

**AUTOMATED**

**Automated Systems Holdings Limited**

*(Incorporated in Bermuda with Limited Liability)*

Interim Report 2005



IT Solutions & Services

IT Infrastructure

IT Infrastructure

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## CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th September, 2004

	Notes	Unaudited Three months ended 30th September,		Unaudited Six months ended 30th September,	
		2004 HK\$'000	2003 HK\$'000 (Restated)	2004 HK\$'000	2003 HK\$'000 (Restated)
TURNOVER	3	220,802	204,124	450,565	446,704
Direct costs		(126,215)	(111,700)	(263,022)	(254,123)
Other costs of services and distribution costs		(71,874)	(73,051)	(142,625)	(159,824)
Other operating income		2,897	10,253	3,290	11,420
Sales expenses		(9,839)	(10,457)	(19,259)	(21,585)
Administrative expenses		(7,057)	(8,546)	(15,042)	(17,050)
Restructuring costs		-	(1,150)	(1,979)	(1,349)
PROFIT FROM OPERATIONS	4	8,714	9,473	11,928	4,193
Finance costs		(55)	(105)	(156)	(224)
Share of results of associates		(56)	(61)	(81)	(74)
PROFIT BEFORE TAXATION		8,603	9,307	11,691	3,895
Taxation	5	(893)	(294)	(1,179)	(294)
PROFIT BEFORE MINORITY INTERESTS		7,710	9,013	10,512	3,601
Minority interests		-	(685)	(373)	(919)
PROFIT FOR THE PERIOD		7,710	8,328	10,139	2,682
Interim dividend	6	4,375	2,910	4,375	2,910
EARNINGS PER SHARE	7				
Basic		2.64 cents	2.86 cents	3.48 cents	0.92 cents
Diluted		2.64 cents	2.86 cents	3.47 cents	0.92 cents

*Note:* Certain comparative figures have been restated such that cost of sales and sales and technical support costs shown in the financial statements of the second quarter and interim period of FY04 have been reclassified to direct costs, other costs of services and distribution costs and sales expenses so as to conform with the current period's presentation.

## CONDENSED CONSOLIDATED BALANCE SHEET

At 30th September, 2004

		Unaudited 30th September, 2004 HK\$'000	Audited 31st March, 2004 HK\$'000
	<i>Notes</i>		
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	8	152,377	156,950
Intangible assets		6,025	6,533
Interests in associates		113	194
Club memberships		900	900
		<u>159,415</u>	<u>164,577</u>
<b>CURRENT ASSETS</b>			
Inventories		74,311	93,544
Trade receivables	9	131,429	117,097
Other receivables, deposits and prepayments		36,363	34,148
Investments in securities		18,479	21,814
Short term bank deposits		152,655	124,188
Bank balances and cash		138,274	217,839
		<u>551,511</u>	<u>608,630</u>
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	10	114,445	156,043
Other payables and accruals		51,846	46,885
Receipts in advance		70,553	87,243
Taxation		1,744	669
Bank borrowings	11	15,843	17,710
		<u>254,431</u>	<u>308,550</u>
<b>NET CURRENT ASSETS</b>		<u>297,080</u>	<u>300,080</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>456,495</u>	<u>464,657</u>
<b>NON-CURRENT LIABILITY</b>			
Deferred taxation		9,297	9,297
<b>MINORITY INTERESTS</b>		–	6,913
		<u>447,198</u>	<u>448,447</u>
<b>CAPITAL AND RESERVES</b>			
Share capital		29,163	29,155
Reserves		418,035	419,292
		<u>447,198</u>	<u>448,447</u>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the six months ended 30th September, 2004

	Unaudited						Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	Investment revaluation reserve HK\$'000	Translation reserve HK\$'000	Accumulated profits HK\$'000	
At 1st April, 2003	29,091	70,748	34,350	9,647	(143)	298,062	441,755
Exchange difference on translation of overseas operations	-	-	-	-	(12)	-	(12)
Surplus on revaluation of investments	-	-	-	3,921	-	-	3,921
Net gains (losses) not recognised in the income statement	-	-	-	3,921	(12)	-	3,909
Exercise of share options	4	32	-	-	-	-	36
Realised on disposal of investments	-	-	-	(5,132)	-	-	(5,132)
Profit for the period	-	-	-	-	-	2,682	2,682
Final dividend for FY03 paid	-	-	-	-	-	(4,655)	(4,655)
<b>At 30th September, 2003</b>	<b>29,095</b>	<b>70,780</b>	<b>34,350</b>	<b>8,436</b>	<b>(155)</b>	<b>296,089</b>	<b>438,595</b>
Deficit on revaluation of investments	-	-	-	(437)	-	-	(437)
Exchange difference on translation of overseas operations	-	-	-	-	48	-	48
Net (losses) gains not recognised in the income statement	-	-	-	(437)	48	-	(389)
Exercise of share options	60	626	-	-	-	-	686
Realised on disposal of investments	-	-	-	(3,032)	-	-	(3,032)
Profit for the period	-	-	-	-	-	15,502	15,502
Interim dividend for FY04 paid	-	-	-	-	-	(2,915)	(2,915)
At 31st March, 2004	29,155	71,406	34,350	4,967	(107)	308,676	448,447
Exchange difference on translation of overseas operations	-	-	-	-	(651)	-	(651)
Deficit on revaluation of investments	-	-	-	(4,393)	-	-	(4,393)
Net losses not recognised in the income statement	-	-	-	(4,393)	(651)	-	(5,044)
Exercise of share options	8	64	-	-	-	-	72
Profit for the period	-	-	-	-	-	10,139	10,139
Final dividend for FY04 paid	-	-	-	-	-	(6,416)	(6,416)
<b>At 30th September, 2004</b>	<b>29,163</b>	<b>71,470</b>	<b>34,350</b>	<b>574</b>	<b>(758)</b>	<b>312,399</b>	<b>447,198</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, 2004

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30th September,</b>	
	<b>2004</b>	<b>2003</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
NET CASH USED IN OPERATING ACTIVITIES	<b>(27,860)</b>	(72,977)
NET CASH (USED IN) FROM INVESTING ACTIVITIES	<b>(49,346)</b>	91,433
NET CASH USED IN FINANCING ACTIVITIES	<b>(1,952)</b>	(16,516)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	<b>(79,158)</b>	1,940
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	<b>217,839</b>	83,215
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	<b>(407)</b>	(202)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<b><u>138,274</u></b>	<u>84,953</u>
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	<b>138,274</b>	85,832
Bank overdraft	<b>–</b>	(879)
	<b><u>138,274</u></b>	<u>84,953</u>

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

### 1. Basis of Preparation

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

### 2. Principal Accounting Policies

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

The accounting policies adopted are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31st March, 2004.

### 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		Unaudited	
	Three months ended		Six months ended	
	30th September,		30th September,	
	2004	2003	2004	2003
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
Sales of goods	144,692	120,694	287,875	273,518
Revenue from service contracts	76,110	83,430	162,690	173,186
	<u>220,802</u>	<u>204,124</u>	<u>450,565</u>	<u>446,704</u>

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 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, and mainly serves the Hong Kong market.

#### 4. Profit from Operations

	Unaudited Three months ended 30th September, 2004		Unaudited Six months ended 30th September, 2004	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Profit from operations has been arrived at after charging:				
Depreciation and amortisation:				
Intangible assets (included in other costs of services and distribution costs)	356	578	716	1,539
Property, plant and equipment	8,916	8,728	17,680	16,923
Loss on disposal of property, plant and equipment	145	194	1,929	550
and after crediting:				
Interest income	425	394	703	966
Dividend income from listed securities	1,844	7,226	1,844	7,226
Gain on disposal of listed securities	—	2,815	—	2,815
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

#### 5. Taxation

	Unaudited Three months ended 30th September, 2004		Unaudited Six months ended 30th September, 2004	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
The charge comprises:				
Hong Kong profits tax	576	—	835	—
Overseas taxation	317	294	344	294
Taxation attributable to the Company and its subsidiaries	<u>893</u>	<u>294</u>	<u>1,179</u>	<u>294</u>

Hong Kong profits tax is calculated at 17.5% (FY04: 17.5%) of the estimated assessable profits derived from Hong Kong for the three months and the six months ended 30th September, 2004. Overseas taxation is calculated at the rates prevailing in the respective jurisdictions.

## 6. Interim Dividend

The Directors have determined that the interim dividend of HK1.5 cent (FY04: HK1.0 cent) per share for the six months ended 30th September, 2004 should be paid to the shareholders of the Company whose names appear in the register of members on 14th December, 2004.

## 7. Earnings Per Share

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

	Unaudited Three months ended 30th September, 2004		Unaudited Six months ended 30th September, 2004	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Earnings for the purpose of basic earnings per share and diluted earnings per share	<u>7,710</u>	<u>8,328</u>	<u>10,139</u>	<u>2,682</u>
	Number of shares '000		Number of shares '000	
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>291,634</u>	290,943	<u>291,566</u>	290,927
Effect of dilutive share options	<u>276</u>	<u>606</u>	<u>296</u>	<u>514</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>291,910</u>	<u>291,549</u>	<u>291,862</u>	<u>291,441</u>

## 8. Movements in Property, Plant and Equipment

During the period, the Group spent HK\$15,403,000 on property, plant and equipment. The Group disposed of property, plant and equipment with an aggregate carrying amount of HK\$2,053,000 for proceeds of HK\$124,000, resulting in a loss on disposal of HK\$1,929,000.

The Group's leasehold land and buildings were stated at valuations made in 1998, less depreciation and amortisation. The Directors, after taking into account the current market condition, considered that the carrying amounts of the Group's leasehold land and buildings at 30th September, 2004 did not differ significantly from their market value at the same date.

## 9. Trade Receivables

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

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

	<b>Unaudited</b> <b>30th September,</b> <b>2004</b> <i>HK\$'000</i>	Audited 31st March, 2004 <i>HK\$'000</i>
Current	<b>69,913</b>	59,843
Within 1 month	<b>32,365</b>	28,371
1-2 months	<b>7,991</b>	11,858
2-3 months	<b>10,485</b>	3,611
Over 3 months	<b>10,675</b>	13,414
	<b>131,429</b>	117,097

**10. Trade and Bills Payables**

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

	<b>Unaudited</b> <b>30th September,</b> <b>2004</b> <b>HK\$'000</b>	Audited 31st March, 2004 HK\$'000
Current	62,769	104,633
Within 1 month	36,351	33,436
1-2 months	5,072	13,242
2-3 months	2,701	4,045
Over 3 months	7,552	687
	<u>114,445</u>	<u>156,043</u>

**11. Bank Borrowings**

	<b>Unaudited</b> <b>30th September,</b> <b>2004</b> <b>HK\$'000</b>	Audited 31st March, 2004 HK\$'000
Trust receipt loans	10,219	13,766
Bank loans	5,624	3,944
	<u>15,843</u>	<u>17,710</u>

The above bank borrowings are unsecured and repayable within one year.

**12. Capital Commitments**

	<b>Unaudited</b> <b>30th September,</b> <b>2004</b> <b>HK\$'000</b>	Audited 31st March, 2004 HK\$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the financial statements	<u>—</u>	<u>1,263</u>

### 13. Contingent Liabilities

	<b>Unaudited</b> <b>30th September,</b> <b>2004</b> <b>HK\$'000</b>	Audited 31st March, 2004 HK\$'000
Counter indemnities given to banks in respect of guarantees issued by the banks to the Group's customers	<u><b>16,549</b></u>	<u>29,301</u>

### 14. Related Party Transactions

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

<b>Nature of transaction</b>	<b>Notes</b>	<b>Unaudited</b> <b>Six months ended</b> <b>30th September,</b>	
		<b>2004</b> <b>HK\$'000</b>	2003 HK\$'000
Sales by the Group	(a)	<b>3,062</b>	1,497
Purchases by the Group	(a)	<b>1,966</b>	155
Rentals received by the Group	(b)	<b>119</b>	60
Staff costs charged by the Group	(c)	<b>3,291</b>	242
Rentals and other expenses charged to the Group	(c)	<u><b>6,220</b></u>	<u>82</u>

The above transactions were entered into on the following bases:

- (a) The sale and purchase transactions were made according to the published prices and conditions by reference to those offered to/by the major customers/suppliers of the Group.
- (b) The rental income related to the letting of certain of the Group's properties to the related companies for office use. The monthly rental was determined by reference to open market rates.
- (c) The staff costs, rentals and other expenses were charged at cost or at mutually agreed prices.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Results and Business Review

The Group recorded an unaudited profit of HK\$10.1 million for the six months ended 30th September, 2004 as compared to HK\$2.7 million for the same period last year, despite the other operating income from our Taiwan investment reduced by HK\$8.2 million in FY05. The Group was able to achieve an increased operating income of HK\$15.8 million in our Hong Kong operation, mainly attributable to improvement in the banking and finance sector and efficient cost control measures.

The turnover for the three and six months ended 30th September, 2004 were HK\$220.8 million and HK\$450.6 million respectively. These figures were up from HK\$204.1 million and HK\$446.7 million over the corresponding 3-month and 6-month periods in FY04. Our overseas businesses remained stable and accounted for 6.2% of the total turnover.

In terms of revenue mix, 54.5% of the revenue was attributable to the private sector turnover which increased by HK\$21 million during the period compared to FY04. It reflects that the local economy is recovering, that boosts corporate IT spending. The Group's product sales and service offerings including outsourcing activities accounted for 63.9% and 36.1% of the revenue for the six months ended 30th September, 2004, compared with 61.2% and 38.8% for the corresponding period in FY04. The increase in product sales was mainly due to the corporations' initiatives to improve and upgrade their IT infrastructure.

The new contracts awarded in the first half of FY05 are approximately HK\$390 million. Among various industry sectors, the banking and finance sector has demonstrated significant growth in the provision of both IT infrastructure and services. During the period, two international banking and financial institutions engaged our Group to provide integrated solutions for implementation of storage area network. We also won an infrastructure and maintenance project with contract value over HK\$10 million to facilitate the performance of mission-critical tasks by a leading regional bank. In the CLSA Forum 2004, we provided IT infrastructure with on-site maintenance support to our long-term customer CLSA Limited, the forum being one of the world's largest emerging markets investor events. Moreover, we are also the hardware maintenance service provider to CLSA's local office. Apart from the banking sector, our Group won significant maintenance services contracts from other

industries. It is envisaged that these contracts, with tenure ranging from 1 to 3 years, will provide the Group with fresh impetus in broadening its stable and recurrent income base.

The Group ended the second quarter of FY05 with a healthy balance sheet and a net cash balance of HK\$275.1 million. The gearing ratio as at 30th September, 2004 was 3.54% and the working capital ratio was 2.17:1.

### **ELM Acquisition**

A major development in the second quarter of FY05 was the Group's acquisition of the remaining 23% of shares in ELM Computer Technologies Ltd. ("ELM"). The acquisition was completed and announced in July 2004 and reported in the first quarterly results announcement as subsequent event. With this acquisition, ELM has become a wholly owned subsidiary of the Group.

### **Business Prospects**

Looking ahead, we will continue our strategy in growing the solution and higher value-added services and leveraging our expertise and regional capability. To better address the increasingly diverse and complicated needs of customers, we are enhancing our sales teams by instilling industrial knowledge and experience and providing them with more timely and active high-end technical consultancy support. We believe the extra resources that we have invested will further improve our strengths in pursuing the solutions and service offerings business in the long run.

Meanwhile, the local economy still plays a major role in the future development of the Group. With the rebound of Hong Kong economy and renewed optimism, many international banks and financial institutions are showing interest in enhancing their IT applications in Hong Kong, leading to a rise in demand for IT infrastructure and services. With our strong expertise and regional capability, the Group is looking forward to benefit from these rising opportunities in these sectors.

### **Financial Resources and Liquidity**

As at 30th September, 2004, the Group's total assets of HK\$710.9 million were financed by current liabilities of HK\$254.4 million, deferred tax of HK\$9.3 million and shareholders' equity of HK\$447.2 million. The Group had a working capital ratio of approximately 2.17:1.

As at 30th September, 2004, the Group had an aggregate composite banking facilities from banks of approximately HK\$392 million of which HK\$32 million was utilized (31st March, 2004: HK\$47 million). The Group's gearing ratio was 3.54% (31st March, 2004: 3.9%) as at 30th September, 2004.

There was no charge on the Group's assets as at 30th September, 2004.

### **Treasury Policies**

The Group generally financed its operations with internally generated resources and credit facilities provided by banks in Hong Kong. Bank facilities used by the Group included trust receipt loans, overdrafts and term loans. The interest rates of most of these are fixed by reference to the respective countries' Interbank Offer Rate. Both bank deposits and borrowings are 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, 2004.

### **Contingent Liabilities**

Corporate guarantee to banks and vendors as security for banking facilities and goods supplied to the Group amounted to approximately HK\$48 million. The performance bond issued by the Group to customers as security of contract was approximately HK\$16 million.

### **Employee and Remuneration Policies**

As at 30th September, 2004, the Group, excluding its associates, employed 912 permanent and contract staff in Hong Kong, Macau, Taiwan 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, 2004, the interests and short positions of each director 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")) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") 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	1.42%
	Kuo Chi Yung, Peter	9,271,241	-	-	-	9,271,241	3.19%
Automated Systems (H.K.) Limited	Lai Yam Ting	1,070,000 <sup>1</sup>	-	-	-	1,070,000	N/A <sup>2</sup>
	Kuo Chi Yung, Peter	2,140,000 <sup>1</sup>	-	-	-	2,140,000	N/A <sup>2</sup>
CSA Holdings Ltd	Tan Swee Hock, Sunny	4,000	-	-	-	4,000	-0%
Computer Systems Advisers (M) Berhad	Tan Swee Hock, Sunny	132,000	48,000 <sup>3</sup>	-	-	180,000	0.18%
	Tan Suan Kheng, Esther	36,000	-	-	-	36,000	0.04%
Computer Sciences Corporation	Michael William Brinsford	10,472	-	-	-	10,472	-0%

#### Notes:

1. These shares were non-voting deferred shares.
2. The issued share capital 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. Interests held by spouse.

**(b) Underlying shares**

Name of Company	Director	Personal interests	Family interests	Corporate interests	Other	Total
Automated Systems Holdings Limited	Lai Yam Ting	1,820,000 <sup>4</sup>	-	-	-	1,820,000
	Lau Ming Chi, Edward	858,000 <sup>4</sup>	-	-	-	858,000
	Kuo Chi Yung, Peter	708,000 <sup>4</sup>	-	-	-	708,000
CSA Holdings Ltd	Tan Swee Hock, Sunny	260,000 <sup>5</sup>	-	-	-	260,000
	Tan Suan Kheng, Esther	160,000 <sup>5</sup>	-	-	-	160,000
Computer Sciences Corporation	Michael William Brinsford	154,951 <sup>6</sup>	-	-	-	154,951
	Samuel Timothy Hilbert	18,416 <sup>7</sup>	-	-	-	18,416
	Darren John Collins	8,000 <sup>6</sup>	-	-	-	8,000

*Notes:*

4. Options to acquire ordinary shares of the Company, further details of which are set out in the section headed "Share Options" below.
5. Options to acquire ordinary shares of CSA Holdings Ltd.
6. Options to acquire common stock of Computer Sciences Corporation ("CSC").
7. Comprise options to acquire 18,370 shares of CSC common stock and 46 units (representing 46 shares of common stock) in CSC Stock Fund.

Save as mentioned above, as at 30th September, 2004, the register maintained by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Listing Rules recorded no other interests or short positions of the directors in any shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO).

## Substantial Shareholders

As at 30th September, 2004, the interests and short positions of every person, other than directors of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Listing Rules 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	–	65.1	1
CSC Computer Sciences International Inc. ("CSI")	13,730,000	189,701,896	69.8	1
Computer Sciences Corporation ("CSC")	–	203,431,896	69.8	2

*Notes:*

1. CSI beneficially owned more than 70% 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, 2004, the register maintained by the Company pursuant to section 336 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Listing Rules recorded no other interests or short positions in the shares and underlying shares of the Company.

## 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, 2004	Date of grant	Exercise period	Exercise price <i>HK\$</i>	
	At 1st April, 2004	Granted during the period	Exercised 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
	245,000	-	-	-	245,000	11.2.2000	12.2.2002 to 11.2.2010	3.35
	196,000	-	-	-	196,000	27.7.2001	27.7.2003 to 26.7.2011	2.40
	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
	<u>1,568,000</u>	<u>232,000</u>	<u>-</u>	<u>-</u>	<u>1,820,000</u>			
Lau Ming Chi,	120,000	-	-	-	120,000	19.10.1999	20.10.2001 to 19.10.2009	2.30
Edward	120,000	-	-	-	120,000	11.2.2000	12.2.2002 to 11.2.2010	3.35
	148,000	-	-	-	148,000	27.7.2001	27.7.2003 to 26.7.2011	2.40
	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
	<u>718,000</u>	<u>140,000</u>	<u>-</u>	<u>-</u>	<u>858,000</u>			
Kuo Chi Yung,	245,000	-	-	-	245,000	19.10.1999	20.10.2001 to 19.10.2009	2.30
Peter	245,000	-	-	-	245,000	11.2.2000	12.2.2002 to 11.2.2010	3.35
	218,000	-	-	-	218,000	27.7.2001	27.7.2003 to 26.7.2011	2.40
	<u>708,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>708,000</u>			

Participants	Number of shares to be issued upon exercise of share options			At 30th September, 2004	Date of grant	Exercise period	Exercise price HK\$	
	At 1st April, 2004	Granted during the period	Exercised during the period					Cancelled during the period
Other employees	600,000	-	(80,000)	-	520,000	2.3.1999	3.3.2001 to 2.3.2009	0.90
	1,730,000	-	-	(155,000)	1,575,000	19.10.1999	20.10.2001 to 19.10.2009	2.30
	1,755,000	-	-	(155,000)	1,600,000	11.2.2000	12.2.2002 to 11.2.2010	3.35
	700,000	-	-	(70,000)	630,000	30.6.2000	1.7.2002 to 30.6.2010	3.40
	2,056,000	-	-	(218,000)	1,838,000	27.7.2001	27.7.2003 to 26.7.2011	2.40
	3,920,000	-	-	(532,000)	3,388,000	20.11.2002	20.11.2003 to 19.11.2012	1.34
	-	2,628,000	-	-	2,628,000	6.8.2004	6.8.2005 to 5.8.2014	1.28
	<u>10,761,000</u>	<u>2,628,000</u>	<u>(80,000)</u>	<u>(1,130,000)</u>	<u>12,179,000</u>			
Total	<u>13,775,000</u>	<u>3,000,000</u>	<u>(80,000)</u>	<u>(1,130,000)</u>	<u>15,565,000</u>			

## Closure of Register of Members

The Register of Members of the Company will be closed from 15th December, 2004 to 17th December, 2004, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's registrars, Tengis Limited at G/F Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on 14th December, 2004. The dividend warrants will be despatched on or before 28th December, 2004.

## Purchase, Sale or Redemption of Listed Securities

During the six months ended 30th September, 2004, 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 (then comprising Mr. Allen Joseph Pathmarajah, Mr. Hon Sheung Tin, Peter and Mr. Li King Hang, Richard) 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.

## **Independent Non-Executive Director**

Reference is made to the announcements of the Company dated 30th September, 2004 and 5th November, 2004. Mr. Cheung Man, Stephen has been appointed as an additional independent non-executive director and chairman of the Audit Committee with effect from 5th November, 2004 for compliance with Rules 3.10 and 3.21 of the Listing Rules. The Audit Committee now comprises Mr. Allen Joseph Pathmarajah being non-executive director and Mr. Cheung Man, Stephen (Chairman), Mr. Hon Sheung Tin, Peter and Mr. Li King Hang, Richard being independent non-executive directors.

## **Code of Best Practice**

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

## **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, 2004, and they all confirmed that they have fully complied with the required standard set out in the Model Code.