

## INTERIM RESULTS

The Board of Directors (the “Director”) 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 June, 1998 together with the comparative figures for the corresponding period in 1997 as follows:–

		Six months ended 30th June	
		1998	1997
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover		<u>281,174</u>	<u>234,901</u>
Operating profit		18,770	12,546
Share of profit of an associated company		<u>1,773</u>	<u>1,317</u>
Profit before taxation		20,543	13,863
Taxation	2	<u>(4,443)</u>	<u>(2,400)</u>
Net profit attributable to shareholders		<u>16,100</u>	<u>11,463</u>
Interim dividend	3	<u>5,600</u>	<u>–</u>
Earnings per share	4		
Basic		<u>5.8 cents</u>	<u>5.5 cents</u>
Diluted		<u>5.7 cents</u>	<u>–</u>

Notes:

**1. Basis of presentation**

The Company was incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda (as amended) on 8th August, 1997. In preparation for the public listing of the Company's shares on The Stock Exchange of Hong Kong Limited on 5th November, 1997, the companies in the Group underwent a reorganisation. The comparative figures have been prepared using the merger basis of accounting, under which the Company has been treated as the holding company of its subsidiaries throughout the period presented rather than from the date of their acquisition.

**2. Taxation**

	Six months ended 30th June	
	1998 HK\$'000	1997 HK\$'000
Group:		
Hong Kong profits tax	4,000	2,157
Associated company:		
Overseas taxation	443	243
	<u>4,443</u>	<u>2,400</u>

Hong Kong profits tax has been provided at the rate of 16% (1997: 16.5%) on the estimated assessable profits which was earned in or derived from Hong Kong during the period.

Provision for taxation of the profit of the associated company operating overseas has been calculated at the rate of taxation prevailing in the country in which the associated company operates.

**3. Interim Dividend**

The Directors declared an interim dividend of 2.0 cents per share (1997: N/A) for the six months ended 30th June, 1998 to shareholders whose names appear on the register of members of the Company on 8th September, 1998. The dividend warrants will be despatched on 18th September, 1998.

**4. Earnings per share**

Basic and diluted earnings per share are based on the net profit attributable to shareholders of HK\$16,100,000 (1997: HK\$11,463,000). The basic earnings per share is based on the weighted average number of 280,000,000 shares (1997: 210,000,000 shares issued under the reorganisation which were deemed to have been issued on 1st January, 1997) in issue during the period. The diluted earnings per share is based on 282,572,700 shares which is the weighted average number of shares in issue during the period plus the weighted average number of 2,572,700 shares deemed to be issued at no consideration if all outstanding share options have been exercised.

## **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members will be closed from 2nd September, 1998 to 8th September, 1998, both days inclusive during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrars, Tengis Limited, 1601 Hutchison House, 10 Harcourt Road, Central, Hong Kong not later than 4:00 p.m. on 1st September, 1998.

## **BUSINESS REVIEW**

Whilst many companies in Hong Kong have been suffering from the economic downturn, the Group has recorded splendid results for the six months ended 30th June, 1998. Turnover for the period under review rose by 19.7% compared to the same period of the previous year, to approximately HK\$281 million. Profit attributable to shareholders amounted to HK\$16.1 million, representing a substantial growth of 40.5% over last year's interim profit. Profit margins improved from 4.9% to 5.7% because of a greater contribution from services to the Group's total turnover and the reduced interest expenses resulting from lower gearing during the reporting period.

During the period under review, the Government sector grew rapidly and accounted for 35% of the Group's total turnover. The Group has continued to supply and install hardware and local area networks for numerous government departments under a PC bulk contract. In addition to the PC bulk contract, the Group has also carried out a number of sophisticated projects including the provision of Sun servers and imaging solutions for the Government and public organisations. Imaging solutions with the use of advanced "Optical Character Recognition" technology have facilitated faster and more efficient data capturing and processing.

The telecommunication industry has been highly committed to make investment in Information Technology ("IT") in order to generate more business opportunities and enhance competitiveness. It continued to contribute approximately 20% of the Group's business for the period under review. Amongst many IT projects, the Group has been able to apply Java, the most popular language on the Internet, in developing a distributed phone management system in Hong Kong.

For the period under review, the financial sector continued to provide a 20% share of the Group's business. The Group has also derived substantial business as a result of the millennium issue. It has urged many banks and securities houses to replace servers because of the non-compliance of existing computer systems for the year 2000. The Group has consequently supplied and installed a number of Sun servers in the financial sector to overcome their non-compliance problems. More importantly, these highly efficient and powerful servers have become a necessity for high-performance banks in processing large volumes of data.

The commercial sector continued to command 19% of the Group's total turnover for the first half of 1998. To maintain competitiveness and to ensure system compliance for the year 2000, some of the customers have been more enthusiastic than ever in IT investment. The Group has provided a data storage and protection solution to a leading newspaper in Hong Kong, keeping their critical services ongoing with minimal service downtime. Despite the difficulty in the tourism industry, the Group has been able to secure contracts in providing year 2000 compliant systems to hotels. In addition, the Group has applied Java technology in developing a business-critical operating system for an international trading company.

For the period under review, the education sector accounted for 6% of the Group's revenue. After introducing SuperComputers to two universities in Hong Kong last year, the Group has received additional interest and more orders have been made for SuperComputers from these universities. In addition, the Group has assisted a university to set up its first-of-a-kind Bio-Informatics Centre, by installing a system of Sun servers and providing supportive consultancy and maintenance services for them. At the moment there are a number of contracts pending from universities, which are close to completion.

In June 1998, the Group received the Hong Kong IT Achievement Award from Sing Tao Daily News. The award was made for the successful implementation of sophisticated solutions in Hong Kong Telecom's "Hello Phonecard" prepaid calling card system. It has further fueled the Group's confidence upon receiving recognition of its performance from many leading IT suppliers throughout the world. For the year

1997, the Group continued to be the “Top Reseller of Sun Microsystems” after 11 consecutive years of achieving this recognition. IBM and Microsoft have also presented awards to the Group, namely the “Outstanding Achievement in E-Commerce for 1997” and the “Most Outstanding Microsoft Certified Solution Provider For Fiscal Year 1998” respectively. Other prizes from suppliers include the “Best Overall Performing Distributor” presented by Qualix, the world’s leading provider of high availability softwares for keeping IT systems running non-stop.

### PROSPECTS

The Group is very pleased to see the strong growth in business during this difficult time in Hong Kong and has full confidence in its future. The Group’s outstanding performance has been attributed by its well-established portfolio of prestigious customers and the continued growth of its recurring revenue base. The Government and the telecommunication industry, which account for over 50% of the Group’s business, will continue to provide a consortium for the Group’s future growth. The Government now continues its attitude in making large investments to expand and upgrade its computer systems. Businesses in the telecommunications industry, even more competitive than before, rely heavily on system advancement to survive and outperform others within the industry. Moreover, the Group is able to win projects from regional or multinational companies which are often less susceptible to changes in the economy.

On the other hand, the Group’s business will be greatly expanded with the growing popularity of network computing. The skyrocketing growth of the Internet has opened many business opportunities for the Group, such as the hardware and software required, applications development and network security measures. The Group has been able to identify the huge potential of Java applications for Internet/Intranet solutions and has set up a specialised Java solution centre. From time to time the Group organises Java Day for its potential customers to demonstrate the wide range of applications of Java.

Electronic commerce has evolved as a new advanced means for companies to expand their market coverage worldwide. Substantiated by its brilliant track record, the Group has been able to win the distribution rights for various leading e-commerce products. These rights include the appointment of the first reseller for Open Market, Inc., the world's leading e-commerce software provider, and the first distributor for Secure Computing Corporation, a leading developer of network security systems, in Hong Kong and Macau. The Group has also launched a new Internet shopping mall with IBM, which acts as a marketing engine to help promote e-commerce.

In March 1998, the Group further enhanced its partnership with IBM. It has become the first solutions provider in Hong Kong for Tivoli Systems, an IBM company. Through the Group's marketing efforts and extensive market coverage, companies in Hong Kong can utilise Tivoli's leading-edge management solutions to centralise the whole enterprise's administration of IT systems and applications.

Windows NT based system solutions are another area that is expected to bring in substantial business for the Group. To penetrate into this huge market, the Group has expanded its sales division to cater for these needs. With a target of almost 100 professional staff in this area, the Group will be able to fully utilise its knowledge and expertise in helping companies apply the Windows NT operating system. This move will enable companies to easily adopt Microsoft Windows NT based products, Internet products, imaging solutions and other products which are currently more commercial and popular in the market.

The IT business is expected to grow due to the millennium issue and the wide-spread computer applications in all areas. With proceeds generated from the listing in November 1997, the Group has a strong position of approximately HK\$90 million cash in hand and a low gearing of 11% with respect to long-term liabilities. This strong financial standing will enable the Group to fully expand in this age of information technology.

## DIRECTORS' INTERESTS

As at 30th June, 1998, 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:

### I. Interests in the Company:

#### (a) Company's share

<u>Name</u>	<u>Nature of interest</u>	<u>Number of ordinary shares</u>
Peter KUO Chi Yung	Personal	8,119,241
LAI Yam Ting	Personal	4,059,621
Desmond LAU Chi Chiu	Personal	4,059,621

#### (b) Company's options

Details of share options granted to directors which remained outstanding as at 30th June, 1998 were as follows:

<u>Name</u>	<u>Date granted</u>	<u>Exercise Price</u> (HK\$)	<u>Exercisable Period</u>		<u>Granted</u>	<u>Number of option shares outstanding at 30-06-98</u>
			From	To		
Peter KUO Chi Yung	26-01-98	0.31	27-01-2000	27-01-2008	490,000	490,000
LAI Yam Ting	26-01-98	0.31	27-01-2000	27-01-2008	490,000	490,000
Edward LAU Ming Chi	26-01-98	0.31	27-01-2000	27-01-2008	150,000	150,000

## II. Interests in Associated Corporations

<u>Name of Subsidiary</u>	<u>Name of Director</u>	<u>Nature of interest</u>	<u>Number of non-voting deferred shares</u>
Automated Systems (H.K.) Limited	Peter KUO Chi Yung	Personal	2,140,000
	LAI Yam Ting	Personal	1,070,000
	Desmond LAU Chi Chiu	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.

### SUBSTANTIAL SHAREHOLDERS

As at 30th June, 1998, according to the register kept by the Company under section 16(1) of the SDI Ordinance, CSA Holdings Ltd., which held 189,701,896 shares was the only registered interest in 10% or more of the issued share capital of the Company.

### CODE OF BEST PRACTICE

Except for the Company's independent non-executive directors not being appointed for a specific term but subject to retirement by rotation and re-election at the annual general meeting in accordance with the Company's bye-laws, none of the directors is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 30th June, 1998, in compliance with the Code of Best Practice set out in Appendix 14 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited.

## YEAR 2000 PROBLEM

The Year 2000 compliant is generally known as the Y2K problem or the Millennium Bug. It has long been a common practice that computer systems and electronic devices store the calendar year in a two-digit form to save computer storage space. Therefore, in the Year 2000, the Y2K non-compliant equipment will abbreviate Year 2000 as "00". All date-dependent function may not be processed accurately and in severe cases, the equipment will fail to operate completely at the beginning of the new millennium.

As revealed in the last annual report, some of the Group's computerised business and accounting systems are not Year 2000 compliant. The Group is currently checking the inventory of computer systems and peripherals. The preliminary assessment shows that the inventories are basically Year 2000 compliant.

The Group has formed a Year 2000 compliance project team which is led by an Executive Director, with team members being responsible for the following areas in ensuring the Group's systems are Year 2000 compliant:

- (a) In-house computing server hardware and software, networking equipment, and desktop machines;
- (b) Office and workshop electronic equipment; and
- (c) Inventory of computer systems and peripherals.

The Group has checked all of its in-house computing server hardware and software, networking equipment and desktop machines, and has replaced and updated some of the server hardware and software to become Year 2000 compliant. In addition, new procedures have been in place to ensure all purchases of hardware, software and business equipment are Year 2000 compliant. The Group expects that, all sever hardware and software will be Year 2000 compliant on or before 30th June, 1999 whereas all desktop terminals, PC machines and printers will be converted to Year 2000 compliant on or before 30th June, 1999.

A budget of around HK\$4 million has been set for the expenditure for converting all IT hardware and software into a Year 2000 compliant format. This cost of new equipment will be capitalised in the accounts. As of 30 June 1998, around HK\$ 1 million had been contracted for the six month period ended on that date, and a further HK\$2 million had been authorised but not contracted for, in respect to the Y2K compliance project.

#### **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the period ended 30th June, 1998.

By Order of the Board  
**Peter Kuo**  
*Managing Director*

Hong Kong, 13th August, 1998