlay Bell	187,497 ^{4 & 6}	–	–	–	187,497
	Darren John Collins	17,630 ^{5 & 6}	–	–	–	17,630
	Wang Yung Chang, Kenneth	8,630 ^{5 & 6}	–	–	–	8,630
	Andrew John Anker	7,163 ^{5 & 6}	–	–	–	7,163

Notes:

1. These shares were non-voting deferred shares.
2. The issued shares of Automated Systems (H.K.) Limited comprise 55,350,000 non-voting deferred shares and 2 ordinary shares. The 2 ordinary shares are beneficially owned by the Company.
3. Options to acquire ordinary shares of the Company, further details of which are set out in the section headed "Share Options" below.
4. Comprise options to acquire 181,133 shares of common stock of Computer Sciences Corporation ("CSC") and 6,364 restricted stock units.
5. Options to acquire common stock of CSC.
6. The directors' options to acquire shares in CSC are remuneration in their capacities as executives of these related corporations.

Save as mentioned above, as at 30th September, 2007, none of the directors and the chief executives of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Substantial Shareholders

As at 30th September, 2007, so far as is known to the directors and chief executives of the Company, the interests and short positions of every person, other than directors or chief executive of the Company in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO were as follows:

Name of shareholder	Number of ordinary shares of the Company held		Percentage of issued share capital	Notes
	Direct interest	Deemed interest	%	
CSA Holdings Ltd ("CSA")	189,701,896	–	64.1	1
CSC Computer Sciences International Inc. ("CSI")	13,730,000	189,701,896	68.7	1
Computer Sciences Corporation ("CSC")	–	203,431,896	68.7	2

Notes:

1. CSI beneficially owned 100% of CSA and was accordingly deemed to be interested in 189,701,896 shares of the Company. In addition, CSI owned directly 13,730,000 shares of the Company.
2. CSC, through its wholly-owned subsidiary, CSI, was deemed to be interested in 203,431,896 shares of the Company.

Save as mentioned above, as at 30th September, 2007, there was no other person (other than the directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

ADDITIONAL INFORMATION (Cont'd)

Share Options

The following table discloses movements in the Company's share options during the period:

Participants	Number of shares to be issued upon exercise of share options					At 30th September, 2007	Date of grant	Exercise period	Exercise price HK\$
	At 1st April, 2007	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period				
Directors									
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
	196,000	-	-	-	-	196,000	27.7.2001	27.7.2003 to 26.7.2011	2.40
	412,000	-	-	-	-	412,000	20.11.2002	20.11.2003 to 19.11.2012	1.34
	232,000	-	-	-	-	232,000	6.8.2004	6.8.2005 to 5.8.2014	1.28
	248,000	-	-	-	-	248,000	9.6.2005	9.6.2006 to 8.6.2015	1.98
	124,000	-	-	-	-	124,000	30.6.2006	30.6.2006 to 29.6.2016	1.95
	<u>1,947,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,947,000</u>			
Lau Ming Chi, Edward	120,000	-	-	-	-	120,000	19.10.1999	20.10.2001 to 19.10.2009	2.30
	148,000	-	-	-	-	148,000	27.7.2001	27.7.2003 to 26.7.2011	2.40
	330,000	-	-	-	-	330,000	20.11.2002	20.11.2003 to 19.11.2012	1.34
	140,000	-	-	-	-	140,000	6.8.2004	6.8.2005 to 5.8.2014	1.28
	210,000	-	-	-	-	210,000	9.6.2005	9.6.2006 to 8.6.2015	1.98
	428,000	-	-	-	-	428,000	19.6.2006	19.6.2007 to 18.6.2016	1.95
	60,000	-	-	-	-	60,000	30.6.2006	30.6.2006 to 29.6.2016	1.95
	<u>1,436,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,436,000</u>			

Participants	Number of shares to be issued upon exercise of share options					At 30th September, 2007	Date of grant	Exercise period	Exercise price HK\$
	At 1st April, 2007	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period				
Kuo Chi Yung, Peter	245,000	-	-	-	-	245,000	19.10.1999	20.10.2001 to 19.10.2009	2.30
	218,000	-	-	-	-	218,000	27.7.2001	27.7.2003 to 26.7.2011	2.40
	124,000	-	-	-	-	124,000	30.6.2006	30.6.2006 to 29.6.2016	1.95
	<u>587,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>587,000</u>			
Other employees	250,000	-	-	-	-	250,000	2.3.1999	3.3.2001 to 2.3.2009	0.90
	1,370,000	-	(115,000)	-	-	1,255,000	19.10.1999	20.10.2001 to 19.10.2009	2.30
	65,000	-	-	-	-	65,000	11.2.2000	12.2.2002 to 11.2.2010	3.35
	40,000	-	-	-	-	40,000	30.6.2000	1.7.2002 to 30.6.2010	3.40
	1,632,000	-	(108,000)	-	-	1,524,000	27.7.2001	27.7.2003 to 26.7.2011	2.40
	1,402,000	-	(378,000)	-	-	1,024,000	20.11.2002	20.11.2003 to 19.11.2012	1.34
	1,852,000	-	(724,000)	-	-	1,128,000	6.8.2004	6.8.2005 to 5.8.2014	1.28
	2,350,000	-	(232,000)	-	-	2,118,000	9.6.2005	9.6.2006 to 8.6.2015	1.98
	2,460,000	-	-	-	-	2,460,000	19.6.2006	19.6.2007 to 18.6.2016	1.95
	964,000	-	(156,000)	-	-	808,000	30.6.2006	30.6.2006 to 29.6.2016	1.95
	1,156,000	-	(244,000)	-	-	912,000	30.6.2006	30.6.2007 to 29.6.2016	1.95
	<u>13,541,000</u>	<u>-</u>	<u>(1,957,000)</u>	<u>-</u>	<u>-</u>	<u>11,584,000</u>			
Total	<u>17,511,000</u>	<u>-</u>	<u>(1,957,000)</u>	<u>-</u>	<u>-</u>	<u>15,554,000</u>			

ADDITIONAL INFORMATION (Cont'd)

Closure of Register of Members

The Register of Members of the Company will be closed from 12th December, 2007 to 14th December, 2007, 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, Tricor Tengis Limited at 26/F Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on 11th December, 2007. The dividend warrants will be despatched on or before 2nd January, 2008.

Purchase, Sale or Redemption of Listed Securities

During the six months ended 30th September, 2007, 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.

Model Code for Securities Transactions by Directors of Listed Issuers

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. The Company has made specific enquiry of all Directors regarding any non-compliance with the Model Code during the six months ended 30th September, 2007, and they all confirmed that they have fully complied with the required standard set out in the Model Code.

Code on Corporate Governance Practices

The Company has complied with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules throughout the accounting period for the six months ended 30th September, 2007 except with respect to Code A.4.1, all 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 Company's Bye-laws.

As at 5th November, 2007, the board of directors comprises Mr. Lai Yam Ting and Mr. Lau Ming Chi, Edward being executive directors, Mr. Allen Joseph Pathmarajah, Mr. Kuo Chi Yung, Peter, Mr. Moo Kwee Chong, Johnny, Mr. George Finlay Bell, Mr. Darren John Collins, Mr. Wang Yung Chang, Kenneth and Mr. Andrew John Anker being non-executive directors and Mr. Cheung Man, Stephen, Mr. Hon Sheung Tin, Peter and Mr. Li King Hang, Richard being independent non-executive directors.