



AUTOMATED SYSTEMS HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 771)

2004/05 THIRD 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 31st December, 2004:

Condensed Consolidated Profit and Loss Account

	Notes	Unaudited Three months ended 31st December,		Unaudited Nine months ended 31st December,	
		2004 HK\$'000	2003 HK\$'000 (Restated)	2004 HK\$'000	2003 HK\$'000 (Restated)
TURNOVER	(2)	238,714	232,500	689,279	679,204
Direct costs		(142,626)	(143,613)	(405,648)	(397,736)
Other costs of services and distribution costs		(68,896)	(63,937)	(211,521)	(223,761)
Other operating income		721	1,681	4,011	13,101
Sales expenses		(10,500)	(9,462)	(29,759)	(31,047)
Administrative expenses		(7,384)	(7,658)	(22,426)	(24,708)
Restructuring costs		-	(7,239)	(1,979)	(8,588)
PROFIT FROM OPERATIONS	(3)	10,029	2,272	21,957	6,465
Finance costs		(50)	(62)	(206)	(286)
Share of results of associates		(24)	(39)	(105)	(113)
PROFIT BEFORE TAXATION		9,955	2,171	21,646	6,066
Taxation	(4)	(927)	(797)	(2,106)	(1,091)
PROFIT BEFORE MINORITY INTERESTS		9,028	1,374	19,540	4,975
Minority interests		-	(530)	(373)	(1,449)
PROFIT FOR THE PERIOD		9,028	844	19,167	3,526
EARNINGS PER SHARE	(5)				
Basic		3.10 cents	0.29 cents	6.57 cents	1.21 cents
Diluted		3.09 cents	0.29 cents	6.57 cents	1.21 cents

Note: Certain comparative figures have been restated such that cost of sales and sales and technical support costs shown in the financial statements of the third quarter and nine-month period 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

	<i>Notes</i>	Unaudited 31st December, 2004 <i>HK\$'000</i>	Audited 31st March, 2004 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment	(6)	150,332	156,950
Intangible assets		5,728	6,533
Interests in associates		89	194
Club memberships		900	900
		<u>157,049</u>	<u>164,577</u>
CURRENT ASSETS			
Inventories		84,024	93,544
Trade receivables	(7)	165,578	117,097
Other receivables, deposits and prepayments		41,319	34,148
Investments in securities		17,891	21,814
Short term bank deposits		118,996	124,188
Bank balances and cash		160,268	217,839
		<u>588,076</u>	<u>608,630</u>
CURRENT LIABILITIES			
Trade and bills payables	(8)	136,384	156,043
Other payables and accruals		56,484	46,885
Receipts in advance		70,405	87,243
Taxation		2,394	669
Bank borrowings		17,757	17,710
		<u>283,424</u>	<u>308,550</u>
NET CURRENT ASSETS		<u>304,652</u>	<u>300,080</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>461,701</u>	<u>464,657</u>
NON-CURRENT LIABILITY			
Deferred taxation		9,297	9,297
MINORITY INTERESTS			
		-	6,913
		<u>452,404</u>	<u>448,447</u>
CAPITAL AND RESERVES			
Share capital		29,163	29,155
Reserves		423,241	419,292
		<u>452,404</u>	<u>448,447</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. Basis of Preparation and Accounting Policies

The accounting policies and basis of preparation used in the preparation of these financial statements are consistent with those used in the interim financial statements for the six months ended 30th September, 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		Unaudited	
	Three months ended		Nine months ended	
	31st December,		31st December,	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Sales of goods	156,548	154,457	444,422	427,975
Revenue from service contracts	82,166	78,043	244,857	251,229
	<u>238,714</u>	<u>232,500</u>	<u>689,279</u>	<u>679,204</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. Profit from Operations

	Unaudited		Unaudited	
	Three months ended		Nine months ended	
	31st December,		31st December,	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	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)	378	429	1,094	1,968
Property, plant and equipment	9,348	8,968	27,028	25,891
Loss on disposal of property, plant and equipment	83	173	2,012	723
and after crediting:				
Interest income	541	305	1,244	1,271
Dividend income from listed securities	-	-	1,844	7,226
Gain on disposal of listed securities	-	1,100	-	3,915
	<u>541</u>	<u>305</u>	<u>1,244</u>	<u>1,271</u>
	<u>-</u>	<u>-</u>	<u>1,844</u>	<u>7,226</u>
	<u>-</u>	<u>1,100</u>	<u>-</u>	<u>3,915</u>

4. Taxation

	Unaudited		Unaudited	
	Three months ended		Nine months ended	
	31st December,		31st December,	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
The charge comprises:				
Hong Kong profits tax	558	797	1,393	797
Overseas taxation	369	-	713	294
	<u>558</u>	<u>797</u>	<u>1,393</u>	<u>797</u>
	<u>369</u>	<u>-</u>	<u>713</u>	<u>294</u>
Taxation attributable to the Company and its subsidiaries	<u>927</u>	<u>797</u>	<u>2,106</u>	<u>1,091</u>

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 nine months ended 31st December, 2004. 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 31st December, 2004		Unaudited Nine months ended 31st December, 2004	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Earnings for the purpose of basic earnings per share and diluted earnings per share	<u>9,028</u>	<u>844</u>	<u>19,167</u>	<u>3,526</u>
	Number of shares '000	Number of shares '000	Number of shares '000	Number of shares '000
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>291,634</u>	291,249	<u>291,617</u>	291,035
Effect of dilutive share options	<u>275</u>	502	<u>289</u>	447
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>291,909</u>	<u>291,751</u>	<u>291,906</u>	<u>291,482</u>

6. Movements in Property, Plant and Equipment

During the period, the Group spent HK\$7,059,000 on property, plant and equipment. The Group disposed of property, plant and equipment with an aggregate carrying amount of HK\$89,000 for proceeds of HK\$6,000, resulting in a loss on disposal of HK\$83,000.

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 31st December, 2004 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. 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:

	Unaudited 31st December, 2004 <i>HK\$'000</i>	Audited 31st March, 2004 <i>HK\$'000</i>
Current	84,974	59,843
Within 1 month	27,486	28,371
1 – 2 months	22,486	11,858
2 – 3 months	13,088	3,611
Over 3 months	17,544	13,414
	<u>165,578</u>	<u>117,097</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 31st December, 2004 <i>HK\$'000</i>	Audited 31st March, 2004 <i>HK\$'000</i>
Current	74,630	104,633
Within 1 month	37,629	33,436
1 – 2 months	10,432	13,242
2 – 3 months	3,933	4,045
Over 3 months	9,760	687
	<u>136,384</u>	<u>156,043</u>

DIVIDEND

The Directors did not recommend the payment of dividend for the three months ended 31st December, 2004.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial and Business Review

The Group reported a turnover of HK\$239 million for the third quarter, representing an increase of 2.7% as compared to the same period last year which was due to the increase of turnover from the service business. Turnover for the 9 months increased by HK\$10 million as compared to the same period last year to HK\$689 million, due to an increase in turnover in the private sector. During the period, the private and the public sectors accounted for 51% and 49% of the turnover respectively. Business outside Hong Kong for the 9 months was HK\$51 million, up by 31% as compared to the same period last year.

The third quarter recorded a profit of HK\$9 million, reflecting an increase of HK\$8 million as compared to the same period last year. The increase brought the profit for the 9 months to HK\$19 million, up by HK\$16 million

as compared to the same period last year. The positive result achieved in the third quarter was mainly due to the growth from support and maintenance service business in Hong Kong, and lower operating expenses (representing the aggregate of other costs of services, distribution costs, sales expenses, administrative expenses and restructuring costs). In addition, there was an increase in contribution from overseas operations.

As one-stop multi-platform maintenance service is increasingly gaining more acceptance by customers, it is the Group's strategy to expand this business and broaden the recurrent income base. In the third quarter, the Group successfully secured a number of new support and maintenance service contracts, including a 3-year outsourcing support services for the public sector, multi-platform hardware maintenance services for The Open University of Hong Kong and other support services contracts from the private sector. Revenue from the service business accounted for 34% of the Group's total turnover.

The Group continued to expand its operations overseas. During the third quarter, the Group provided the IT infrastructure of the e-Ticketing System for Macau's East Asian Games and completed several significant projects in Macau and Thailand.

New contracts in respect of business turnkey solutions included document management systems and contracts for hotel and golf course management system. The Group has provided a document management solution to a government department, and an in-house developed CyberOffice document management solution to a leading watch manufacturer.

Due to the growth of travel and tourism industry in Greater China, and the positive impact of building Hong Kong Disneyland, the hospitality sector has achieved encouraging results in the third quarter. The Group has secured contracts to provide front office system, maintenance and system upgrade for hotels in mainland China and Hong Kong. In Taiwan, Sunrise Golf & Country Club engaged the Group to provide a new front office and back office system for managing the Club's membership information and golf club operation. These projects are in addition to the implementation of hospitality solutions in two new hotels in Macau in the previous quarter. The Group is confident that the tourism industry will continue to leverage on IT to improve its service quality and operational efficiency.

The Group continued to maintain a healthy balance sheet with the gearing ratio of 3.9% and working capital ratio of 2.07:1.

Prospects

Traditionally, public sector is the driving force in the fourth quarter. We will continue to build on our track record in the public sector and benefit from a healthy order book, part of which will be fulfilled in the fourth quarter for various government departments such as the Social Welfare Department and the Housing Authority.

As a leading total solutions and services provider in the IT industry, we will continue to focus on our strategy of growing the solutions and services business which will enable us to harness our core strengths. We believe that our strategy will allow us to further consolidate the Group's position as we continue to broaden our geographical spread by exploring new business opportunities in Thailand, Macau and Taiwan.

Financial Resources and Liquidity

As at 31st December, 2004, the Group's total assets of HK\$745.1 million were financed by current liabilities of HK\$283.4 million, deferred tax of HK\$9.3 million and shareholders' equity of HK\$452.4 million. The Group had a working capital ratio of approximately 2.07:1.

As at 31st December, 2004, the Group had an aggregate composite banking facilities from banks of approximately HK\$392 million of which HK\$34 million was utilized (31st March, 2004: HK\$47 million). The Group's gearing ratio was 3.9% (31st March, 2004: 3.9%) as at 31st December, 2004.

There was no charge on the Group's assets as at 31st December, 2004.

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 31st December, 2004.

Contingent Liabilities

Corporate guarantee to banks and vendors as security for banking facilities and goods supplied to the Group amounted to approximately HK\$47 million. The performance bond issued by the Group to customers as security of contract was approximately HK\$16 million.

Employee and Remuneration Policies

As at 31st December, 2004, the Group, excluding its associates, employed 933 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 nine months ended 31st December, 2004, 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 third quarterly results.

CODE OF BEST PRACTICE

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 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 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.

By Order of the Board
Lai Yam Ting
Managing Director

Hong Kong, 28th January, 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.