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AUTOMATED SYSTEMS HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 771)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30TH JUNE 2011

RESULTS

The Board of Directors (the “Board”) of Automated Systems Holdings Limited (the “Company”) are pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30th June 2011. The condensed consolidated interim financial information has been reviewed by the Company’s Audit Committee.

Condensed Consolidated Income Statement

	Notes	Unaudited Three months ended 30th June		Unaudited Six months ended 30th June	
		2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Revenue	3	338,607	331,443	761,142	729,444
Cost of goods sold		(159,181)	(178,060)	(412,786)	(422,572)
Cost of services rendered		(140,106)	(113,928)	(259,839)	(215,303)
Other income	4	908	1,348	1,778	4,168
Other loss	5	(477)	-	(477)	-
Fair value gain on revaluation of investment properties		-	-	-	3,590
Selling expenses		(18,271)	(17,187)	(36,461)	(34,217)
Administrative expenses		(14,313)	(13,310)	(29,928)	(27,210)
Finance income	6	263	196	396	390
Share of results of associates		205	280	468	1,245
Profit before income tax		7,635	10,782	24,293	39,535
Income tax expense	8	(2,124)	(2,064)	(5,509)	(6,837)
Profit for the period attributable to equity holders of the Company		5,511	8,718	18,784	32,698

Condensed Consolidated Income Statement (Cont'd)

	<i>Note</i>	Unaudited		Unaudited	
		Three months ended		Six months ended	
		30th June		30th June	
		2011	2010	2011	2010
		<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>
Earnings per share attributable to equity holders of the Company	10				
Basic and diluted earnings per share		<u>1.77</u>	<u>2.80</u>	<u>6.03</u>	<u>10.50</u>

Condensed Consolidated Statement of Comprehensive Income

	Unaudited		Unaudited	
	Three months ended		Six months ended	
	30th June		30th June	
	2011	2010	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the period	5,511	8,718	18,784	32,698
Other comprehensive income:				
Revaluation surplus of leasehold land and buildings	-	-	-	19,418
Deferred taxation arising from revaluation surplus of leasehold land and buildings	-	-	-	(3,204)
Exchange differences on translation of overseas operations	<u>231</u>	<u>5</u>	<u>295</u>	<u>786</u>
Total comprehensive income for the period attributable to equity holders of the Company	<u><u>5,742</u></u>	<u><u>8,723</u></u>	<u><u>19,079</u></u>	<u><u>49,698</u></u>

Condensed Consolidated Balance Sheet

	<i>Notes</i>	Unaudited 30th June 2011 HK\$'000	Audited 31st December 2010 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	11	159,914	162,907
Investment properties	12	24,700	24,700
Intangible assets	13	12,331	900
Goodwill	13	33,694	-
Interests in associates		876	1,865
Trade receivables	14	3,967	1,869
Finance lease receivables		13,518	3,210
Long-term bank deposit	16	151	-
		<u>249,151</u>	<u>195,451</u>
CURRENT ASSETS			
Inventories		99,463	76,972
Trade receivables	14	138,665	163,722
Finance lease receivables		4,637	1,914
Other receivables, deposits and prepayments	15	32,199	23,605
Amounts due from customers for contract work		150,776	161,659
Restricted bank deposits	16	2,870	1,924
Cash and cash equivalents	16	194,575	195,552
		<u>623,185</u>	<u>625,348</u>
TOTAL ASSETS		<u>872,336</u>	<u>820,799</u>
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
Share capital		31,140	31,140
Share premium		104,947	104,947
Reserves		327,817	321,154
TOTAL EQUITY		<u>463,904</u>	<u>457,241</u>
NON-CURRENT LIABILITIES			
Contingent consideration payable	13	13,074	-
Deferred income tax liabilities		20,250	17,996
Deferred income		-	73
		<u>33,324</u>	<u>18,069</u>
CURRENT LIABILITIES			
Trade payables	17	188,608	193,000
Other payables and accruals	18	51,289	48,190
Contingent consideration payable	13	1,566	-
Receipts in advance		123,780	91,979
Current income tax liabilities		9,865	12,320
		<u>375,108</u>	<u>345,489</u>
TOTAL LIABILITIES		<u>408,432</u>	<u>363,558</u>
TOTAL EQUITY AND LIABILITIES		<u>872,336</u>	<u>820,799</u>
NET CURRENT ASSETS		<u>248,077</u>	<u>279,859</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>497,228</u>	<u>475,310</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. Basis of Preparation

This is the Company's first condensed consolidated interim financial information after the change of financial year end date of the Company from 31st March to 31st December. This financial information covers a period of six months from 1st January to 30th June 2011 and has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The condensed consolidated interim financial information should be read in conjunction with the consolidated financial statements of the Group for the nine months ended 31st December 2010, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

2. Principal Accounting Policies

Except as described below, the accounting policies applied are consistent with those of the financial statements for the nine months ended 31st December 2010, as described in those financial statements.

The following amendment to standard is mandatory for the first time for the financial year beginning 1st January 2011.

Amendment to HKAS 34 'Interim financial reporting' is effective for annual periods beginning on or after 1st January 2011. It emphasises the existing disclosure principles in HKAS 34 and adds further guidance to illustrate how to apply these principles. Greater emphasis has been placed on the disclosure principles for significant events and transactions. Additional requirements cover disclosure of changes to fair value measurement (if significant), and the need to update relevant information from the most recent annual report. The change in accounting policy only results in additional disclosures.

The following standards, amendments and interpretations are mandatory for the first time for the financial period beginning 1st January 2011, but do not have any financial impact on the Group:

HKAS 24 (Revised), "Related Party Disclosures" is effective for annual period beginning on or after January 2011. It introduces an exemption from all of the disclosure requirements of HKAS 24 for transactions among government related entities and the government. It also clarifies and simplifies the definition of a related party. This is not currently applicable to the Group, as it does not have any related parties which is a government related entity.

Amendment to HKAS 32 'Classification of rights issues' is effective for annual periods beginning on or after 1st February 2010. This is not currently applicable to the Group, as it has not made any rights issue.

Amendment to HK(IFRIC) - Int-14 'Prepayments of a minimum funding requirement' is effective for annual periods beginning on or after 1st January 2011. This is not currently relevant to the Group, as it does not have a minimum funding requirement.

HK(IFRIC) - Int 19 'Extinguishing financial liabilities with equity instruments' is effective for annual periods beginning on or after 1st July 2010. This is not currently applicable to the Group, as it has no extinguishment of financial liabilities replaced with equity instruments currently.

Third improvements to Hong Kong Financial Reporting Standards (2010) were issued in May 2010 by HKICPA, except for amendment to HKAS 34 'Interim financial reporting' as disclosed above and the clarification to allow the presentation of an analysis of the components of other comprehensive income by item within the notes, all are not currently relevant to the Group. All improvements are effective in the financial year of 2011.

3. Revenue and Segment Information

Revenue represents the net amounts 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 Three months ended 30th June		Unaudited Six months ended 30th June	
	2011	2010	2011	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Sales of goods	177,008	196,103	460,469	466,326
Revenue from service contracts	161,599	135,340	300,673	263,118
	<u>338,607</u>	<u>331,443</u>	<u>761,142</u>	<u>729,444</u>

The chief operating decision maker has been identified as the Board of Directors (the “Board”). The Board reviews the Group’s internal reporting in order to assess the performance and allocate resources. The Board has determined the operating segments based on the Group’s internal reporting.

The Group is currently organised into two (six months ended 30th June 2010: two) operating divisions – Information Technology Products (“IT Products”) and Information Technology Services (“IT Services”). These divisions are the basis on which the Group reports its primary segment information to the chief operating decision maker. The business nature of each segment is disclosed as follows:

IT Products

Being the business of information technology in supplying of information technology and associated products.

IT Services

Being the business of information technology in providing systems integration, software and consulting services, engineering support for products and solutions and managed services.

The Group’s revenue and results by operating segment for the period under review are presented below.

Unaudited Three months ended 30th June 2011

	<u>IT Products</u> <i>HK\$'000</i>	<u>IT Services</u> <i>HK\$'000</i>	<u>Total Group</u> <i>HK\$'000</i>
Revenue from external customers	177,008	161,599	338,607
Intersegment revenue	<u>2,921</u>	<u>8,795</u>	<u>11,716</u>
Segment revenue	179,929	170,394	350,323
Reportable segment profit	8,149	12,292	20,441
Segment depreciation	684	2,200	2,884
Segment amortisation	-	883	883
Additions to property, plant and equipment	<u>110</u>	<u>1,991</u>	<u>2,101</u>

Unaudited Six months ended 30th June 2011

	<u>IT Products</u> <i>HK\$'000</i>	<u>IT Services</u> <i>HK\$'000</i>	<u>Total Group</u> <i>HK\$'000</i>
Revenue from external customers	460,469	300,673	761,142
Intersegment revenue	<u>9,630</u>	<u>16,748</u>	<u>26,378</u>
Segment revenue	470,099	317,421	787,520
Reportable segment profit	21,433	30,148	51,581
Segment depreciation	1,262	4,469	5,731
Segment amortisation	-	883	883
Additions to property, plant and equipment	615	3,171	3,786
Additions to intangible assets	-	12,035	12,035
Additions to goodwill	<u>-</u>	<u>32,920</u>	<u>32,920</u>

Unaudited
Three months ended 30th June 2010

	<u>IT Products</u> <i>HK\$'000</i>	<u>IT Services</u> <i>HK\$'000</i>	<u>Total Group</u> <i>HK\$'000</i>
Revenue from external customers	196,103	135,340	331,443
Intersegment revenue	<u>1,569</u>	<u>9,344</u>	<u>10,913</u>
Segment revenue	197,672	144,684	342,356
Reportable segment profit	9,767	12,901	22,668
Segment depreciation	931	1,653	2,584
Additions to property, plant and equipment	<u>290</u>	<u>981</u>	<u>1,271</u>

Unaudited
Six months ended 30th June 2010

	<u>IT Products</u> <i>HK\$'000</i>	<u>IT Services</u> <i>HK\$'000</i>	<u>Total Group</u> <i>HK\$'000</i>
Revenue from external customers	466,326	263,118	729,444
Intersegment revenue	<u>2,904</u>	<u>28,009</u>	<u>30,913</u>
Segment revenue	469,230	291,127	760,357
Reportable segment profit	22,793	35,230	58,023
Segment depreciation	2,078	3,026	5,104
Additions to property, plant and equipment	<u>600</u>	<u>3,095</u>	<u>3,695</u>

The Group's assets and liabilities by operating segment for the period under review are presented below.

Unaudited
As at 30th June 2011

	<u>IT Products</u> <i>HK\$'000</i>	<u>IT Services</u> <i>HK\$'000</i>	<u>Total Group</u> <i>HK\$'000</i>
Reportable segment assets	252,428	240,217	492,645
Reportable segment liabilities	<u>198,513</u>	<u>131,193</u>	<u>329,706</u>

Audited
As at 31st December 2010

Reportable segment assets	271,328	172,807	444,135
Reportable segment liabilities	<u>192,663</u>	<u>96,812</u>	<u>289,475</u>

- (a) The accounting policies of the reportable segments are the same as the Group's accounting policies. Performance is measured based on segment profit that is used by the chief operating decision maker for the purposes of resource allocation and assessment of segment performance. Income tax expense is not allocated to reportable segments.

The revenue, profit, assets and liabilities of the Group are allocated based on the operations of the segments.

Reportable segment profit is profit before income tax, excluding share of results of associates, unallocated other income, unallocated other loss, unallocated gain/(loss) on disposal of property, plant and equipment, unallocated depreciation for property, plant and equipment that are used for all segments, fair value gain on revaluation of investment properties and other corporate expenses (mainly include staff costs and other general administrative expenses) of the head office.

Reportable segment assets exclude interests in associates, restricted bank deposits, cash and cash equivalents and unallocated corporate assets (mainly include property, plant and equipment, investment properties and intangible assets that are used by all segments, prepayments and deposits).

Reportable segment liabilities exclude current income tax liabilities, deferred income tax liabilities and unallocated corporate liabilities (mainly include accrued charges of the head office).

Additions to property, plant and equipment, intangible assets and goodwill include additions resulting from acquisition through business combinations.

(b) Reconciliation of the reportable segment revenue, profit, assets and liabilities

Reportable segment revenue, profit, assets and liabilities are reconciled to results and total assets and total liabilities of the Group as follows:

Revenue	Unaudited Three months ended 30th June		Unaudited Six months ended 30th June	
	2011	2010	2011	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Reportable segment revenue	350,323	342,356	787,520	760,357
Elimination of intersegment revenue	(11,716)	(10,913)	(26,378)	(30,913)
Revenue per condensed consolidated income statement	<u>338,607</u>	<u>331,443</u>	<u>761,142</u>	<u>729,444</u>

Intersegment revenue is charged at cost plus a percentage profit mark-up.

Profit	Unaudited Three months ended 30th June		Unaudited Six months ended 30th June	
	2011	2010	2011	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Reportable segment profit	20,441	22,668	51,581	58,023
Unallocated amounts:				
Unallocated other income	896	1,148	1,766	3,891
Unallocated other loss	(477)	-	(477)	-
Fair value gain on revaluation of investment properties	-	-	-	3,590
Unallocated gain/(loss) on disposal of property, plant and equipment	2	(4)	2	(4)
Unallocated depreciation	(1,336)	(1,095)	(2,592)	(2,190)
Share of results of associates	205	280	468	1,245
Unallocated corporate expenses	(12,096)	(12,215)	(26,455)	(25,020)
Profit before income tax per condensed consolidated income statement	<u>7,635</u>	<u>10,782</u>	<u>24,293</u>	<u>39,535</u>

Assets	Unaudited	Audited
	30th June	31st December
	2011	2010
	HK\$'000	HK\$'000
Reportable segment assets	492,645	444,135
Unallocated assets:		
Interests in associates	876	1,865
Unallocated restricted bank deposits	2,870	1,924
Unallocated cash and cash equivalents	194,575	195,552
Unallocated long-term bank deposit	151	-
Unallocated corporate assets	181,219	177,323
Total assets per condensed consolidated balance sheet	<u>872,336</u>	<u>820,799</u>

Liabilities	Unaudited 30th June 2011 HK\$'000	Audited 31st December 2010 HK\$'000
Reportable segment liabilities	329,706	289,475
Unallocated liabilities:		
Current income tax liabilities	9,865	12,320
Deferred income tax liabilities	20,250	17,996
Unallocated corporate liabilities	48,611	43,767
	<u>408,432</u>	<u>363,558</u>
Total liabilities per condensed consolidated balance sheet	<u>408,432</u>	<u>363,558</u>

The Group's businesses and segment assets are all located in the respective place of domicile of the relevant Group entities which include Hong Kong, Guangzhou, Macau, Singapore, Taiwan and Thailand.

Place of domicile	Revenue from external customers Unaudited Three months ended 30th June		Revenue from external customers Unaudited Six months ended 30th June	
	2011	2010	2011	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	291,269	306,245	682,684	662,425
Guangzhou	2,682	2,708	3,557	4,358
Macau	7,645	11,852	17,747	21,047
Singapore	4,914	-	5,363	-
Taiwan	11,711	7,401	22,757	14,372
Thailand	20,029	3,237	28,677	27,242
Other	357	-	357	-
	<u>338,607</u>	<u>331,443</u>	<u>761,142</u>	<u>729,444</u>

Place of domicile	Non-current assets	
	Unaudited 30th June 2011 HK\$'000	Audited 31st December 2010 HK\$'000
	Hong Kong	186,265
Guangzhou	692	2,208
Macau	4,317	5,831
Singapore	45,493	-
Taiwan	850	1,062
Thailand	11,485	1,095
Other	49	-
	<u>249,151</u>	<u>195,451</u>

4. Other Income

	Unaudited Three months ended 30th June		Unaudited Six months ended 30th June	
	2011	2010	2011	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest on bank deposits	94	82	203	118
Equipment rental income	-	863	-	1,727
Rental income from investment properties	374	374	748	748
Others	440	29	827	1,575
	<u>908</u>	<u>1,348</u>	<u>1,778</u>	<u>4,168</u>

5. Other Loss

	Unaudited Three months ended 30th June		Unaudited Six months ended 30th June	
	2011	2010	2011	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Contingent consideration payable				
- Fair value loss	477	-	477	-
	<u>477</u>	<u>-</u>	<u>477</u>	<u>-</u>

6. Finance Income

Finance income represented accretion of discount recognised upon initial recognition of loans and receivables to their fair values.

7. Expenses by Nature

	Unaudited Three months ended 30th June		Unaudited Six months ended 30th June	
	2011	2010	2011	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit before income tax has been arrived after charging/(crediting):				
Depreciation and amortisation				
Property, plant and equipment	4,220	3,679	8,323	7,294
Intangible assets	883	-	883	-
(Gain)/ Loss on disposal of property, plant and equipment	(51)	(60)	14	(136)
Provision for impairment of intangible assets	-	-	-	200
Provision for impairment of trade receivables	5	-	188	730
Staff costs	<u>117,225</u>	<u>89,008</u>	<u>210,652</u>	<u>176,135</u>

8. Income Tax Expense

	Unaudited Three months ended 30th June		Unaudited Six months ended 30th June	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Current taxation:				
Hong Kong profits tax	2,412	1,986	4,948	7,050
Overseas taxation	65	25	339	369
Under/ (Over) provision in prior period:				
Hong Kong profits tax	1	-	39	212
Overseas taxation	-	(109)	23	(109)
	<u>2,478</u>	<u>1,902</u>	<u>5,349</u>	<u>7,522</u>
Deferred taxation:				
Current period	(354)	162	160	(685)
Income tax expense	<u>2,124</u>	<u>2,064</u>	<u>5,509</u>	<u>6,837</u>

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30th June 2010: 16.5%) on the estimated assessable profits for the period. Taxation on overseas profits has been calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the countries in which the Group operates.

9. Dividends

	Unaudited Three months ended 30th June		Unaudited Six months ended 30th June	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Dividend recognised as distribution during the period:				
Final dividend in respect of the nine months ended 31st December 2010 of 4.0 HK cents per share	<u>12,456</u>	<u>-</u>	<u>12,456</u>	<u>-</u>

The Directors did not recommend the payment of an interim dividend for the six months ended 30th June 2011 (six months ended 30th June 2010: Nil).

10. 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 Three months ended 30th June		Unaudited Six months ended 30th June	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Earnings for the purpose of basic and diluted earnings per share	<u>5,511</u>	<u>8,718</u>	<u>18,784</u>	<u>32,698</u>
	Number of shares		Number of shares	
	2011 '000	2010 '000	2011 '000	2010 '000
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	<u>311,403</u>	<u>311,403</u>	<u>311,403</u>	<u>311,403</u>

There were no dilutive instruments for the six months ended 30th June 2011 (six months ended 30th June 2010: same).

11. Property, Plant and Equipment

During the six months ended 30th June 2011, the addition of property, plant and equipment was approximately HK\$5,130,000 (six months ended 30th June 2010: HK\$4,669,000) mainly for computers and office equipment.

During the six months ended 30th June 2011, the Group disposed of certain property, plant and equipment at the carrying amount of HK\$111,000 (six months ended 30th June 2010: HK\$30,000), resulting in a loss on disposal of HK\$14,000 (six months ended 30th June 2010: gain on disposal of HK\$136,000).

The Group's leasehold land and buildings were stated at valuations made at 31st December 2010 less depreciation. The leasehold land and buildings were last revalued by DTZ Debenham Tie Leung Limited, an independent professional valuer, at 31st December 2010 at market value basis which is determined by reference to market evidence of recent transactions for similar properties. At 30th June 2011, the Directors of the Company considered that the carrying amount of the Group's leasehold land and buildings does not differ significantly from their fair values.

If the leasehold land and buildings had not been revalued, they would have been included in these condensed consolidated financial statements at historical cost, less accumulated depreciation of approximately HK\$53,529,000 (31st December 2010: HK\$54,562,000).

The Group's interest in leasehold land represents finance lease payments held in Hong Kong between 10 to 50 years.

As at 30th June 2011, the Group has pledged leasehold land and buildings having a carrying amount of approximately HK\$127,529,000 (31st December 2010: HK\$129,300,000) for banking facilities granted to the Group.

12. Investment Properties

The investment properties of the Group were last revalued by DTZ Debenham Tie Leung Limited, an independent professional valuer at 31st December 2010, on the basis of market value.

As at 30th June 2011, the Directors of the Company considered that the carrying amount of the Group's investment properties which are carried at revalued amounts do not differ significantly from that which would be determined using fair values at the balance sheet date.

As at 30th June 2011, the Group has pledged investment properties having a carrying amount of approximately HK\$24,700,000 (31st December 2010: HK\$24,700,000) for banking facilities granted to the Group.

13. Intangible Assets and Goodwill

On 28th March 2011, the Group acquired 100% of the share capital of i-Sprint Innovations Pte Ltd ("i-Sprint"). i-Sprint group is principally engaged in the business of developing, distributing, implementing and supporting technology risk management products. Depending on the upcoming financial performance of i-Sprint, the cash consideration for this acquisition may range from S\$6,000,000 (equivalent to approximately HK\$36,000,000) to S\$7,900,000 (equivalent to approximately HK\$47,400,000). Details of this acquisition were set out in the Company's announcements dated 28th March 2011 and 31st March 2011.

A goodwill of S\$5,338,000 (equivalent to approximately HK\$32,920,000), intangible assets of S\$1,951,000 (equivalent to approximately HK\$12,035,000) and net tangible assets of S\$186,000 (equivalent to approximately HK\$1,150,000) were recognised in relation to this acquisition. The above amounts are determined provisionally pending the receipt of the final valuation of these balances.

The goodwill arises from a number of factors. The most significant amongst these is the premium attributable to a pre-existing, well-positioned business that is in operation in a competitive market. Other significant factors include synergies through accessing a highly skilled workforce and obtaining economies of scale.

The Group's competitive position in the information technology market is expected to be strengthened as the acquisition provides the opportunity for the Group to serve more clients with regional presence, especially those in the financial services sector. Besides which, the addition of i-Sprint's products provides an opportunity for the Group to expand its credential in management solutions and to enrich the Group's existing security solutions offerings.

As at 30th June 2011, approximately S\$4,900,000 (equivalent to approximately HK\$30,222,000) of the acquisition costs had been settled and contingent consideration payable of S\$2,319,000 (equivalent to approximately HK\$14,640,000) was recognised in the condensed consolidated balance sheet for the remaining portion of the contingent consideration.

The fair value of the contingent consideration payable was estimated based on an assumed probability weighting in fulfilling the performance requirements, using a discount rate of 15%. During the period from the date of acquisition to 30th June 2011, fair value loss of S\$76,000 (equivalent to approximately HK\$477,000) was recognised in the profit or loss for the contingent consideration payable.

14. 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.

	Unaudited 30th June 2011 HK\$'000	Audited 31st December 2010 HK\$'000
Trade receivables	143,132	165,903
Less: provision for impairment of receivables	<u>(500)</u>	<u>(312)</u>
Trade receivables – net	142,632	165,591
Less: non-current portion of trade receivables	<u>(3,967)</u>	<u>(1,869)</u>
Current portion of trade receivables	<u>138,665</u>	<u>163,722</u>

All non-current receivables are due within five years from the balance sheet date.

An ageing analysis of the gross trade receivables as at the balance sheet date, based on ageing from payment due date, is as follows:

	Unaudited 30th June 2011 HK\$'000	Audited 31st December 2010 HK\$'000
Current	96,140	126,695
Within 30 days	20,646	15,992
31 - 60 days	6,869	4,234
61 - 90 days	8,922	6,454
Over 90 days	<u>10,555</u>	<u>12,528</u>
	<u>143,132</u>	<u>165,903</u>

15. Other Receivables, Deposits and Prepayments

	Unaudited 30th June 2011 HK\$'000	Audited 31st December 2010 HK\$'000
Other receivables	4,006	1,340
Deposits	7,695	6,284
Prepayments	19,699	15,469
Amount due from the ultimate holding company	549	512
Amount due from the immediate holding company	<u>250</u>	<u>-</u>
	<u>32,199</u>	<u>23,605</u>

16. Restricted Bank Deposits and Cash and Cash Equivalents

	Unaudited 30th June 2011 HK\$'000	Audited 31st December 2010 HK\$'000
Long-term bank deposit	<u>151</u>	<u>-</u>
Restricted bank deposits	<u>2,870</u>	<u>1,924</u>
Cash at bank and on hand	165,512	132,309
Short-term bank deposits	<u>29,063</u>	<u>63,243</u>
Cash and cash equivalents	<u>194,575</u>	<u>195,552</u>

Restricted bank deposits represented fixed term deposits placed in commercial banks that were pledged against performance bonds of the Group.

17. Trade Payables

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

	Unaudited 30th June 2011 HK\$'000	Audited 31st December 2010 HK\$'000
Current	121,493	126,898
Within 30 days	42,543	39,055
31 – 60 days	11,295	14,948
61 – 90 days	3,408	1,634
Over 90 days	<u>9,869</u>	<u>10,465</u>
	<u>188,608</u>	<u>193,000</u>

18. Other Payables and Accruals

	Unaudited 30th June 2011 HK\$'000	Audited 31st December 2010 HK\$'000
Other payables and accruals	50,723	45,787
Deferred income	-	456
Amounts due to fellow subsidiaries	-	492
Amount due to an associate	<u>566</u>	<u>1,455</u>
	<u>51,289</u>	<u>48,190</u>

19. Pledge of Assets

At 30th June 2011, the Group's leasehold land and buildings of approximately HK\$127,529,000 (31st December 2010: HK\$129,300,000) and investment properties of approximately HK\$24,700,000 (31st December 2010: HK\$24,700,000) were pledged to secure the banking facilities of the Group.

At 30th June 2011, the Group's restricted bank balances of HK\$2,870,000 (31st December 2010: HK\$1,924,000) were pledged to secure the banking facilities of the Group.

DIVIDEND

The Directors did not recommend the payment of an interim dividend for the six months ended 30th June 2011 (six months ended 30th June 2010: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

For the six months ended 30th June 2011, the Group's revenue was HK\$761.1 million, higher by 4.3% compared to the six months ended 30th June 2010. For the three months ended 30th June 2011, the Group's revenue was HK\$338.6 million, higher by 2.2% compared to the corresponding period last year.

For the six months ended 30th June 2011, product sales and service revenue were HK\$460.4 million and HK\$300.7 million, decreased by 1.3% and increased by 14.3% year on year respectively. Product sales and service revenue contributed 60.5% and 39.5% to total revenue respectively compared to 63.9% and 36.1% from the corresponding period last year. For the three months ended 30th June 2011, product sales and service revenue were HK\$177.0 million and HK\$161.6 million, decreased by 9.7% and increased by 19.4% respectively compared to the corresponding period last year.

Commercial and public sector sales for the six months ended 30th June 2011 contributed 39.8% and 60.2% to revenue respectively compared to 46.9% and 53.1% for the corresponding period in 2010. Commercial and public sector sales for the three months ended 30th June 2011 contributed 46.6% and 53.4% to revenue respectively compared to 52.1% and 47.9% for the corresponding period in 2010.

Profit before income tax was HK\$24.3 million for the first six months, lowered by 38.6% compared to the corresponding period last year. For the three months ended 30th June 2011, profit before income tax was HK\$7.6 million, lowered by 29.2% compared to the corresponding period last year. The decrease in profit before income tax was mainly attributable to incremental costs arising from the increase in staff costs, investment in staff training as well as various projects and the expense of acquiring the entire interest of i-Sprint Innovations Pte Ltd ("i-Sprint"), during the period under review. The Group will continue its effort to explore possible solutions for a better balance between our income and expenditure. With a view towards growth in its service business, the Group plans to implement efficient project management and lower its software business overhead through outsourcing and strengthening of its human resources management, investing in the establishment of a software management system and standardizing of its services through the creation of a software library.

As of 30th June 2011, the order book balance was approximately HK\$622.9 million, an increase of HK\$72.9 million compared with the corresponding period last year. The Group's cash stood at approximately HK\$194.7 million with a working capital ratio 1.66:1. The Group maintained a healthy balance sheet and no debt was recorded during the period under review.

Business Review

In accordance with our strategic plan, our revenue has steadily increased in the first half of the year.

Strengthened foothold in Asia Pacific market

On 28th March 2011, the Group acquired the entire interest of i-Sprint, a Singapore-based company which strives to provide world-class credential and access management solutions. In April 2011, i-Sprint signed a Master Software License agreement with the largest independent listed Pan-Asian life insurance group in the world. Pursuant to this agreement, all of the offices designated by the customer can avail of i-Sprint's application security solutions at pre-negotiated terms. As a result, our position in the Information Technology ("IT") security market has strengthened.

The above acquisition continuously laid out a solid foundation for the expansion of the Group's customer base. During the review period, the Group received a total of 6 orders from our target customers in the banking and financial industry, all of whom have high demands towards IT security, with the majority of the orders coming from Chinese owned financial institutions. Through effective market penetration, the Group successfully introduced a full suite of i-Sprint products into Hong Kong marketplace. Hence, this proved that we are capable of providing secure and reliable solutions, as well as increasing customer faith.

Provision of IT solutions that are in upward demand

The Group has been constantly striving for better results in its solutions business. In view of the upward market demand for cloud computing, mobility, business intelligence and security solutions, the Group actively participates in the development of the above IT solutions.

In particular, in view of the increasing demand for cloud computing in both public and commercial sectors, the Group took the initiative to invest in cloud services. With such expertise, the Group successfully secured a breakthrough project to provide a scalable and reliable cloud solution for a government department. The Group

was mainly responsible for the provision of system analysis, designs and configurations, enabling the government department to provide other government bureaus and departments in need of Geographical Information System (GIS) services with the requisite services and applications on this cloud platform. This cloud solution initiative also incorporated our ultimate holding company Beijing Teamsun Technology Co., Ltd (“Teamsun”)’s market-proven GIS products in order to enhance the performance and price efficiency thereof.

With its end-to-end cloud competencies – from infrastructure provisioning to applications development; from systems integration to managing customers’ IT assets on different IT areas such as servers, security, database and storage, etc., the Group is devoted to replicating its success to other sectors. Our business focus here is also in accordance with Teamsun’s strategy of assisting customers in applying cloud technology.

Expanded managed services into other regions

Our ongoing strategy of managed services, which focused particularly on long-standing and key customers, paid off. Significant deals included the continuous supply of complex and large-scale managed services to an international airline. Such services included the provision of desk side and server operations in Hong Kong and the management of thousands of desktops for all of its offices in both Hong Kong and the mainland China.

In tandem with its success in Hong Kong, the Group has also introduced its business to customers in other regions. We have been providing services to a renowned bank in Thailand since 2008, with the amount of recent infrastructure managed services we provided reaching a high of several million dollars. Moreover, we won a long-term managed services contract to provide the subsidiary of a renowned public transport operator in Hong Kong for the management of all IT applications and infrastructure managed services and the provision of helpdesk services of its Shenzhen data center, the establishment of which is expected to be completed by the end of this year.

The Group has long been dedicated to providing high quality services, thereby earning the continuous trust and achieving satisfactory results for customers.

Solid performance in IT infrastructure

Benefiting from the needs for operational efficiency enhancement and business expansion of our customers in the region, the Group’s IT infrastructure business continued to maintain good performance. Significant projects won during the review period included the supply of several thousand units of hardware for a disciplinary government department to all of its offices in Hong Kong; the provision of hardware and software applications to all of an international airline company’s offices in Hong Kong and mainland China; as well as the supply, delivery, installation, commissioning and maintenance of enterprise servers and storage system and the provision of other related services for a statutory entity in Hong Kong.

Continuous expansion of cross-territories business

Our cross-territories business is growing steadily with our continuing efforts to collaborate with Teamsun. During the review period, the renewal or new projects we received were in greater complexity, of wider scope and covered more cities in mainland China. Among others, we entered into a 3-year maintenance services contract this quarter with a leading international bank upon securing a 1-year maintenance services contract covering its offices in major cities in China last year.

Outlook and Prospects

As a leading IT services provider in the region, the Group will continue to strive to provide high quality services and solutions. In fact, the Procurement and Logistics Department of Automated Systems (HK) Ltd, a subsidiary of the Group, has been certified with an ISO9001 accreditation since May 2011. We have further extended the scope of services coverage under the ISO9001 certification (as recognised by HKQAA) in June 2011, making us one of the IT companies with the widest scope of coverage in the region. In addition, we obtained a number of Unix-based system infrastructure certifications, which evidences that our leading position amongst a host of IT services providers remains unchanged.

Looking forward, the Group wishes to expand across Asia Pacific region and to explore more business opportunities through the constant provision of the above long-standing and market-proven solutions and services. In July 2011, we successfully secured a contract from a government department to provide systems integration and managed services for the e-government platform running in its data centers. We will continue to look for opportunities in managed services in the region for further business expansion.

Moreover, the Group expects to achieve results in the IT security market in Greater China in the near future upon the continuous efforts spent on the market in the first half of the year. We will also endeavour to capture other opportunities going forward to fulfill the needs of regional customers on various IT areas.

As regards our cross-territories business, the Group will further explore the potential of Teamsun's market-proven products in order to enhance our existing services offerings and to meet customers' needs flexibly. With the above initiatives forming a clear blueprint for our future development, the outlook for the Group remains positive.

Financial Resources and Liquidity

As at 30th June 2011, the Group's total assets of HK\$872.3 million were financed by current liabilities of HK\$375.1 million, non-current liabilities of HK\$33.3 million and shareholders' equity of HK\$463.9 million. The Group had a working capital ratio of approximately 1.66:1.

As at 30th June 2011, the Group had an aggregate composite banking facility from banks of approximately HK\$112.9 million (31st December 2010: HK\$112.2 million). The Group had pledged land and buildings and investment properties in an aggregate amount of HK\$152.2 million (31st December 2010: HK\$154.0 million) and restricted bank deposits of approximately HK\$2.9 million (31st December 2010: HK\$1.9 million) for banking facilities and performance bonds granted to the Group respectively. The performance bonds issued by the Group to customers as security of contracts were approximately HK\$33.4 million as at 30th June 2011 (31st December 2010: HK\$31.3 million). The Group's gearing ratio was zero as at 30th June 2011 (31st December 2010: zero).

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 them are fixed by reference to the respective countries' Interbank Offer Rate. The bank deposits are mainly denominated 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 no hedging activities were engaged by the Group during the six months ended 30th June 2011.

Contingent Liabilities

As at 30th June 2011, bank deposits held as security for performance bonds amounted to approximately HK\$2.9 million (31st December 2010: HK\$1.9 million). At 30th June 2011, the amount of available bank facilities was HK\$112.9 million (31st December 2010: HK\$112.2 million) and the performance bonds of HK\$33.4 million (31st December 2010: HK\$31.3 million) has been issued by the Group to customers as security of contracts.

Capital Commitment

As at 30th June 2011, the contracted capital commitments of the Group were HK\$1.1 million (31st December 2010: HK\$0.4 million).

Employee and Remuneration Policies

As at 30th June 2011, the Group, excluding its associates, employed 1,561 permanent and contract staff in Hong Kong, mainland China, Taiwan, Macau, Thailand, Singapore and Malaysia. 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.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30th June 2011, 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 June 2011, 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 June 2011 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.

By Order of the Board
Lai Yam Ting, Ready
Chief Executive Officer

Hong Kong, 19th August 2011

As at the date hereof, the Board comprises Mr. Lai Yam Ting, Ready, Mr. Leung Tat Kwong, Simon and Mr. Lau Ming Chi, Edward being Executive Directors, Mr. Hu Liankui, Mr. Wang Weihang and Mr. Chen Zhaohui being Non-Executive Directors and Ms. Young Meng Ying, Mr. Lu Jiaqi and Ms. Xu Peng being Independent Non-Executive Directors.