



AUTOMATED SYSTEMS HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 771)

INTERIM RESULTS ANNOUNCEMENT 2007

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 six months ended 30th September, 2006. The interim financial statements have been reviewed by the Company's Audit Committee.

Condensed Consolidated Profit and Loss Account

	Notes	Unaudited Three months ended 30th September, 2006		Unaudited Six months ended 30th September, 2006	
		2006 HK\$'000	2005 HK\$'000 (Restated)	2006 HK\$'000	2005 HK\$'000 (Restated)
TURNOVER	(3)	313,290	267,592	560,104	498,591
Cost of goods sold		(193,247)	(162,992)	(330,353)	(296,498)
Cost of services rendered		(89,680)	(79,186)	(174,559)	(153,870)
Selling expenses		(13,399)	(11,517)	(24,542)	(23,033)
Administrative expenses		(8,999)	(8,872)	(17,162)	(16,825)
Other income	(4)	5,112	3,565	8,666	5,109
Finance costs	(5)	(2)	(114)	(3)	(201)
Share of results of associates		86	6	104	44
PROFIT BEFORE TAXATION	(6)	13,161	8,482	22,255	13,317
Taxation	(7)	(2,627)	(1,051)	(3,956)	(1,710)
Profit for the period attributable to equity holders of the Company		<u>10,534</u>	<u>7,431</u>	<u>18,299</u>	<u>11,607</u>
Interim dividend	(8)	<u>8,825</u>	<u>5,876</u>	<u>8,825</u>	<u>5,876</u>
EARNINGS PER SHARE	(9)				
Basic		<u>3.58 cents</u>	<u>2.54 cents</u>	<u>6.22 cents</u>	<u>3.97 cents</u>
Diluted		<u>3.56 cents</u>	<u>2.52 cents</u>	<u>6.19 cents</u>	<u>3.95 cents</u>

Note: Increase in fair value of available-for-sale investment of HK\$2,004,000 has been transferred from profit & loss of the year FY06 to Investment revaluation reserve resulting from early adoption of HKAS 39 (Amendment) The Fair Value Option.

Condensed Consolidated Balance Sheet

	Notes	Unaudited 30th September, 2006 HK\$'000	Audited 31st March, 2006 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	(10)	172,910	152,031
Intangible assets		11,489	11,937
Interests in associates		183	79
		<u>184,582</u>	<u>164,047</u>
CURRENT ASSETS			
Inventories		101,694	77,911
Trade receivables	(11)	158,925	103,946
Other receivables, deposits and prepayments		53,861	50,031
Available-for-sale investments	(12)	25,816	22,094
Short term bank deposits		235,814	322,374
Bank balances and cash		48,051	45,946
		<u>624,161</u>	<u>622,302</u>
CURRENT LIABILITIES			
Trade and bills payables	(14)	175,386	127,513
Other payables and accruals		52,695	59,523
Receipts in advance		86,564	98,340
Taxation		4,055	3,167
		<u>318,700</u>	<u>288,543</u>
NET CURRENT ASSETS		305,461	333,759
TOTAL ASSETS LESS CURRENT LIABILITIES		490,043	497,806
NON-CURRENT LIABILITY			
Deferred taxation		12,927	10,992
		<u>477,116</u>	<u>486,814</u>
CAPITAL AND RESERVES			
Share capital		29,416	29,379
Reserves		447,700	457,435
Equity attributable to equity holders of the Company		<u>477,116</u>	<u>486,814</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. Basis of Preparation

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

2. Principal Accounting Policies

The condensed consolidated financial statements have been prepared under the historical cost basis except for properties and certain financial instruments, which are measured at revalued amounts or fair values.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the annual consolidated financial statements for the year ended 31st March, 2006.

In the current interim period, the Group has applied, for the first time, a number of new standard, amendments and interpretations ("new HKFRSs") issued by the HKICPA, which are effective for the accounting periods beginning either on or after 1st December, 2005, 1st January, 2006 or 1st March, 2006. The application of these new HKFRSs has had no material effect on how the results for the current and prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new standard, amendment or interpretations that have been issued but are not yet effective. The Directors of the Company anticipate that the application of these new standard, amendment and interpretations will have no material impact on the results and the financial position of the Group.

HKAS 1 (Amendment)	Capital Disclosures ¹
HKFRS 7	Financial Instruments: Disclosures ¹
HK(IFRIC)-Int 8	Scope of HKFRS 2 ²
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives ³
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment ⁴

¹ Effective for annual periods beginning on or after 1st January, 2007.

² Effective for annual periods beginning on or after 1st May, 2006.

³ Effective for annual periods beginning on or after 1st June, 2006.

⁴ Effective for annual periods beginning on or after 1st November, 2006.

3. 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 September,		Unaudited Six months ended 30th September,	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Sales of goods	212,467	177,465	366,321	324,144
Revenue from service contracts	100,823	90,127	193,783	174,447
	<u>313,290</u>	<u>267,592</u>	<u>560,104</u>	<u>498,591</u>

Over 90% of the Group's revenue is derived from the Hong Kong market. 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.

4. Other Income

	Unaudited Three months ended 30th September,		Unaudited Six months ended 30th September,	
	2006 HK\$'000	2005 HK\$'000 (Restated)	2006 HK\$'000	2005 HK\$'000 (Restated)
Interest on bank deposits	2,340	1,798	5,701	3,237
Dividend income from available-for-sale investments	2,683	1,655	2,683	1,655
Miscellaneous	89	112	282	217
	<u>5,112</u>	<u>3,565</u>	<u>8,666</u>	<u>5,109</u>

Note: Share-based payment expense in FY06 has been reclassified under Administrative expenses.

5. Finance Costs

The amount represents interest on bank borrowings wholly repaid during the period.

6. Profit before Taxation

	Unaudited Three months ended 30th September,		Unaudited Six months ended 30th September,	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Profit before taxation has been arrived at after charging:				
Depreciation and amortization:				
Intangible assets (included in cost of services rendered)	1,091	332	1,970	663
Property, plant and equipment	9,582	9,269	18,070	18,641
Loss on disposal of property, plant and equipment	10	32	82	11
Share-based payment expense	375	989	750	989
	<u>11,058</u>	<u>10,612</u>	<u>20,872</u>	<u>19,314</u>

7. Taxation

	Unaudited Three months ended 30th September,		Unaudited Six months ended 30th September,	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
The charge comprises:				
Current tax:				
Hong Kong Profits Tax	219	783	1,317	1,370
Overseas taxation	548	268	779	340
Overprovision in prior year	(75)	-	(75)	-
Deferred taxation	1,935	-	1,935	-
Taxation attributable to the Company and its subsidiaries	<u>2,627</u>	<u>1,051</u>	<u>3,956</u>	<u>1,710</u>

Hong Kong Profits Tax is calculated at 17.5% (FY06: 17.5%) of the estimated assessable profits derived from Hong Kong for the period.

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

8. Interim Dividend

The Directors have determined that an interim dividend of 3.0 HK cents (FY06: 2.0 HK cents) per share for the six months ended 30th September, 2006 should be paid to the shareholders of the Company whose names appear in the register of members on 22nd December, 2006.

During the period, the final dividend of 5.0 HK cents (FY06: 4.0 HK cents) and special dividend of 6.0 HK cents (FY06: 6.0 HK cents) per share in respect of the year end 31st March, 2006 was paid to shareholders in respect of the financial year.

9. Earnings Per Share

The calculation of the basic and diluted earnings per share attributable to equity holders of the Company is based on the following data:

	Unaudited Three months ended 30th September, 2006		Unaudited Six months ended 30th September, 2006	
	HK\$'000	2005 HK\$'000 (Restated)	HK\$'000	2005 HK\$'000 (Restated)
Earnings for the purpose of basic earnings per share and diluted earnings per share	<u>10,534</u>	<u>7,431</u>	<u>18,299</u>	<u>11,607</u>
	Number of shares		Number of shares	
	'000	'000	'000	'000
Weighted average number of ordinary shares for the purpose of basic earnings per share	294,080	292,863	293,969	292,339
Effect of dilutive potential ordinary shares – share options	<u>1,748</u>	<u>2,042</u>	<u>1,751</u>	<u>1,848</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>295,828</u>	<u>294,905</u>	<u>295,720</u>	<u>294,187</u>

10. Movements in Property, Plant and Equipment

During the period, the Group spent approximately HK\$39,048,000 (31st March, 2006: HK\$30,707,000) on equipment.

At 30th September, 2006, the Directors of the Company considered the carrying amounts of the Group's leasehold land and buildings carried at revalued amounts and estimated that the carrying amounts do not differ significantly from that which would be determined using fair values at the balance sheet date.

11. Trade Receivables

The Group has granted credit to substantially all of its customers for 30 days and has credit control procedures to minimize 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 allowance, is as follows:

	Unaudited 30th September, 2006 HK\$'000	Audited 31st March, 2006 HK\$'000
Current	83,376	56,734
0 – 1 month	33,870	22,010
1 – 2 months	13,222	9,992
2 – 3 months	7,811	4,093
Over 3 months	<u>20,646</u>	<u>11,117</u>
	<u>158,925</u>	<u>103,946</u>

12. Available-for-sale Investments

	Unaudited 30th September, 2006 HK\$'000	Audited 31st March, 2006 HK\$'000
Overseas listed shares, at market value	<u>25,816</u>	<u>22,094</u>

13. Pledge of Assets

The Group's bank deposits of approximately HK\$100,000 (31st March, 2006: HK\$100,000) have been pledged to secure the banking facilities of the Group.

14. 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 September, 2006 HK\$'000	Audited 31st March, 2006 HK\$'000
Current	72,768	93,739
0 – 1 month	48,369	14,156
1 – 2 months	10,504	5,009
2 – 3 months	23,964	2,878
Over 3 months	<u>19,781</u>	<u>11,731</u>
	<u>175,386</u>	<u>127,513</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

Turnover for the first six months of FY07 was HK\$560.1 million, a 12.3% increase on the corresponding period for FY06. Turnover for the second quarter was HK\$313.3 million, representing an increase of 17.1% as compared to the previous year.

Product sales and service revenue for the first six months contributed 65.4% and 34.6% of the total turnover respectively, equivalent to an increase of 13.0% and 11.1% respectively against the same period last year.

Commercial and public sector sales contributed 58.6% and 41.4% of turnover respectively, as compared to 50.3% and 49.7% in the corresponding 6-month period in the previous year. Profit before taxation for the half year was HK\$22.3 million; higher than the corresponding period in FY06 by HK\$9.0 million, representing an increase of 67.1%. Profit before taxation in the second quarter was HK\$13.2 million, increased by 55.2% or HK\$4.7 million from the same period in FY06. The improvement in profits, though partially offset by higher operating costs, was a result of sustained revenue from the managed service business and increased infrastructure system sales resulting from new customer wins for multi-million dollar projects on infrastructure system upgrades and enhancements. Increased interest income was also one of the contributors.

The order book as at 30th September, 2006 was HK\$495.0 million, representing an increase of HK\$29.0 million as compared to HK\$466.0 million as at 30th June 2006.

We are pleased to report that we ended the period with a healthy balance sheet with no debt, a net cash of approximately HK\$283.9 million and a working capital ratio of 1.96:1.

Business Review

During the first half of FY07, there was a satisfactory growth of system infrastructure sales in both private and public sectors. The stable and healthy development of local economy has prompted many customers to improve efficiency and productivity by way of IT spending. During the period under review, we received several multi-million dollar orders from the public sector to purchase various computing systems and storage hardware, software and related services. Of note was an order to provide 38 high performance servers to enhance E-government Infrastructure Services, a shared platform utilized by many government bureaus and departments. In the private sector, the Group obtained sizeable new orders from globally-recognized banking and financial institutes to provide high performance servers and

storage infrastructure. We also provided cryptographic security products and 7x24 onsite support services for the Asia Pacific operations of a leading international bank.

Application solution and service business is also improving after our focused efforts to promote tailor-made solutions to maximize customers' value. During the period, the Group has secured a further order from a legal institution to provide document management solutions. Since the implementation of our pilot project for another legal institution in 2004, we have repeated our success in winning similar projects from government departments and legal institutions. In September 2006, the Group was awarded a 5-year contract and a 6-year contract from two government departments to provide tailor-made application solutions and related services to improve public service quality. One of these contracts was to design a system which is capable of incorporating automatic appointment and scheduling functions through different access channels such as hotline service centre, telephone bookings and e-appointment services.

The Group also secured a contract from Leisure and Cultural Services Department to provide maintenance services for computer hardware, software and accessories for the Leisure Link System in about 150 offices throughout Hong Kong from August 2006 to July 2008.

Outside Hong Kong, the Group has benefited from the buoyant gaming industry in Macau, obtaining significant orders from major gaming industry players to provide computing facilities and Human Resources Management solutions. We have also been awarded a contract to provide maintenance and operation support services for the Library Automation System of a public institute in Taiwan.

Outlook and Prospects

The Group is pleased to report of continued progress in its stated objective of moving up the value chain, and seizing business opportunities in overseas market, especially the Greater China. In September, as part of our ongoing commitment to quality improvement, we commenced to adopt the world-recognized Six Sigma methodology to improve our internal processes, which in turn strengthens our capability to improve client processes through Six Sigma methodology and adoption of IT technology. In order to achieve this, we signed a Memorandum of Understanding with Six Sigma Institute to jointly promote Six Sigma, and started the training course. Along side with the Six Sigma training, we are also implementing SAP as our new enterprise resources planning system which is set to enhance our capability in improving efficiency and quality of our services. The Group expects to see gradual saving through process improvements as early as the next fiscal year, with continuing and larger benefits beyond as we initiate larger-scale improvement projects.

As regards our overseas market, we are right on track to establish greater presence in mainland China and Taiwan. With the opening of our service WFOE (Wholly Foreign Owned Enterprise) in Guangzhou, the Group has expanded into the South China region with our comprehensive portfolio of business IT solutions that have already been developed for existing customers. Across the straits, we are in the process of upgrading our Taiwan service branch into a full-function sales and service entity, which will become the platform for us to provide a more comprehensive set of sales and IT resources to our Taiwan customers.

With the above initiatives forming a clear blueprint for future development, the outlook for the Group remains positive.

Financial Resources and Liquidity

As at 30th September, 2006, the Group's total assets of HK\$808.7 million were financed by current liabilities of HK\$318.7 million, deferred tax of HK\$12.9 million and shareholders' equity of HK\$477.1 million. The Group had a working capital ratio of approximately 1.96:1.

As at 30th September, 2006, the Group had an aggregate composite banking facilities from banks of approximately HK\$202.1 million of which HK\$16.9 million was utilized (31st March, 2006: HK\$16.6 million). The Group's gearing ratio was zero (31st March, 2006: zero) as at 30th September, 2006.

Treasury Policies

The Group generally financed its operations with internally generated resources and credit facilities provided by banks. Bank facilities available for the Group include trust receipt loans, overdrafts and term loans. The interest rates of most of these will be fixed by reference to the respective countries' Interbank Offer Rate. The bank deposits will be 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 six-month period ended 30th September, 2006.

Contingent Liabilities

The amount utilized against banking facilities and goods supplied as at 30th September, 2006 which was secured by the corporate guarantee amounted to approximately HK\$51.8 million. The performance bond issued by the Group to customers as security of contract was approximately HK\$16.9 million as at 30th September, 2006.

Employee and Remuneration Policies

As at 30th September, 2006, the Group, excluding its associates, employed 1,138 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.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 27th December, 2006 to 29th December, 2006, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's registrars, Tengis Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on 22nd December, 2006. The dividend warrants will be despatched on or before 15th January, 2007.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30th September, 2006, 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 interim results.

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 six months ended 30th September, 2006, and they all confirmed that they have fully complied with the required standard set out in the Model Code.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules throughout the accounting period for the six months ended 30th September, 2006.

By Order of the Board
Lai Yam Ting
Managing Director

Hong Kong, 24th November, 2006

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. Moo Kwee Chong, Johnny, Mr. George Finlay Bell, Mr. Darren John Collins, Mr. Wang Yung Chang, Kenneth and Mr. Andrew John Anker 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."