



## Service Excellence on Solid Foundations



**Automated Systems Holdings Limited**

*(Incorporated in Bermuda with Limited Liability)*

Stock Code: 771

## Quality Policy for ASL

We are dedicated to delivering effective and efficient IT solution ON TIME through CONTINUOUS IMPROVEMENT on our processes, products and services in order to achieve:

- Maximum efficiency in operation
- Satisfaction of our customers, shareholders, business partners and staff



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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 16, which comprises the condensed consolidated balance sheet of Automated Systems Holdings Limited and its subsidiaries as of 30th September, 2008 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

26th November, 2008

## CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th September, 2008

	Notes	Unaudited Six months ended 30th September,	
		2008 HK\$'000	2007 HK\$'000
<b>TURNOVER</b>	3	<b>733,527</b>	666,665
Cost of goods sold		<b>(390,900)</b>	(388,733)
Costs of services rendered		<b>(262,373)</b>	(205,199)
Other income	4	<b>4,395</b>	8,013
Selling expenses		<b>(36,476)</b>	(30,563)
Administrative expenses		<b>(22,080)</b>	(19,079)
Finance costs	5	<b>(3)</b>	(1)
Share of results of associates		<b>542</b>	158
		<hr/>	<hr/>
<b>PROFIT BEFORE TAXATION</b>	6	<b>26,632</b>	31,261
Taxation	7	<b>(3,483)</b>	(5,525)
		<hr/>	<hr/>
Profit for the period attributable to equity holders of the Company		<b>23,149</b>	25,736
		<hr/>	<hr/>
Interim dividend	8	<b>11,889</b>	11,848
		<hr/>	<hr/>
		<b>HK cents</b>	HK cents
<b>EARNINGS PER SHARE</b>	9		
– Basic		<b>7.80</b>	8.73
		<hr/>	<hr/>
– Diluted		<b>7.76</b>	8.62
		<hr/>	<hr/>

**CONDENSED CONSOLIDATED BALANCE SHEET**

At 30th September, 2008

	Notes	Unaudited 30th September, 2008 HK\$'000	Audited 31st March, 2008 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	10	198,610	223,225
Intangible assets		3,525	4,138
Interests in associates		1,043	705
		<u>203,178</u>	<u>228,068</u>
<b>CURRENT ASSETS</b>			
Inventories		79,780	111,556
Trade receivables	11	251,593	191,488
Other receivables, deposits and prepayments	12	85,846	65,202
Pledged short term bank deposits		100	100
Bank balances and cash		272,459	398,581
		<u>689,778</u>	<u>766,927</u>
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	13	139,882	182,058
Other payables and accruals	14	55,492	75,920
Receipts in advance		123,670	139,392
Tax liabilities		15,421	6,362
		<u>334,465</u>	<u>403,732</u>
<b>NET CURRENT ASSETS</b>		<u>355,313</u>	<u>363,195</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>558,491</u>	<u>591,263</u>
<b>NON-CURRENT LIABILITY</b>			
Deferred taxation		18,223	23,142
		<u>540,268</u>	<u>568,121</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	15	29,723	29,666
Reserves		510,545	538,455
Equity attributable to equity holders of the Company		<u>540,268</u>	<u>568,121</u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th September, 2008

	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, 2007 (audited)	29,417	74,466	34,350	14,088	14,272	1,382	4,667	351,313	523,955
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 and special dividends for year ended 31st March, 2007 paid	-	-	-	-	-	-	-	(35,522)	(35,522)
<b>At 30th September, 2007 (unaudited)</b>	<b>29,613</b>	<b>77,467</b>	<b>34,350</b>	<b>18,862</b>	<b>14,272</b>	<b>2,104</b>	<b>5,042</b>	<b>341,527</b>	<b>523,237</b>
Exchange difference on translation of overseas operations	-	-	-	-	-	2,024	-	-	2,024
Revaluation increase of leasehold land and buildings	-	-	-	-	26,155	-	-	-	26,155
Deferred tax liability arising on revaluation of leasehold land and buildings	-	-	-	-	(4,577)	-	-	-	(4,577)
Net income recognised directly in equity	-	-	-	-	21,578	2,024	-	-	23,602
Profit for the period	-	-	-	-	-	-	-	50,417	50,417
Total recognised income for the period	-	-	-	-	21,578	2,024	-	50,417	74,019
Exercise of share options	53	779	-	-	-	-	-	-	832
Release on disposal of available-for-sale investments	-	-	-	(18,862)	-	-	-	-	(18,862)
Recognition of equity settled share-based payments	-	-	-	-	-	-	743	-	743
Interim dividend for 2008 paid	-	-	-	-	-	-	-	(11,848)	(11,848)
At 31st March, 2008 (audited)	29,666	78,246	34,350	-	35,850	4,128	5,785	380,096	568,121

## 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	-	-	-	-	-	(1,598)	-	-	(1,598)
Net loss recognised directly in equity	-	-	-	-	-	(1,598)	-	-	(1,598)
Profit for the period	-	-	-	-	-	-	-	23,149	23,149
Total recognised income and expense for the period	-	-	-	-	-	(1,598)	-	23,149	21,551
Exercise of share options	57	510	-	-	-	-	-	-	567
Recognition of equity settled share-based payments	-	-	-	-	-	-	559	-	559
Final and special dividends for year ended 31st March, 2008 paid	-	-	-	-	-	-	-	(50,530)	(50,530)
<b>At 30th September, 2008 (unaudited)</b>	<b>29,723</b>	<b>78,756</b>	<b>34,350</b>	<b>-</b>	<b>35,850</b>	<b>2,530</b>	<b>6,344</b>	<b>352,715</b>	<b>540,268</b>

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, 2008

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30th September,</b>	
	<b>2008</b>	2007
	<b>HK\$'000</b>	HK\$'000
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(76,240)</b>	(33,486)
<b>NET CASH FROM (USED IN) INVESTING ACTIVITIES</b>		
Additions to property, plant and equipment	<b>(7,974)</b>	(27,112)
Proceeds from disposal of property, plant and equipment	<b>8,249</b>	–
Other investing cash flows	<b>8,282</b>	14,712
	<b>8,557</b>	(12,400)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>		
Dividends paid	<b>(50,530)</b>	(35,522)
Other financing activities	<b>(5,627)</b>	3,196
	<b>(56,157)</b>	(32,326)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(123,840)</b>	(78,212)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>398,581</b>	335,197
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES</b>	<b>(2,282)</b>	116
	<b>272,459</b>	257,101
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, represented by bank balances and cash</b>	<b>272,459</b>	257,101

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th September, 2008

## 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 on the historical cost basis except for properties, which are measured at revalued amounts.

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, 2008.

In the current interim period, the Group has applied, for the first time, the following amendments, new interpretations ("new Interpretations") issued by the HKICPA.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

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

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

HKFRSs (Amendments)	Improvements to HKFRSs <sup>1</sup>
HKAS 1 (Revised)	Presentation of Financial Statements <sup>2</sup>
HKAS 23 (Revised)	Borrowing Costs <sup>2</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>3</sup>
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation <sup>2</sup>
HKAS 39 (Amendments)	Eligible Hedged Items <sup>3</sup>
HKFRS 1& HKAS 27 (Amendment)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate <sup>2</sup>
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations <sup>2</sup>
HKFRS 3 (Revised)	Business Combinations <sup>3</sup>
HKFRS 8	Operating Segments <sup>2</sup>
HK(IFRIC) – Int 13	Customer Loyalty Programmes <sup>4</sup>
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate <sup>2</sup>
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation <sup>5</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1st January, 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1st July, 2009

<sup>2</sup> Effective for annual periods beginning on or after 1st January, 2009

<sup>3</sup> Effective for annual periods beginning on or after 1st July, 2009

<sup>4</sup> Effective for annual periods beginning on or after 1st July, 2008

<sup>5</sup> Effective for annual periods beginning on or after 1st October, 2008

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1st July, 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions.

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

### 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:

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30th September,</b>	
	<b>2008</b>	2007
	<b>HK\$'000</b>	HK\$'000
Sales of goods	<b>431,019</b>	415,898
Revenue from service contracts	<b>302,508</b>	250,767
	<b>733,527</b>	666,665

Approximate 90% of the Group's revenue is derived from the Hong Kong market, its major geographical segment based on location of customers. 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

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30th September,</b>	
	<b>2008</b>	2007
	<b>HK\$'000</b>	HK\$'000
Interest on bank deposits	<b>2,303</b>	4,961
Dividend income from available-for-sale investments	<b>-</b>	2,313
Miscellaneous	<b>2,092</b>	739
	<b>4,395</b>	8,013

### 5. Finance Costs

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

**6. Profit before Taxation**

	<b>Unaudited Six months ended 30th September, 2008 HK\$'000</b>	2007 HK\$'000
Profit before taxation has been arrived at after charging:		
Depreciation and amortisation:		
Property, plant and equipment	<b>24,254</b>	22,766
Intangible assets (included in costs of services rendered)	<b>651</b>	1,383
Loss on disposal of property, plant and equipment	<b>16</b>	96
Share-based payment expense	<b>559</b>	375
	<u><b>25,480</b></u>	<u>25,620</u>

**7. Taxation**

	<b>Unaudited Six months ended 30th September, 2008 HK\$'000</b>	2007 HK\$'000
The charge comprises:		
Current tax:		
Hong Kong Profits Tax	<b>7,799</b>	4,536
Overseas taxation	<b>603</b>	439
Deferred tax:		
Attributable to change in tax rate	<b>(138)</b>	–
Current year	<b>(4,781)</b>	550
Taxation attributable to the Company and its subsidiaries	<u><b>3,483</b></u>	<u>5,525</u>

Hong Kong Profits Tax is calculated at 16.5% (six months ended 30th September, 2007: 17.5%) of the estimated assessable profits derived from Hong Kong for the period.

On 26th June, 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which includes the reduction in corporate profits tax rate by 1% to 16.5% effective from the year of assessment 2008-2009. The deferred tax balance has been adjusted to reflect the tax rate that are expected to apply in the respective periods when the liability is settled.

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

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

### 8. Interim Dividend

Subsequent to the interim period end, the Directors have determined that an interim dividend of 4.0 HK cents (six months ended 30th September, 2007: 4.0 HK cents) per share for the six months ended 30th September, 2008 is to be paid to the shareholders of the Company whose names appear in the register of members on 24th December, 2008.

During the period, the final dividend of 6.0 HK cents (six months ended 30th September, 2007: 6.0 HK cents) and special dividend of 11.0 HK cents (six months ended 30th September, 2007: 6.0 HK cents) per share in respect of the year ended 31st March, 2008 were paid to shareholders.

### 9. Earnings Per Shares

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

	<b>Unaudited Six months ended 30th September,</b>	
	<b>2008</b>	2007
	<b>HK\$'000</b>	HK\$'000
Earnings for the purpose of basic earnings per share and diluted earnings per share	<u><b>23,149</b></u>	<u>25,736</u>

	<b>Number of shares</b>	
	<b>2008</b>	2007
	<b>'000</b>	'000
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u><b>296,892</b></u>	294,956
Effect of dilutive potential ordinary shares – Share options	<u><b>1,298</b></u>	<u>3,539</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u><b>298,190</b></u>	<u>298,495</u>

**10. Property, Plant and Equipment**

During the period, the Group spent approximately HK\$7,974,000 (six months ended 30th September, 2007: HK\$27,112,000) mainly on additions to computer and office equipment.

During the period, the Group disposed of certain property, plant and equipment at the carrying amount of HK\$8,265,000 for proceeds of HK\$8,249,000, resulting in a loss on disposal of HK\$16,000.

At 30th September, 2008, the Directors of the Company considered the carrying amount of the Group's leasehold land and buildings which are carried at revalued amounts do not differ significantly from that which would be determined using fair values at the balance sheet date.

**11. 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:

	<b>Unaudited 30th September, 2008 HK\$'000</b>	Audited 31st March, 2008 HK\$'000
0 – 1 month	215,728	159,755
1 – 2 months	16,797	10,299
2 – 3 months	9,230	5,822
Over 3 months	9,838	15,612
	<u>251,593</u>	<u>191,488</u>

**12. Other Receivables, Deposits and Prepayments**

	<b>Unaudited 30th September, 2008 HK\$'000</b>	Audited 31st March, 2008 HK\$'000
Included in other receivables, deposits and prepayments are:		
Other debtors, deposits and prepayments	80,911	54,289
Amounts due from fellow subsidiaries	4,888	10,866
Amount due from an associate	47	47
	<u>85,846</u>	<u>65,202</u>

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

### 13. 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:

	<b>Unaudited 30th September, 2008 HK\$'000</b>	Audited 31st March, 2008 HK\$'000
0 – 1 month	116,287	159,496
1 – 2 months	10,848	5,464
2 – 3 months	2,726	5,862
Over 3 months	10,021	11,236
	<u>139,882</u>	<u>182,058</u>

### 14. Other Payables and Accruals

	<b>Unaudited 30th September, 2008 HK\$'000</b>	Audited 31st March, 2008 HK\$'000
Included in other payables and accruals are:		
Other creditors and accruals	31,116	45,146
Amount due to ultimate holding company	15,589	8,139
Amount due to immediate holding company	–	5,165
Amounts due to fellow subsidiaries	7,398	16,751
Amount due to an associate	1,389	719
	<u>55,492</u>	<u>75,920</u>



**15. Share Capital**

	<b>Number of Shares</b>	<b>Amount</b>
	'000	HK\$'000
Ordinary shares of HK\$0.1 each		
Authorised:		
At 30th September, 2008 and 31st March, 2008	<u>600,000</u>	<u>60,000</u>
Issued and fully paid:		
At 1st April, 2007	294,170	29,417
Exercise of share options	<u>2,487</u>	<u>249</u>
At 31st March, 2008 (audited)	296,657	29,666
Exercise of share options	<u>576</u>	<u>57</u>
At 30th September, 2008 (unaudited)	<u><u>297,233</u></u>	<u><u>29,723</u></u>

**16. Counter Indemnities**

At 30th September, 2008, the Group has provided counter indemnities to banks in respect of performance guarantees issued by the banks to the Group's customers in respect of the Group's service performance to these customers amounting to HK\$28,500,000 (31st March, 2008: HK\$26,942,000).

**17. Pledge of Assets**

The Group's bank deposits of approximately HK\$100,000 (31st March, 2008: HK\$100,000) have been pledged to secure the banking facilities of the Group.

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

### 18. Related Party Transactions

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

Nature of transactions	Unaudited	
	Six months ended 30th September, 2008 HK\$'000	2007 HK\$'000
<b>Fellow subsidiaries:</b>		
Sales by the Group	95	2,106
Purchases by the Group	–	1,016
Staff costs charged by the Group	3,564	196
Administrative expenses charged to the Group	11,712	9,567
<b>Ultimate holding company:</b>		
Staff costs charged by the Group	–	98
Administrative expenses charged to the Group	3,370	2,198

The remuneration of key management personnel for six months ended 30th September, 2008 is HK\$2,920,000 (six months ended 30th September, 2007: HK\$2,920,000).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Results

Turnover for the first six months of FY09 was HK\$733.5 million which is higher by HK\$66.9 million or 10.0% compared to the corresponding period last year. Turnover for the second quarter was HK\$378.8 million which is higher by HK\$36.3 million or 10.6% compared to FY08.

Product sales and service revenue for the first six months increased by 3.6% and 20.6% compared to the corresponding period in FY08 to HK\$431.0 million and HK\$302.5 million. Product sales and service revenue contributed 58.8% and 41.2% to total turnover respectively. Commercial and public sector sales during the first half of FY09 contributed 58.3% and 41.7% to turnover respectively as compared to 58.7% and 41.3% in FY08.

Profit before taxation for the first six months was HK\$26.6 million which is lowered by HK\$4.6 million compared to the corresponding period in FY08. The decrease was mainly attributed to the loss of dividend income after the full disposal of the available-for-sale investments in FY08, and loss has also been incurred in completing a solution project that is strategically important to the Group. The drop of interest income due to the decline in interest rate, high pricing pressure and high inflationary cost also pressurises the Group in the second quarter of FY09.

As of 30th September, 2008, the order book balance was approximately HK\$580.0 million. The Group achieved a balance sheet with net cash of approximately HK\$272.6 million. There was no debt during this period and the Group's working capital ratio stood at 2.06:1.

### Business Review

#### *Infrastructure business*

The Group saw solid progress within the IT infrastructure business in the second quarter with a balanced performance in various industries. Progress was fueled by continued IT spending from clients making infrastructure upgrades in an effort to maintain service levels and operational efficiency. Most notably, the Group secured a sizable deal from an international bank in Hong Kong by providing 4 enterprise servers to upgrade a mission-critical system. Furthermore, the Group won a bid from a well known telecommunication services provider to supply 9 IBM System p5 servers and storage management software for approximately 500 users.

## MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

### ***Solutions business***

The solutions business also recorded satisfactory results for the second quarter of FY09. In the public sector, the Group was awarded a contract to provide a Rent Enquiry Facility Kiosk solution for the Hong Kong Housing Authority. This solution will enable public estate tenants to conveniently check rental payment balances at any estate office in Hong Kong. In July 2008, the Group won a multi-million dollar contract from a prestigious Hong Kong financial institution to provide a human resources solution serving 700 users. This contract demonstrated a successful extension of the Group's proven human resources solution from the public sector to the banking and finance sector. Following suit from the previous quarter, the Group continued to meet the growing need for security enhancements from customers in Hong Kong and Macau. These orders included a number of security solutions that leveraged advanced technologies from our close IT industry partners.

### ***Services business***

The Services business has once again made a significant contribution to the Group's performance. With the focus of securing high-value business, the Group was able to secure sizable long-term maintenance and managed services deals in the first half of FY09, bringing in stable recurring revenue. In August 2008, the Group obtained an additional contract from a government department to provide 2-year outsourcing maintenance support for its electronic document management system. This deal illustrates the government's continued confidence and satisfaction with ASL's services.

### ***Overseas business***

The overseas business continued to perform satisfactorily in the first half of FY09 as we saw the Group making progress in many areas, particularly in extending the client base of the Group. Turnover of overseas business for the first half of FY09 increased 60.2% comparing to the corresponding period from last year.

Our subsidiary in Thailand has made major in-roads into the government sector by winning its first contract worth over a million dollars from the Community Development Department under the Ministry of Interior. ASL is responsible for supplying computer hardware and anti-virus software for all its branches across Thailand.

Our PRC subsidiary in Guangzhou won a contract to provide the Group's market proven front office solution to a newly opened hotel in Hangzhou. Moreover, ASL continues to provide services and solutions for existing Hong Kong customers who have operations in China.

The performance of the Taiwan subsidiary has seen considerable progress compared to the same period last year. In the wake of these developments and in congruence with our business development strategy, our subsidiary in Taiwan opened a new office in Taichung City on 10th November, 2008. The new office, located in the heart of the city, enables us to better serve multinational and local customers in the central and southern Taiwan. Furthermore, it will allow the Group to penetrate deeper into the Taiwan IT market as a whole. To support the expansion, and to serve customers better with faster and quality service, our subsidiary in Taiwan has increased its talent pool to more than 40 staff. We are confident that the new office can accommodate customers' demand for quality IT services and solutions, and provide effective support to customers' operations in different parts of the island.

### **Prospect and Outlook**

Like other businesses, the global financial crisis will likely have an effect on the Group's performance. The Group will continue to endeavour to control the costs and make use of the existing resources to maintain the Group's position in the IT industry. The Group will focus to further develop solutions business. In October 2008, the Group's subsidiary in Macau continues its achievement on winning contracts for the provision of Baccarat Score Board System and Playing Card Management System, signified by the City of Dreams project recently won, which amounts to multi-million dollars. The Group has also been awarded a contract to provide an e-Procurement System to a government department of Hong Kong.

While facing the existing economic climate, the Group continues to focus on customer service excellence and maintaining a leadership role. The Group will continue to concentrate efforts on staff training. The Group has recently completed "people skills" training sessions for management personnel and are planning for additional programs to fortify staff expertise. ASL will also maintain Hong Kong a centre for excellence, and make Taiwan and Mainland China focal points for development. By leveraging the existing advantage, ASL will capitalise on the expanding relationship and growing number of business transactions between Hong Kong, Taiwan, and Mainland China. In addition, the Group will maintain effective cost control measures and create greater economies of scale by continuing to seek ways to maximise the capacity and potential of Hong Kong resources.

### **Financial Resources and Liquidity**

As at 30th September, 2008, the Group's total assets of HK\$893.0 million were financed by current liabilities of HK\$334.5 million, deferred taxation of HK\$18.2 million and shareholders' equity of HK\$540.3 million. The Group had a working capital ratio of approximately 2.06:1.

## MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

As at 30th September, 2008, the Group had an aggregate composite banking facilities from banks of approximately HK\$96.3 million of which HK\$28.5 million was utilised (31st March, 2008: HK\$26.9 million). The Group's gearing ratio was zero (31st March, 2008: zero) as at 30th September, 2008.

### 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").

### 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, 2008.

### Contingent Liabilities

Corporate guarantee to banks and vendors as security for banking facilities and goods supplied to the Group amounted to approximately HK\$80.3 million as at 30th September, 2008. The amount utilised against such facilities and goods supplied as at 30th September, 2008 which was secured by the corporate guarantee amounted to approximately HK\$3.7 million. The performance bond issued by the Group to customers as security of contract was approximately HK\$28.5 million as at 30th September, 2008.

### Employee and Remuneration Policies

As at 30th September, 2008, the Group, excluding its associates, employed 1,555 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, 2008, 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	Approximate % of	
						Total	shareholding
Automated Systems Holdings Limited	Lai Yam Ting	4,439,621	-	-	-	4,439,621	1.49%
	Kuo Chi Yung, Peter	9,271,241	-	-	-	9,271,241	3.12%
Automated Systems (H.K.) Limited	Lai Yam Ting	1,070,000 (Note 1)	-	-	-	1,070,000	N/A (Note 2)
	Kuo Chi Yung, Peter	2,140,000 (Note 1)	-	-	-	2,140,000	N/A (Note 2)

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.

## 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	1,645,000 (Note 3)	-	-	-	1,645,000
	Lau Ming Chi, Edward	1,586,000 (Note 3)	-	-	-	1,586,000
	Kuo Chi Yung, Peter	587,000 (Note 3)	-	-	-	587,000
Computer Sciences Corporation	Michael Shove	181,823 (Note 4&6)	-	-	-	181,823
	Darren John Collins	20,630 (Note 5&6)	-	-	-	20,630
	Wang Yung Chang, Kenneth	11,630 (Note 5&6)	-	-	-	11,630
	Andrew John Anker	10,163 (Note 5&6)	-	-	-	10,163

#### Notes:

- Options to acquire ordinary shares of the Company, further details of which are set out in the section headed "Share Option" below.
- Comprises options to acquire 168,397 shares of common stock of Computer Sciences Corporation ("CSC") and 13,426 restricted stock units.
- Options to acquire common stock of CSC.
- 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, 2008, 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, 2008, 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	–	63.82%	1
CSC Computer Sciences International Inc. ("CSI")	13,730,000	189,701,896	68.44%	1
Computer Sciences Corporation ("CSC")	–	203,431,896	68.44%	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, 2008, 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, 2008	Date of grant	Exercise period	Exercise price HK\$
	At 1st April, 2008	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period				
<b>Directors</b>									
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
	188,000	-	-	-	-	188,000	4.10.2007	4.10.2008 to 3.10.2017	2.32
	<u>2,135,000</u>	<u>-</u>	<u>(490,000)</u>	<u>-</u>	<u>-</u>	<u>1,645,000</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
	150,000	-	-	-	-	150,000	4.10.2007	4.10.2008 to 3.10.2017	2.32
	<u>1,586,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,586,000</u>			

Participants	Number of shares to be issued upon exercise of share options					At 30th September, 2008	Date of grant	Exercise period	Exercise price HK\$
	At 1st April, 2008	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	170,000	-	-	-	-	170,000	2.3.1999	3.3.2001 to 2.3.2009	0.90
	1,245,000	-	-	-	-	1,245,000	19.10.1999	20.10.2001 to 19.10.2009	2.30
	55,000	-	-	-	-	55,000	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
	1,514,000	-	-	-	-	1,514,000	27.7.2001	27.7.2003 to 26.7.2011	2.40
	856,000	-	(24,000)	-	-	832,000	20.11.2002	20.11.2003 to 19.11.2012	1.34
	1,064,000	-	(40,000)	(16,000)	-	1,008,000	6.8.2004	6.8.2005 to 5.8.2014	1.28
	1,986,000	-	-	-	-	1,986,000	9.6.2005	9.6.2006 to 8.6.2015	1.98
	2,340,000	-	-	-	-	2,340,000	19.6.2006	19.6.2007 to 18.6.2016	1.95
	764,000	-	-	-	-	764,000	30.6.2006	30.6.2006 to 29.6.2016	1.95
	844,000	-	(22,000)	(216,000)	-	606,000	30.6.2006	30.6.2007 to 29.6.2016	1.95
	2,550,000	-	-	(180,000)	-	2,370,000	4.10.2007	4.10.2008 to 3.10.2017	2.32
	<u>13,428,000</u>	<u>-</u>	<u>(86,000)</u>	<u>(412,000)</u>	<u>-</u>	<u>12,930,000</u>			
	Total	<u>17,736,000</u>	<u>-</u>	<u>(576,000)</u>	<u>(412,000)</u>	<u>-</u>	<u>16,748,000</u>		

## ADDITIONAL INFORMATION (Cont'd)

### Closure of Register of Members

The Register of Members of the Company will be closed from 29th December, 2008 to 31st December, 2008, 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 24th December, 2008. The dividend warrants will be despatched on or before 15th January, 2009.

### Purchase, Sale or Redemption of Listed Securities

During the six months ended 30th September, 2008, 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 month ended 30th September, 2008, 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, 2008 except as noted below:

- (a) with respect to Code A.1.1, a majority of directors of the Board was not present in a Board meeting duly held on 27th June, 2008 due to some directors had to travel for business development; and
- (b) 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 26th November, 2008, 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. Michael Shove, 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.*