

AUTOMATED SYSTEMS HOLDINGS LIMITED

1997 Annual Results Announcement

HIGHLIGHTS

- Turnover increased by 15.1% to approximately HK\$535.5 million
- Net profit attributable to shareholders increased by 28.5% to HK\$36.5 million
- Earning per share of HK\$16.5 cents

RESULTS

The Board of Directors of Automated Systems Holdings Limited (the "Company") are pleased to announce the audited results of the Company and its subsidiaries (the "Group") for the year ended 31 December 1997 with comparative figures for the previous year as follows:

	<i>Notes</i>	<i>1997</i>	<i>1996</i>
		<i>HK\$'000</i>	<i>HK\$'000</i>
<i>TURNOVER</i>		<i>535,494</i>	<i>465,117</i>
<i>OPERATING PROFIT</i>		<i>36,709</i>	<i>29,021</i>
<i>Share of profit of an associated company</i>		<i>5,857</i>	<i>3,676</i>
<i>PROFIT BEFORE TAXATION</i>		<i>42,566</i>	<i>32,697</i>
<i>Taxation</i>	<i>3</i>	<i>(6,046)</i>	<i>(4,281)</i>
<i>NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS</i>		<i>36,520</i>	<i>28,416</i>
<i>Dividends</i>	<i>4</i>	<i>(17,800)</i>	<i>(5,535)</i>
<i>RETAINED PROFIT FOR THE YEAR</i>		<i>18,720</i>	<i>22,881</i>
<i>EARNINGS PER SHARE</i>	<i>5</i>	<i>16.5 cents</i>	<i>13.5 cents</i>

1. Listing Date

The shares of the Company have been listed on The Stock Exchange of Hong Kong Limited since 5

November 1997.

2. Basis of Consolidation and Presentation

The consolidated financial statements have been prepared using the merger basis of accounting. Under this basis, the Company has been treated as the holding company of its subsidiaries for both years presented rather than from the date of their acquisition. Accordingly, the consolidated results of the Group for the two years ended 31 December 1997 include the results of the Company and its subsidiaries with effect from 1 January 1996 or since their respective dates of incorporation where this is a shorter period. The comparative consolidated balance sheet at 31 December 1996 has been prepared on the basis that the existing Group existed at that date. This basis has been consistently adopted for the preparation of comparative amount in the consolidated financial statements.

In the opinion of the Directors, the consolidated financial statements prepared on the above basis present more fairly the results and state of affairs of the Group as a whole.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

3. Taxation

	1997	1996
	HK\$'000	HK\$'000
Group:		
Hong Kong profits tax	4,895	3,452
Underprovision in prior years	---	126
	4,895	3,578
Associated company:		
Overseas taxation	1,151	703
Total	6,046	4,281

Hong Kong profits tax has been provided at the rate of 16.5% (1996: 16.5%) on the estimated assessable profit which was earned in or derived from Hong Kong during the year.

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.

4. Dividends

1997	1996
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	HK\$'000	HK\$'000
Interim dividend of 27.1 cents		
(1996: 10 cents) per ordinary share in respect of 55,350,000 ordinary shares in issue	15,000	5,535
Proposed final dividend of 1 cent per ordinary share	2,800	-----
Total	17,800	5,535

The interim dividend was paid by a subsidiary, Automated Systems (H.K.) Limited, to its then shareholders prior to the Group reorganisation.

5. Earnings Per Share

The calculation of earnings per share is based on the net profit attributable to shareholders of HK\$36,520,000 (1996: HK\$28,416,000) and the weighted average number of 220,931,507 shares in issue during the year (1996:210,000,000 shares issued under the reorganisation which were deemed to have been issued on 1 January 1996).

BUSINESS REVIEW

One of the Group's major contracts was the bulk contract awarded by the Hong Kong Government. Under the contract, the Group supplies and installs hardware and local area networks for over 22 government department and offices. The products and services delivered by the Group during 1997 under this contract amounted to approximately HK\$100 million. This contract will continue to contribute substantial revenues in 1998.

Through its project with Hongkong Telecom, the Group had the great honour of participating in the sovereignty changcover ceremony held at the Convention Centre on 1 July 1997. In this project, the Group supplied the systems hardware for the News Centre operation during the event. The News Centre provided facilities for the international media to release first-hand information worldwide. The Group also provided 24-hour back-up services to safeguard against any system failures at this crucial and memorable moment.

Another exciting Hongkong Telecom project was the Hello Phonenumber project. Service provided under this total solution package included system development, installation of the phonenumber calling system as well as its maintenance services. The Group also supplied products and services for the Interactive TV services launched by Hongkong Telecom IMS.

Imaging has been one of the hot solutions in the information technology market. In addition to our strong relationship with Optika, a leading imaging software provider, Kodak also selected the Group as their Preferred Channel Partner starting from July 1997. With imaging solutions, the work load of time-consuming bulk data input can be saved, making management of documentation much more efficient and accurate. The Group has secured a number of customers in this area. Much of this business comes from

banks and utility companies which require the processing of a tremendous volume of data daily.

PROSPECTS

The Government of the Hong Kong Special Administrative Region has emphasized its commitment to the future development of information technology in Hong Kong. Its first budget for the coming fiscal year further substantiates this standpoint by offering tax incentives to companies investing in computer hardware and software. It illustrates the Government's positive attitude towards the IT industry, which has never been better. The Government itself is making heavy investments in its computer systems in all sectors.

In addition to the Government's support for the IT industry, the arrival of the year 2000 is also creating tremendous business opportunities for the Group. Many corporations are looking into upgrading their hardware and systems to tackle the technical problems expected in the year 2000.

Moreover, many business opportunities will be opened up in the telecommunications industry. Since the Government terminated Hongkong Telecom's monopoly rights for international calls, the competition within the telecommunications industry has become fierce. As the competitiveness of companies in this industry greatly relies on the sophistication of their computer systems., the Group will greatly benefit from this business opportunity.

SuperComputer, the most powerful of the Sun server systems, offers a logical choice for systems advancement for many corporations. The Group is confident of the development of this business and has already invested in a SuperComputer as a back-up system and for demonstration purposes. Following the launch of the SuperComputer to two universities in Hong Kong last year, the Group has actively approached other potential customers and is now in the stage of concluding contracts with some of these companies.

The development of the Internet has opened a new era in the fast-expanding IT industry. In view of its increasing popularity and the widespread usage of Internet/Intranet applications, the Group set up the first Internet/Intranet Solution Centre for Java in Hong Kong, in conjunction with Sun Microsystems, in September 1997. The Group is developing business opportunities for the applications of Java, the most popular Internet programming language.

The Group recognises the potential in serving the needs of multinational corporations and is actively working to penetrate this market. The Group enjoys the benefits of a worldwide operating network in conjunction with its sister companies which operate in more than 15 countries under the CSA Group. Currently, the Group has successfully secured contracts from various major multinationals to provide services for their operations in the Asia Pacific region. Given the emerging trend for regionalisation and even globalisation in the business, the Group is expecting rapid growth in this area.

In addition, the Group is also in the stage of enlarging its sales force to expand its network computing business such as Microsoft Windows NT based products and service, enterprise management solutions and other software solutions.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Wednesday, 22 April 1998 to Tuesday, 28 April 1998 (both days inclusive) during which period no transfer of shares will be effected.

In order to qualify for the final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Registrar in Hong Kong, Tengis Limited at 16th Floor, Hutchison House, 10 Harcourt Road, Hong Kong by 4:00 p.m. on Tuesday, 21 April 1998. The dividend warrants will be dispatched on 8 May 1998.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year ended 31 December 1997, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares.

APPRECIATION

I would like to take this opportunity to express my sincere gratitude to our staff for their dedication and excellent performance in the past year. I would also like to thank all our shareholders and institutional investors for their support and confidence in the Group.

On behalf of the Board
Kuo Chi Yung, Peter
Managing Director

Hong Kong, 18 March 1998

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that an Annual General Meeting of the Members of Automated Systems Holdings Limited (the "Company") will be held at the Company's office on 15th Floor, Topsail Plaza, 11 On Sum Street, Shatin, Hong Kong on Tuesday, 28 April 1998 at 11:30 a.m. for the following purposes:

1. To receive and consider the Audited Financial Statements and the Reports of the Directors and of the Auditors for the year ended 31 December 1997;
2. To declare a final dividend;
3. To elect Directors and to authorise the Board of Directors to fix Directors' remuneration;
4. To appoint Auditors and to authorise the Board of Directors to fix Auditors' remuneration;
5. To consider as Special Business and, if thought fit, pass with or without amendments, the following resolution as an Ordinary Resolution:

"THAT"

- (a) the exercise by the Directors during the Relevant Period of all the powers of the Company to purchase its shares, subject to and in accordance with the applicable laws, be and is hereby generally and unconditionally approved;

(b) the total nominal amount of shares to be purchased pursuant to the approval in paragraph (a) above shall not exceed 10% of the total nominal amount of the share capital of the Company in issue on the date of this Resolution, and the said approval shall be limited accordingly; and

(c) for the purpose of this Resolution, "Relevant Period" means the period from the passing of this Resolution until whichever is the earlier of:

(i) the condition of the next Annual General Meeting of the Company;

(ii) the revocation or variation of the authority given under this Resolution by Ordinary Resolution of the shareholders in general meetings; and

(iii) the expiration of the period within which the next Annual General Meeting of the Company is required by the Bye-laws of the Company or any applicable laws to be held";

6. To consider as Special Business and, if thought fit, pass with or without amendments, the following resolution as an Ordinary Resolution:

"THAT"

(a) the exercise by the Directors during the Relevant Period of all the powers of the Company to issue, allot and deal with additional shares of the Company and to make or grant offers, agreements and options which would or might require shares to be allotted, issued or dealt with during or after the end of the Relevant Period, be and is hereby generally and unconditionally approved, provided that, otherwise than pursuant to a rights issue where shares are offered to shareholders on a fixed record date in proportion to their then holdings of shares (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognized regulatory body or any Stock exchange in any territory outside Hong Kong) or any option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company, or any scrip dividend scheme or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with Bye-laws of the Company, the total nominal amount of additional shares issued, allotted, dealt with or agreed conditionally or unconditionally to be issued, allotted or dealt with shall not in total exceed 20% of the total nominal amount of the share capital of the Company in issue on the date of this Resolution and the said approval shall be limited accordingly; and

(b) for the purpose of this Resolution, "Relevant Period" means the period from the passing of this Resolution until whichever is the earlier of:

- (i) the conclusion of the next Annual General Meeting of the Company;
- (ii) the revocation or variation of the authority given under this Resolution by Ordinary Resolution of the shareholders in general meetings; and
- (iii) the expiration of the period within which the next Annual General Meeting of the Company is required by the Bye-laws of the Company or any applicable laws to be held;" and

7. To consider as Special Business and, if thought fit, pass with or without amendments, the following resolution as an Ordinary Resolution:

THAT the general mandate granted to the Directors of the Company pursuant to Resolution 6 above and for the time being in force to exercise the powers of the

Company to allot shares and to make or grant offers, agreements and options which might require the exercise of such powers be and is hereby extended by the total

nominal amount of shares in the capital of the Company repurchased by the Company since the granting of such general mandate pursuant to the exercise by the Directors

of the Company of the powers of the Company to purchase such shares, provided that such amount shall not exceed 10% of the total nominal amount of the share capital

of the Company in issue on the date of this Resolution".

By order of the Board
Lau Ming Chi, Edward
Secretary

Hong Kong, March 18, 1998

Notes:

(a) The Register of Members will be closed from Wednesday, 22 April 1998 to Tuesday, 28 April 1998 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Registrar in Hong Kong, Tengis Limited, 16th Floor, Hutchison House, 10 Harcourt Road, Hong Kong by 4:00p.m. on Tuesday, 21 April 1998.

(b) A shareholder who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf. A proxy need not be a shareholder. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.

(c) The instrument appointing a proxy and the power of attorney or other authority, if any, under which it

is signed, or a notarially certified copy of such power or authority, must be lodged with the Company's Branch Registrar in Hong Kong, Tengis Limited, 16th Floor, Hutchison House, 10 Harcourt Road, Hong Kong not less than 48 hours before the time fixed for holding the Meeting.

(d) The Annual Report of the Company for the year ended 31 December 1997 also containing this notice together with a circular setting out further information regarding Resolutions 5 to 7 above will be dispatched to shareholders as soon as practicable.