



AUTOMATED SYSTEMS HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code 771)

2005/06 FIRST QUARTERLY RESULTS ANNOUNCEMENT

RESULTS

The Board of Directors (the “Directors”) of Automated Systems Holdings Limited (the “Company”) are pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the three months ended 30th June, 2005. The first quarterly financial statements have been reviewed by the Company’s Audit Committee.

Condensed Consolidated Profit and Loss Account

		Unaudited	
		Three months ended	
		30th June,	
		2005	2004
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			(Restated)
TURNOVER	(2)	230,999	229,763
Direct costs		(133,506)	(136,807)
Other costs of services and distribution costs		(74,685)	(70,654)
Other operating income		1,544	393
Sales expenses		(11,516)	(9,485)
Administrative expenses		(7,953)	(8,017)
Restructuring costs		–	(1,979)
PROFIT FROM OPERATIONS	(3)	4,883	3,214
Finance costs		(87)	(101)
Share of results of associates		38	(25)
PROFIT BEFORE TAXATION		4,834	3,088
Taxation	(4)	(658)	(286)
PROFIT FOR THE PERIOD		4,176	2,802
Attributable to:			
Equity holders of the parent		4,176	2,429
Minority interests		–	373
		4,176	2,802
EARNINGS PER SHARE	(5)		
Basic		HK 1.43 cents	HK 0.83 cents
Diluted		HK 1.42 cents	HK 0.83 cents

Note: Certain comparatives figures have been restated so as to conform the current period's presentation.

Condensed Consolidated Balance Sheet

	<i>Notes</i>	Unaudited 30th June, 2005 HK\$'000	Audited 31st March, 2005 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	(6)	145,361	149,479
Intangible assets		5,651	5,844
Interests in associates		60	22
Club memberships		900	900
		151,972	156,245
CURRENT ASSETS			
Inventories		84,912	92,478
Trade receivables	(7)	134,076	121,070
Other receivables, deposits and prepayments		47,238	38,081
Investments in securities		24,519	18,461
Short term bank deposits		219,215	254,215
Bank balances and cash		92,497	104,190
		602,457	628,495
CURRENT LIABILITIES			
Trade and bills payables	(8)	123,457	132,351
Other payables and accruals		41,708	48,065
Receipts in advance		85,775	110,523
Taxation		3,981	3,973
Bank borrowings		11,968	12,985
		266,889	307,897
NET CURRENT ASSETS		335,568	320,598
TOTAL ASSETS LESS CURRENT LIABILITIES		487,540	476,843
NON-CURRENT LIABILITY			
Deferred taxation		9,398	9,398
		478,142	467,445
CAPITAL AND RESERVES			
Share capital		29,238	29,173
Reserves		448,904	438,272
		478,142	467,445

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. Basis of Preparation and Accounting Policies

In 2004, the Hong Kong Institute of Certified Public Accountants issued a number of new or revised Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards (herein collectively referred to as “new HKFRSs”) which are effective for accounting periods beginning on or after 1st January, 2005. Therefore, the Group has firstly adopted these new HKFRSs from 1st April, 2005.

2. 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	
	Three months ended	
	30th June,	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Sales of goods	146,679	149,095
Revenue from service contracts	84,320	80,668
	<u>230,999</u>	<u>229,763</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 information technology (“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.

3. Profit from Operations

	Unaudited	
	Three months ended	
	30th June,	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit from operations has been arrived at after charging:		
Depreciation and amortisation:		
Intangible assets (included in other costs of services and distribution costs)	331	360
Property, plant and equipment	9,357	8,764
(Gain)/loss on disposal of property, plant and equipment	(21)	1,784
Write-off of intangible assets	<u>26</u>	<u>–</u>

4. Taxation

	Unaudited	
	Three months ended	
	30th June,	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
The charge comprises:		
Hong Kong Profits Tax	587	259
Overseas taxation	71	27
	<u>658</u>	<u>286</u>

Hong Kong Profits Tax is calculated at 17.5% (FY05: 17.5%) of the estimated assessable profits derived from Hong Kong for the three months ended 30th June, 2005. Overseas taxation is calculated at the rates prevailing in the respective jurisdictions.

5. Earnings Per Share

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

	Unaudited	
	Three months ended	
	30th June,	
	2005	2004
	HK\$'000	HK\$'000
Earnings for the purpose of basic earnings per share and diluted earnings per share	<u>4,176</u>	<u>2,429</u>
	Number of shares	
	'000	'000
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>291,809</u>	<u>291,561</u>
Effect of dilutive potential ordinary shares – share options	<u>1,950</u>	<u>121</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>293,759</u>	<u>291,682</u>

6. Movements in Property, Plant and Equipment

During the period, the Group spent HK\$5,555,000 on property, plant and equipment. The Group disposed of property, plant and equipment with an aggregate carrying amount of HK\$134,000 for proceeds of HK\$155,000, resulting in a gain on disposal of HK\$21,000.

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 June, 2005 did not differ significantly from their market value at the same date.

7. 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.

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

	Unaudited	Audited
	30th June,	31st March,
	2005	2005
	HK\$'000	HK\$'000
Current	56,323	64,308
Within 1 month	28,474	21,174
1 – 2 months	21,482	14,733
2 – 3 months	15,495	8,926
Over 3 months	<u>12,302</u>	<u>11,929</u>
	<u>134,076</u>	<u>121,070</u>

8. 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:

	Unaudited 30th June, 2005 HK\$'000	Audited 31st March, 2005 HK\$'000
Current	62,081	81,342
Within 1 month	27,911	26,472
1 – 2 months	14,969	7,511
2 – 3 months	6,173	6,297
Over 3 months	12,323	10,729
	<u>123,457</u>	<u>132,351</u>

DIVIDEND

The Directors did not recommend the payment of dividend for the three months ended 30th June, 2005.

MANAGEMENT DISCUSSION AND ANALYSIS

Results and Business Review

The Group has maintained stable performance throughout the first quarter of FY06. Total turnover was HK\$231.0 million, an increase of HK\$1.2 million over the same period last year. Private and public sector sales contributed 46.9% and 53.1% to turnover respectively as compared to 51.4% and 48.6% for the same period last year. The products sales and services contributed 63.5% and 36.5% to the total turnover respectively, as compared to 64.9% and 35.1% in the first quarter of FY05.

Profit before taxation for the first quarter was HK\$4.8 million, an increase of HK\$1.8 million due mainly to steady growth in contribution from the recurring based business and the realization of operational savings from earlier cost restructuring. The increase was offset by lower contribution from the project sales and higher sales expenses. The Group has also seen a rise in interest income and increased profit from the elimination of minority interest after acquiring the remaining 23% shares of ELM Computer Technologies Limited in July 2004.

The Group maintained a healthy Balance Sheet with net cash approximating HK\$300 million at 30th June, 2005.

The managed services business which includes an outsourced IT infrastructure, systems, personnel and facilities management, was the main business driver that expanded our recurrent income base. Services contracts started in the first quarter included IT operational and support services for the Airport Authority Hong Kong, technical support services to 30 Hong Kong Public Libraries, and SWIFT (Society for Worldwide Interbank Financial Telecommunication) support services for Monetary Authority of Macau.

We continued our efforts to strengthen our relationship with leading industry vendors. In May 2005, we were accredited as one of the few Certified Advantage Partner of Oracle. To achieve this highest partnership status with Oracle, we had to attain stringent requirement on staff competency and implementation capability. This status gives us competitive edge to fulfill our commitment to customers and endorses our skill and expertise in providing professional services.

Dynamics of the Business

The key factors influencing the business remain largely unchanged in FY06 with the economy continuing to play a dominant role. Currently Hong Kong is benefiting from a buoyant economy, a climate in which IT development and spending across all sectors is positive. If this beneficial environment continues for the foreseeable future, the Group may benefit on the back of it. As a major client, the IT policy of the Government of the Hong Kong Special Administrative Region itself has a significant influence on the Group's business. The government's forward thinking approach to IT strategy adds to a positive outlook for the IT industry.

However, a concurrent rise in labour costs creates considerable pressure on the Group to retain its highly trained and experienced staff. This is a challenge that the Group has long recognized and actively addresses through its competitive remuneration packages, on-going training programs and workplace environment development.

Prospects

The results of the first quarter of FY06 built upon the foundation of FY05 are an indication that the strategies on which the Group is aligned are sound and will continue to be pursued. Among our key focuses is the continued development of the recurrent income base generated through managed services, outsourcing, maintenance and other high value-added service businesses. There will also be continued development in providing industry specific solutions and services to target customers. At the same time efforts will continue to be directed at improving cost control and efficiency and improving margins across the board.

The quality of the Group's relationships with its business partners is also integral to future competitiveness and growth and it will continue to work with its valued business partners to align business strategies for the future.

The Group has valuable overseas experience generated from a long-standing presence in Thailand, Macau and Taiwan and it will keep exploring growth opportunities by providing proven solutions to these expanding markets.

Finally, the Group will carry on its policy of investing in the development of its personnel, who remain a core asset and key to future success. Opportunities and encouragement to improve skill sets and develop expertise will continue to be promoted and we will also review workflow and procedures to improve overall efficiency.

Financial Resources and Liquidity

As at 30th June, 2005, the Group's total assets of HK\$754.4 million were financed by current liabilities of HK\$266.9 million, deferred tax of HK\$9.4 million and shareholders' equity of HK\$478.1 million. The Group had a working capital ratio of approximately 2.26:1.

As at 30th June, 2005, the Group had an aggregate composite banking facilities from banks of approximately HK\$359.6 million of which HK\$25.9 million was utilized (31st March, 2005: HK\$28.8 million). The Group's gearing ratio was 2.5% (31st March, 2005: 2.8%) as at 30th June, 2005.

There was no charge on the Group's assets as at 30th June, 2005.

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 three-month period ended 30th June, 2005.

Contingent Liabilities

Corporate guarantee to banks and vendors as security for banking facilities and goods supplied to the Group amounted to approximately HK\$49.5 million as at 30th June, 2005. The amount utilized against such facilities and goods supplied as at 30th June, 2005 which was secured by the corporate guarantee amounted to approximately HK\$5.9 million. The performance bond issued by the Group to customers as security of contract was approximately HK\$13.9 million as at 30th June, 2005.

Employee and Remuneration Policies

As at 30th June, 2005, the Group, excluding its associates, employed 1,050 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.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the three months ended 30th June, 2005, 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 first quarterly results.

By Order of the Board
Lai Yam Ting
Managing Director

Hong Kong, 26th July, 2005

As at the date of this announcement, the Board of Directors comprises Mr. Lai Yam Ting and Mr. Lau Ming Chi, Edward being executive directors, Mr. Allen Joseph Pathmarajah, Mr. Kuo Chi Yung, Peter, Mr. Tan Swee Hock, Sunny, Mr. Moo Kwee Chong, Johnny, Ms. Tan Suan Kheng, Esther, Mr. Michael William Brinsford, Mr. Samuel Timothy Hilbert and Mr. Darren John Collins (alternate to Mr. Hilbert) being non-executive directors and Mr. Cheung Man, Stephen, Mr. Hon Sheung Tin, Peter and Mr. Li King Hang, Richard being independent non-executive directors.

“Please also refer to the published version of this announcement in China Daily.”