



AUTOMATED SYSTEMS HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

2003/04 First Quarterly Results Announcement

To enhance corporate transparency and to align with the practice of the Company's immediate holding company, CSA Holdings Ltd in publication of quarterly results, the Company has adopted the policy to announce its quarterly results for each of the first and third quarters starting from 1st April, 2003.

This Announcement is made pursuant to paragraph 2 of the Listing Agreement between the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

RESULTS

In accordance with the Company's disclosure policy, the Board of Directors (the "Board") announces the unaudited results of the Company and its subsidiaries (the "Group") for the three months ended 30th June, 2003 together with comparative figures for the previous year as follows:

	Notes	Unaudited Three months ended 30th June,	
		2003 HK\$'000	2002 HK\$'000
TURNOVER	(2)	242,580	230,663
Cost of sales		(180,810)	(156,456)
Other operating income		1,167	864
Sales and technical support costs		(58,692)	(66,960)
Distribution costs		(1,021)	(3,818)
Administrative expenses		(8,504)	(10,815)
PROFIT/(LOSS) FROM OPERATIONS	(3)	(5,280)	(6,522)
Finance costs		(119)	(290)
Share of results of associates		(13)	(68)
PROFIT/(LOSS) BEFORE TAXATION		(5,412)	(6,880)
Taxation	(4)	-	(256)
PROFIT/(LOSS) BEFORE MINORITY INTERESTS		(5,412)	(7,136)
Minority interests		(234)	(13)
PROFIT/(LOSS) FOR THE PERIOD		(5,646)	(7,149)
EARNINGS/(LOSS) PER SHARE	(5)		
Basic		HK (1.9 cents)	HK (2.5 cents)
Diluted		HK (1.9 cents)	HK (2.5 cents)

Notes:

1. Basis of preparation and accounting policies

The accounting policies and basis of preparation used in the preparation of this income statement is the same as those used in the annual financial statements for the year ended 31st March, 2003.

2. Segmental information

The Group's operations are in a single industry segment. An analysis of the Group's turnover and contribution to profit/loss from operating activities by business and geographical segments for the three months ended 30th June, 2003 is as follows:

(a) Business segment

	Unaudited Computer and computer related services	
	For three months ended 30th June, 2003 HK\$'000	2002 HK\$'000
REVENUE		
Sales to external customers	242,580	230,663
RESULT		
Segment result	(6,447)	(7,386)
Interest income	572	604
Other operating income	595	260
Profit/(Loss) from operations	(5,280)	(6,522)
Finance cost	(119)	(290)
Share of results of associates	(13)	(68)
PROFIT/(LOSS) BEFORE TAXATION	(5,412)	(6,880)
Taxation	-	(256)
PROFIT/(LOSS) BEFORE MINORITY INTERESTS	(5,412)	(7,136)
Minority interests	(234)	(13)
PROFIT/(LOSS) FOR THE PERIOD	(5,646)	(7,149)

(b) Geographical segments

	Unaudited							
	Hong Kong		Outside Hong Kong		Eliminations		Consolidated	
	For three months ended 30th June, 2003	2002	For three months ended 30th June, 2003	2002	For three months ended 30th June, 2003	2002	For three months ended 30th June, 2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
REVENUE								
Sales to external customers	231,202	218,555	11,378	12,108	-	-	242,580	230,663
Inter-segment sales	6,444	13,609	2	27	(6,446)	(13,636)	-	-
Total revenue	237,646	232,164	11,380	12,135	(6,446)	(13,636)	242,580	230,663
RESULT								
Segment results	(7,523)	(7,895)	1,076	509	-	-	(6,447)	(7,386)

3. Profit/loss from operations

The Group's profit/loss from operations has been arrived at after charging:

	Unaudited For three months ended 30th June,	
	2003 HK\$'000	2002 HK\$'000
Depreciation and amortisation:		
Property, plant and equipment	8,195	7,829
Intangible assets	961	1,495
Loss on disposal of property, plant and equipment	356	151

4. Taxation

The charge comprises:

	Unaudited For three months ended 30th June,	
	2003 HK\$'000	2002 HK\$'000
Hong Kong profits tax	-	-
Overseas taxation	-	256
	-	256

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period for the current and previous year.

Overseas taxation is calculated at the rates prevailing in the respective jurisdictions.

5. Earnings/loss per share

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

	Unaudited For three months ended 30th June,	
	2003 HK\$'000	2002 HK\$'000
Profit/(Loss) for the purpose of basic earnings/loss per share and diluted earnings/loss per share	(5,646)	(7,149)
Number of shares	'000	'000
Weighted average number of ordinary shares for the purpose of basic earnings/loss per share	290,910	288,830
Effect of dilutive potential ordinary shares – Share options	388	873
Weighted average number of ordinary shares for the purpose of diluted earnings/loss per share	291,298	289,703

DIVIDEND

The Board did not recommend the payment of dividend for the three months ended 30th June, 2003.

MANAGEMENT DISCUSSION AND ANALYSIS

Results and Business Review

As in previous years, the first quarter is traditionally lower than the other quarters in terms of business volume. The Group reported an unaudited revenue of HK\$242.5 million (FY 03: HK\$230.6 million) in the quarter under review, and incurred an unaudited loss of HK\$5.6 million compared to the unaudited loss of HK\$7.1 million in the first quarter of financial year 2003 (FY 03). The demand for information technology (IT) products and services remains weak in commercial sector due to the outbreak of SARS and the continuing stagnant economic outlook. However, government spending on IT area is relatively stable and the Group is able to secure new contracts.

From the Hong Kong Government, we won a Backbone Network Standing Offer Agreement in June as one of the suppliers to provide backbone network products and related services to various government departments. Together with the contracts previously awarded by the government and from the public sector, the Company has a total of 10 bulk contracts extending into or taking effect in FY 04. Another major win in the quarter includes a supply contract with Hutchison International Limited (HIL) under which the Group is to supply desktops, notebooks, printers and related services to the HIL group in Hong Kong and Macau.

From a geographic perspective, the Group continued to post growth in its business in Thailand, Taiwan and Macau. Operations outside Hong Kong achieved a revenue of HK\$11.3 million and a profit of HK\$1.0 million doubling the profit from the comparable period of FY 03.

In terms of revenue mix, the Group achieved a steady growth in service and outsourcing businesses. During the first quarter, service revenue increased from 33.5% to 36.8% of the total revenue. Part of the increase was attributed to the commencement of local services pursuant to a global outsourcing contract between Computer Science Corporation (CSC) our ultimate holding company and Motorola Inc.. The increased contribution from the service business however is offset by the decrease in gross profit margin due to the decline in average selling price of IT products. During the period, the Group undertook a wide range of restructuring exercise that resulted in the sales and technical support costs, and the distribution and administrative expenses reducing by 16.4% over the comparable quarter of last year.

Prospects

The performance of the Group will still be subject to the pace of economic recovery in Hong Kong. FY 04 will therefore continue to be a challenging year and a quick recovery in the next quarter is not expected. However the Group is committed to allocate its resources to the public sector, the higher-margin service business and the overseas markets. In making the move, the Group is backed by its strong foundation and the stable income that flows from the multi-year government contracts, outsourcing business and recurring maintenance income. The Group will continue to streamline its operation to correspond with its results.

Liquidity and Capital Resources

As at 30th June, 2003, the Group had total assets of HK\$715 million which were financed by current liabilities of HK\$257 million, deferred tax of HK\$6 million, minority interests of HK\$5 million and shareholder's equity of HK\$447 million. The Group has a working capital ratio of approximately 2:1.

The cash and bank balance amounted to HK\$233 million, and the Group had aggregate composite banking facilities from banks of approximately HK\$448 million, of which approximately HK\$58 million had been utilized. The gearing ratio is 5.8%.

There was no charge on the Group's assets as at 30th June, 2003.

Treasury Policies

The Group financed its operations with internally generated resources. Credit facilities provided by banks include trust receipt loans, overdrafts and term loans. The interest rates of these borrowings are fixed by reference to the respective countries' Interbank Offer Rate. 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 is 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 rate and therefore no related financial hedging instrument was applied during the three months ended 30th June, 2003.

Contingent Liabilities

Corporate guarantees to banks and vendors as security for banking facilities that utilised and goods supplied to the Group amounted to approximately HK\$100 million. The performance bond issued by the Group to customers as contract security amounted to approximately HK\$24 million.

Major Customers and Suppliers

During the period, the five largest customers and single largest customer of the Group accounted for approximately 22.2% and 7.9% respectively of the Group's revenue. The five largest suppliers and single largest supplier of the Group accounted for approximately 50.0% and 13.8% respectively of the Group's purchases.

At no time during the period did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's issued share capital) have an interest in any of the Group's five largest customers or suppliers.

Employee And Remuneration Policies

The Group, excluding our associates, employs approximately 1,056 permanent and contract staff in Hong Kong, Macau, Taiwan and Thailand.

The Group employs, promotes and remunerates staff based on their performance, experience and potential, providing opportunities to existing staff whenever possible. Employee benefits provided by the Group include a provident fund scheme, a medical scheme and share options.

CORPORATE GOVERNANCE

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 the Code of Best Practice ("Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange, except that non-executive directors of the Company are not appointed for a specific term but are subject to rotation and re-election in accordance with the provisions of the Company's bye-laws.

Shareholders of the Company and investors are advised to take caution in dealing in the securities of the Company.

By Order of the Board
Lai Yam Ting
Managing Director

Hong Kong, 8th August, 2003