

Automated Systems Holdings Limited

(Incorporated in Bermuda with limited liability)

1998 Annual Results Announcement

HIGHLIGHTS

- * Turnover increased by 13% to approximately HK\$605 million
- * Net profit attributable to shareholders rose by 10% to approximately HK\$40 million
- * Basic earnings per share of HK\$14.3 cents

RESULTS

The Board of Directors (the "Director") of Automated Systems Holdings Limited (the "Company") are pleased to announce audited results of the Company and its subsidiaries (the "Group") for the year ended 31 December 1998 together with comparative figures for the previous year as follows:

	Notes	1998 HK\$'000	1997 HK\$'000
TURNOVER		<u>604,843</u>	<u>535,494</u>
OPERATING PROFIT BEFORE EXCEPTIONAL ITEM		45,336	36,709
Exceptional Item	3	<u>(4,218)</u>	<u>---</u>
OPERATING PROFIT		41,118	36,709
Share of profit of an associated company		<u>7,677</u>	<u>5,857</u>
PROFIT BEFORE TAXATION		48,795	42,566
Taxation	4	<u>(8,618)</u>	<u>(6,046)</u>
NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS		40,177	36,520
Dividends	5	<u>(11,200)</u>	<u>(17,800)</u>
RETAINED PROFIT FOR THE YEAR		<u>28,977</u>	<u>18,720</u>
EARNINGS PER SHARE	6		
Basic		<u>14.3 cents</u>	<u>16.5 cents</u>
Diluted		<u>14.2 cents</u>	<u>---</u>

Notes:

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 include the financial statements of the Company and its subsidiaries for the year ended 31 December 1998. The results of the subsidiaries acquired and disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

3. Exceptional Item

This represents the deficit arising on revaluation of fixed assets at the balance sheet date.

4. Taxation

	1998	1997
	HK\$'000	HK\$'000
Group:		
Hong Kong profits tax	6,973	4,895
Associated company:		
Overseas taxation	<u>1,645</u>	<u>1,151</u>
Total	<u>8,618</u>	<u>6,046</u>

Hong Kong profits tax has been provided at the rate of 16% (1997: 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.

5. Dividends

	1998	1997
	HK\$'000	HK\$'000
Interim dividend of 2 cents per ordinary share (1997: 27.1 cents per ordinary share in respect of 55,350,000 ordinary shares in issue)	5,600	15,000
Proposed final dividend of 2 cent (1997: 1 cent) per ordinary share	<u>5,600</u>	<u>2,800</u>
Total	<u>11,200</u>	<u>17,800</u>

The 1997 interim dividend was paid by a subsidiary, Automated Systems (H.K.) Limited, to its then shareholders prior to the Group reorganisation.

6. Earnings Per Share

Basic and diluted earnings per share are based on the net profit attributable to shareholders of

HK\$40,177,000 (1997: HK\$36,520,000).

The basic earnings per share is based on the weighted average number of 280,000,000 shares (1997: 220,931,507) in issue during the year/period. The diluted earnings per share is based on 282,716,240 shares which is the weighted average of shares in issue during the year plus the weighted average number of 2,716,240 shares deemed to be issued at no consideration if all outstanding share options have been exercised.

BUSINESS REVIEW

The Group reported once again stable growth in 1998, despite the unfavorable general economy. For the year ended 31 December 1998, the Group's turnover rose 13% to HK\$605 million as compared to the previous year. Net profit attributable to shareholders, but before exceptional item, also reported stable growth of 22% to HK\$ million. The Group's financial position is strong and healthy, with a low long term gearing of 11% and a high cash reserve reaching HK\$87 million at the moment.

During 1998, the Group experienced many exciting events and achieved a number of milestones. One of the major achievements was the successful completion of the government's PC and Network bulk contract, which amounted to over HK\$300 million.

In 1998, the Group won a significant service contract worth over HK\$10 million from the Airport Authority. Under the contract, it provides help desk services and also manages the Airport Authority's network monitoring system 24 hours round-the-clock. The service business provides the Group with both stable and recurring income while also offering comparatively high margins.

To better support the service business, the Group invested about HK\$ million to set up the Customer Service Response Center in 1998. At the same time, it has been implementing ISO 9000 standards to enhance its service quality.

The Group also managed to expand operations in 1998. The office area has been enlarged by 10,000 sq. ft. and the number of staff has also increased from about 400 in the beginning of 1998 to over 500 at the year-end. It set up a specialized business team of 100 staff to explore the huge potential in the business of Windows NT. At the same time, it has also set up two new solution centers for Imaging and Windows NT respectively to help expand the solutions business.

In June 1998, the Group reached another major milestone, with the receipt of the Hong Kong IT Achievement Award. Its excellent performance has also won the recognition of many leading IT suppliers throughout the world, such as Sun Microsystems, IBM, Microsoft, full-time Software (formerly named Quail) and the Inform Business Partners Leadership Award from Inform Software.

The Group also keeps itself abreast of the latest IT developments introducing their benefits to its customers to meet their task requirements. In 1998, it sold two powerful Super Computers to the education sector again to support their massive administration requirements. In addition to the Super Computers, the Group has also introduced other "first-of-its-kind" IT products in Hong Kong. Amongst others, these include the leading-edge management solutions from Tivoli Systems, IBM's subsidiary; Open Market, Inc.'s Internet commerce software products; and Secure Computing Corporation's network security systems.

PROSPECT

This year the Group once again won the government's PC and Network Bulk Contract. It carries a

maximum draw-down value of approximately HK\$117 million, over the duration of one year. It is expected that the majority part of the bulk contract will be completed in 1999, generating substantial revenues to the Group for this year.

Additionally, through our subsidiary ELM, the Group has also won the government's bulk contract to supply UNIX computer systems and related services to various government departments. This makes a major milestone for the Group, as it probably is the very first time a systems integrator, a non-manufacturing IT company, has won a government's UNIX tender. Under this contract the government can draw equipment and services of up to HK\$ 67 million in two years. It has also led to an annual maintenance contract of approximately HK\$8 million and will bring in additional sizeable software business to the Group in the coming future.

Apart from these contracts, the Group also sees huge business opportunities in Hong Kong. The SAR government has expressed tremendous determination in fostering Hong Kong's development as a leading digital city in the global superhighway networks of the 21st century. In addition, a number of high-tech companies have committed in making multi-million dollars investment for transforming Hong Kong into a high-tech centre. Last December, Mr. K.C. Kwong, Hong Kong's first secretary of the Information Technology and Broadcasting, also stated that they will outsource all new government IT projects, creating more business opportunities for the IT industry. These activities are all helping to boost the IT industry, whilst demand for computerisation is ever increasing across every customer area, such as public utilities, telecommunication, education, banking and finance sectors.

The Group believes that Computer Sciences Corporation ("CSC"), the Group's ultimate controlling shareholder since February 2, 1999, will create synergies in the Group's business. CSC is a listed company on the New York Stock Exchange, holding an enviable reputation for providing "outsourcing" services to world-class customers. The Group expects that it will be able to share CSC's clients as well as experience, expertise and resources in the "outsourcing" services.

With numerous opportunities ahead and sizeable contracts already secured, the Group believes that its performance will continue to be very promising in this year.

YEAR 2000 PROBLEM

The Group has included in its 1998 interim report information relating to the Group's Year 2000 compliance program on the definition of Year 2000 compliant, the risks uncertainties associated with Year 2000 problem, the structure of the Year 2000 compliance project and the plans to address the Year 2000 problem as required to be disclosed by The Stock Exchange of Hong Kong Limited. Pursuant to the program, a Committee has been formed to supervise the progress of the compliance program and detailed action plans, task list and timetables have been established in respect of problem identification, solution design modification, testing and implementation. As of today, 50% of the compliance program have been completed and according to the present progress, the Group is expected to be Year 2000 compliant by the end of June 1999. The estimated costs of the Group's compliance program were approximately HK\$4,500,000. The estimated amount of commitments contracted for in respect of the Year 2000 modification costs for the financial year 1998 was approximately HK\$2,500,000, and a further HK\$2,000,000 had been authorised but not contracted for.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 3 May 1999 to Thursday, 6 May 1999 (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 Friday, 30 April 1999. The dividend warrants will be dispatched on 18 May 1999.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year ended 31 December 1998, 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 1999

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 Thursday, 6 May 1999 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 1998;
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 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";

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 recognised 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 the 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, 18 March 1999

Notes:

(a) The Register of Members will be closed from Monday, 3 May 1999 to Thursday, 6 May 1999 (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 4:00 p.m. on Friday, 30 April 1999.

(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 1998 also containing this notice together with a circular setting out further information regarding Resolutions 5 to 7 above will be despatched to shareholders as soon as practicable.