



AUTOMATED SYSTEMS HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code 771)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31ST MARCH, 2005

RESULTS

The Board of Directors (the "Directors") of Automated Systems Holdings Limited (the "Company") are pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31st March, 2005 together with comparative figures for the previous year as follows:

Condensed Consolidated Profit and Loss Account

	Notes	Unaudited Three months ended 31st March,		Audited Year ended 31st March,	
		2005 HK\$'000	2004 HK\$'000 (Restated)	2005 HK\$'000	2004 HK\$'000 (Restated)
TURNOVER	(2)	266,701	284,762	955,980	963,966
Direct costs		(156,940)	(189,274)	(562,589)	(587,010)
Other costs of services and distribution costs		(74,774)	(66,888)	(286,295)	(290,649)
Other operating income	(3)	1,355	3,771	5,366	16,872
Sales expenses		(11,237)	(10,446)	(40,996)	(41,493)
Administrative expenses		(6,512)	(5,872)	(28,937)	(30,580)
Restructuring costs		-	(490)	(1,979)	(9,078)
PROFIT FROM OPERATIONS	(4)	18,593	15,563	40,550	22,028
Finance costs		(42)	(65)	(248)	(351)
Share of results of associates		(67)	(82)	(172)	(195)
PROFIT BEFORE TAXATION		18,484	15,416	40,130	21,482
Taxation	(5)	(3,785)	(47)	(5,891)	(1,138)
PROFIT BEFORE MINORITY INTERESTS		14,699	15,369	34,239	20,344
Minority interests		-	(711)	(373)	(2,160)
PROFIT FOR THE PERIOD		14,699	14,658	33,866	18,184
DIVIDENDS	(6)			33,549	9,329
EARNINGS PER SHARE	(7)				
Basic		5.04 cents	5.03 cents	11.61 cents	6.25 cents
Diluted		5.02 cents	5.02 cents	11.60 cents	6.23 cents

Note: Certain comparative figures have been restated such that cost of sales, sales and technical support costs and distribution costs shown in the financial statements of the fourth quarter and year ended of FY04 have been reclassified to direct costs, other costs of services and distribution costs and sales expenses so as to conform with the current period's presentation.

Condensed Consolidated Balance Sheet

		Audited 31st March,	
	Notes	2005 HK\$'000	2004 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	(8)	149,479	156,950
Intangible assets		5,844	6,533
Interests in associates		22	194
Club memberships		900	900
		<u>156,245</u>	<u>164,577</u>
CURRENT ASSETS			
Inventories		92,478	93,544
Trade receivables	(9)	121,070	117,097
Other receivables, deposits and prepayments		38,081	34,148
Investments in securities		18,461	21,814
Short term bank deposits		254,215	124,188
Bank balances and cash		104,190	217,839
		<u>628,495</u>	<u>608,630</u>
CURRENT LIABILITIES			
Trade and bills payables	(10)	132,351	156,043
Other payables and accruals		48,065	46,885
Receipts in advance		110,523	87,243
Taxation		3,973	669
Bank borrowings		12,985	17,710
		<u>307,897</u>	<u>308,550</u>
NET CURRENT ASSETS		<u>320,598</u>	<u>300,080</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>476,843</u>	<u>464,657</u>
NON-CURRENT LIABILITY			
Deferred taxation		9,398	9,297
MINORITY INTERESTS			
		–	6,913
		<u>467,445</u>	<u>448,447</u>
CAPITAL AND RESERVES			
Share capital		29,173	29,155
Reserves		438,272	419,292
		<u>467,445</u>	<u>448,447</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. Basis of Preparation and Accounting Policies

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st March, 2004.

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 31st March,		Audited Year ended 31st March,	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Sales of goods	180,503	204,129	624,925	632,104
Revenue from service contracts	86,198	80,633	331,055	331,862
	<u>266,701</u>	<u>284,762</u>	<u>955,980</u>	<u>963,966</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 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. Other Operating Income

Other operating income was mainly attributable to the interest income of HK\$1,997,000 (FY04: HK\$1,594,000) and the dividend income of HK\$1,844,000 (FY04: HK\$7,226,000) from the Group's listed securities in Taiwan. The dividend was received in cash (HK\$806,000) and in scrip (HK\$1,038,000) valued at the fair value as at the ex-dividend date.

4. Profit from Operations

	Unaudited Three months ended 31st March,		Audited Year ended 31st March,	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Profit from operations has been arrived at after charging:				
Depreciation and amortisation:				
Intangible assets (included in other costs of services and distribution costs)	276	436	1,370	2,404
Property, plant and equipment	9,542	8,538	36,570	34,429
(Gain)/Loss on disposal of property, plant and equipment	28	(52)	2,040	671
Write-off of intangible assets	205	–	205	–
and after crediting:				
Interest income	753	323	1,997	1,594
Dividend income from listed securities	–	–	1,844	7,226
Gain on disposal of listed securities	–	1,838	–	5,753
Negative goodwill arising on acquisition of additional interest in subsidiary released	–	–	410	–

5. Taxation

	Unaudited Three months ended 31st March,		Audited Year ended 31st March,	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
The charge comprises:				
Hong Kong Profits Tax	2,254	1,104	3,647	1,901
Overseas taxation	1,431	841	2,144	1,135
Overprovision in prior years:				
Hong Kong Profits Tax	(1)	(2,185)	(1)	(2,185)
Overseas taxation	–	(70)	–	(70)
Deferred taxation	3,684	(310)	5,790	781
	101	357	101	357
Taxation attributable to the Company and its subsidiaries	3,785	47	5,891	1,138

Hong Kong Profits Tax is calculated at 17.5% (FY04: 17.5%) of the estimated assessable profits derived from Hong Kong for the three months and the year ended 31st March, 2005. Overseas taxation is calculated at the rates prevailing in the respective jurisdictions.

6. Dividends

	Audited Year ended 31st March,	
	2005 HK\$'000	2004 HK\$'000
Ordinary shares:		
Interim, paid – HK1.5 cents (FY04: HK1.0 cent) per share	4,375	2,915
Final, proposed – HK4.0 cents (FY04: HK2.2 cents) per share	11,670	6,414
Special, proposed – HK6.0 cents (FY04: Nil) per share	17,504	–
	33,549	9,329

7. Earnings Per Share

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

	Unaudited Three months ended 31st March,		Audited Year ended 31st March,	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Earnings for the purpose of basic earnings per share and diluted earnings per share	14,699	14,658	33,866	18,184
	Number of shares '000	'000	Number of shares '000	'000
Weighted average number of ordinary shares for the purpose of basic earnings per share	291,710	291,549	291,641	291,161
Effect of dilutive share options	826	682	310	912
Weighted average number of ordinary shares for the purpose of diluted earnings per share	292,536	292,231	291,951	292,073

8. Movements in Property, Plant and Equipment

During the year, the Group spent HK\$31,213,000 on property, plant and equipment. The Group disposed of property, plant and equipment with an aggregate carrying amount of HK\$2,213,000 for proceeds of HK\$173,000, resulting in a loss on disposal of HK\$2,040,000.

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 and recent valuations carried out by independent professional valuers on an open market value basis at 31st March, 2005, considered that the carrying amounts of the Group's leasehold land and buildings at 31st March, 2005 did not differ significantly from their market value at the same date.

9. Trade Receivables

The Group has granted credit to substantially all of its customers for 30 days. The Group seeks to maintain strict control over its outstanding receivables and has credit control procedures in place 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:

	Audited 31st March,	
	2005 HK\$'000	2004 HK\$'000
Current	64,308	59,843
Within 1 month	21,174	28,371
1 – 2 months	14,733	11,858
2 – 3 months	8,926	3,611
Over 3 months	11,929	13,414
	<u>121,070</u>	<u>117,097</u>

10. 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:

	Audited 31st March,	
	2005 HK\$'000	2004 HK\$'000
Current	81,342	104,633
Within 1 month	26,472	33,436
1 – 2 months	7,511	13,242
2 – 3 months	6,297	4,045
Over 3 months	10,729	687
	<u>132,351</u>	<u>156,043</u>

DIVIDEND

The Directors have resolved to recommend the payment of final dividend of HK4.0 cents per share for the year ended 31st March, 2005. After considering the Group's cash position and the needs for business development, the Directors also resolved to recommend the payment of special dividend of HK6.0 cents per share. Subject to the approval of shareholders at the forthcoming Annual General Meeting, the proposed dividends will be paid on or before 15th August, 2005 to shareholders whose name appear on the Register of Members of the Company on 21st July, 2005.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

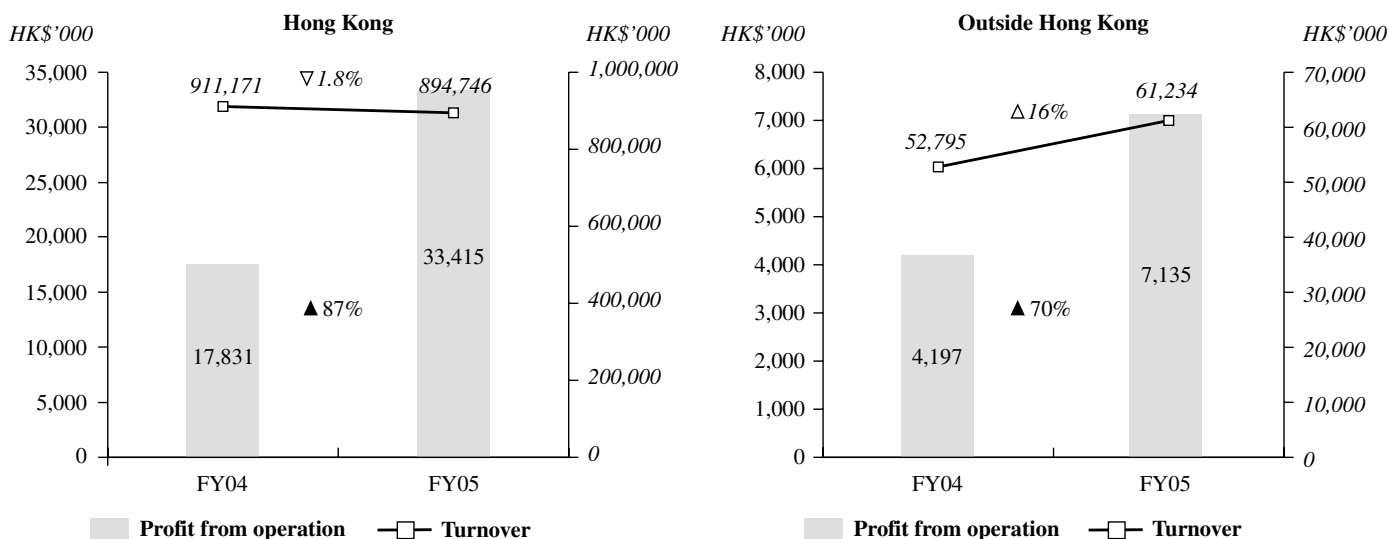
Profit before tax for the fourth quarter were HK\$18.5 million, an increase of HK\$3.1 million over the same quarter last year. Profit before tax for the 12 months ended 31st March, 2005 were HK\$40.1 million, an increase of HK\$18.6 million when compared to last year. Net income for the 12 months was HK\$33.9 million, an 86.2% year on year increase.

Significant contributory factors to the Group's improved performance included the steady growth of the support and maintenance business in Hong Kong and the improved performance of our overseas operations in Thailand and Macau. Moreover, the lower income derived from our Taiwan listed investment was offset by savings from lower operating expenses as a result of restructuring and cost reduction exercise.

The Group's turnover during the fourth quarter was HK\$266.7 million, representing a decrease of HK\$18.1 million, or 6.3%, over the same quarter last year. Turnover for the 12 months was HK\$956.0 million, representing a HK\$8.0 million decrease compared to the turnover in FY04. This difference was primarily the result of the Group's focus on higher-margin services and solution-based business to clients.

Of the annual turnover, public sector sales accounted for 51% of the total, compared to 54% last year, while sales in the private sector increased from 46% to 49%. In FY05, the Group had several important wins in public sectors which included new outsourcing and multi-vendor maintenance support contracts for various government and quasi-government bodies. The private sector also saw improved performance particularly in banking and finance, and hospitality industries.

Business activities outside of Hong Kong showed growth, with overseas business increasing by 16% compared to last year, totaling HK\$8.4 million. This represented 6.4% of the Group's total turnover for the year.



Business Review

During the year, there was more emphasis towards delivery of recurrent income sales which included managed services which also provide IT infrastructure outsourcing and facilities management, network operations, desktop computing and data centre management. In providing these services, the Company may supply the personnel, equipment, systems and solutions required depending on the needs of customers. This shared-services model enables the Company and customers to achieve economies of scale. Income from managed services is an important source of recurring revenue to the Company. The new public sector managed services contracts mainly have terms of three years, thereby securing a stable revenue platform upon which the Group's business can be further developed.

Business in the private sector has also been encouraging. The Group has benefited from increasing demands for IT services particularly from the banking and finance and hospitality sectors. Overall, turnover for services sales during the year comprised 34.6% of the total turnover. Contracts for turnkey systems secured by the Group include: Hotel Management Systems for four new hotels in China and one in Hong Kong, a Club Management System for a new project in Taiwan and Document Management Systems to support the operations of a large legal institution in Hong Kong, as well as a Japan-based manufacturing company.

Activities outside of Hong Kong showed positive growth with significant projects completed in FY05, including the setting up of an IT infrastructure for the e-Ticketing System of Macao 4th East Asian Games, and the provision of IT support services for 800 users for an international bank in Thailand.

A key development this year was the Group's completion of the acquisition of ELM Computer Technologies Limited, thereby turning it into a wholly owned subsidiary. This will enable the Group to consolidate its market position and expand local distribution networks in IBM midrange computer and software product sales, as well as being instrumental in the implementation of software and infrastructure solutions in Hong Kong.

Dynamics of the Business

The economy continues to play a key role in the Group's private sector business. The current healthy environment is expected to result in the continuing development of new projects in the private sector.

The public sector line of business remains closely tied to the Hong Kong Government's IT strategy. Depending on the level of IT infrastructure investment budgeted for the year, it can be seen that government as our major client plays an important role in the Group's public sector business.

Another factor that is expected to impact the profitability of the Group is the increasing cost of wages and recruitment within the Group's industry sector. As of 31st March, 2005, the Group, excluding associates, employed approximately 944 permanent and contract staff in Hong Kong, Macau, Taiwan and Thailand. Employees are remunerated based on performance, experience and the prevailing market conditions, with bonuses granted on a discretionary basis. Other employee benefits include mandatory provident fund, insurance, medical coverage and share options scheme.

The Group ended the year with a net cash balance of HK\$345.4 million.

Prospects

Looking forward to the coming year and beyond, the Group expects to consolidate on its achievements by focusing on several main areas of business, such as developing and selling solutions and services offered to specific target customers in particular industry sectors. The Group is continuing to strengthen relationships with technology vendors, seeking to better align respective business strategies and offerings. By focusing on providing higher margin integral solutions to clients, the Group will consolidate its position within the higher levels of the value chain.

The Group will also continue to invest in human capital. With an established and stable management team already in place, strategies are being formulated to expand the workforce skill-base through specialist training for employees in specific areas of expertise, further developing their industrial domain knowledge.

Automated Systems (HK) Limited, the Group's major subsidiary is currently adopting the Capability Maturity Model Integration (CMMI) system, a widely recognized best practice model for the IT Industry. In addition, two of our major divisions have attained quality certifications for ISO 9001 since 1999 and 2000, and our target is to integrate all quality related processes into one certificate.

The Group will continue to explore opportunities to deliver proven solutions in markets outside of Hong Kong, where notable successes to date have shown there to be potential. This will improve the Group's overall standing in its industry, continue its move up in the value chain and enable us to seek new growth opportunities.

Financial Resources and Liquidity

As at 31st March, 2005, the Group's total assets of HK\$784.7 million were financed by current liabilities of HK\$307.9 million, deferred tax of HK\$9.4 million and shareholders' equity of HK\$467.4 million. The Group had a working capital ratio of approximately 2.04: 1.

As at 31st March, 2005, the Group had an aggregate composite banking facilities from banks of approximately HK\$359.6 million of which HK\$28.8 million was utilized (31st March, 2004: HK\$47 million). The Group's gearing ratio was 2.8% (31st March, 2004: 3.9%) as at 31st March, 2005.

There was no charge on the Group's assets as at 31st March, 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 year ended 31st March, 2005.

Contingent Liabilities

Corporate guarantee to banks and vendors as security for banking facilities and goods supplied to the Group amounted to approximately HK\$55 million. The performance bond issued by the Group to customers as security of contract was approximately HK\$16 million.

Major Customers and Suppliers

During the year, the five largest customers and single largest customer of the Group accounted for approximately 12.5% and 4.1%, respectively, of the Group's revenue. The five largest suppliers and single largest supplier of the Group accounted for approximately 51.9% and 13.6%, respectively, of the Group's purchases.

At no time during the year 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.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 22nd July, 2005 to 26th July, 2005, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the final and special dividends, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's registrars, Tengis Limited at G/F Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on 21st July, 2005. The dividend warrants will be despatched on or before 15th August, 2005.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31st March, 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 audited annual results.

CODE OF BEST PRACTICE

The Company has complied throughout the year ended 31st March, 2005 with the Code of Best Practice (the "Code") as set out in Appendix 14 (in force prior to 1st January, 2005) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), except that 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 bye-laws of the Company.

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 year ended 31st March, 2005, and they all confirmed that they have fully complied with the required standard set out in the Model Code.

By Order of the Board
Lai Yam Ting
Managing Director

Hong Kong, 20th May, 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."