



# AUTOMATED SYSTEMS HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code 771)

## 2006/07 FIRST QUARTERLY RESULTS ANNOUNCEMENT

This announcement is made pursuant to the disclosure obligation under Rule 13.09(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The Board of Directors of Automated Systems Holdings Limited are pleased to announce the unaudited consolidated results of the Company and its subsidiaries for the three months ended 30th June, 2006.

### RESULTS

This announcement is made pursuant to the disclosure obligation under Rule 13.09(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). 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, 2006. 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,	
	Notes	2006 HK\$'000	2005 HK\$'000
TURNOVER	(2)	246,814	230,999
Cost of goods sold		(137,106)	(133,506)
Cost of services rendered		(84,879)	(74,685)
Selling expenses		(11,143)	(11,516)
Administrative expenses		(8,163)	(7,953)
Other income	(3)	3,554	1,544
Finance costs		(1)	(87)
Share of results of associates		18	38
PROFIT BEFORE TAXATION	(4)	9,094	4,834
Taxation	(5)	(1,329)	(658)
PROFIT FOR THE PERIOD		<u>7,765</u>	<u>4,176</u>
Attributable to:			
Equity holders of the Company		7,765	4,176
Minority interests		—	—
		<u>7,765</u>	<u>4,176</u>
EARNINGS PER SHARE	(6)		
Basic		<u>HK2.64 cents</u>	<u>HK1.43 cents</u>
Diluted		<u>HK2.63 cents</u>	<u>HK1.42 cents</u>

## CONDENSED CONSOLIDATED BALANCE SHEET

	<i>Notes</i>	<b>Unaudited 30th June, 2006 HK\$'000</b>	Audited 31st March, 2006 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	(7)	<b>148,804</b>	152,031
Intangible assets		<b>11,508</b>	11,937
Interests in associates		<b>97</b>	79
		<b>160,409</b>	164,047
<b>CURRENT ASSETS</b>			
Inventories		<b>101,368</b>	77,911
Trade receivables	(8)	<b>138,519</b>	103,946
Other receivables, deposits and prepayments		<b>59,134</b>	50,031
Available-for-sale investments	(9)	<b>22,968</b>	22,094
Short term bank deposits	(10)	<b>234,100</b>	322,374
Bank balances and cash		<b>66,161</b>	45,946
		<b>622,250</b>	622,302
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	(11)	<b>130,356</b>	127,513
Other payables and accruals		<b>56,890</b>	59,523
Receipts in advance		<b>84,017</b>	98,340
Taxation		<b>4,251</b>	3,167
		<b>275,514</b>	288,543
<b>NET CURRENT ASSETS</b>		<b>346,736</b>	333,759
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>507,145</b>	497,806
<b>NON-CURRENT LIABILITY</b>			
Deferred taxation		<b>10,992</b>	10,992
		<b>496,153</b>	486,814
<b>CAPITAL AND RESERVES</b>			
Share capital		<b>29,390</b>	29,379
Reserves		<b>466,763</b>	457,435
		<b>496,153</b>	486,814

### 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 annual financial statements for the year ended 31st March, 2006.

## 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,	
	2006	2005
	HK\$'000	HK\$'000
Sales of goods	153,854	146,679
Revenue from service contracts	92,960	84,320
	<u>246,814</u>	<u>230,999</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 over 90% of the Group's revenue is derived from the Hong Kong market.

## 3. Other Income

	Unaudited Three months ended 30th June,	
	2006	2005
	HK\$'000	HK\$'000
Interest on bank deposits	3,361	1,439
Others	193	105
	<u>3,554</u>	<u>1,544</u>

## 4. Profit before Taxation

	Unaudited Three months ended 30th June,	
	2006	2005
	HK\$'000	HK\$'000
Profit before taxation has been arrived at after charging:		
Depreciation and amortization:		
Intangible assets (included in cost of services rendered)	879	331
Property, plant and equipment	8,485	9,357
Loss/(Gain) on disposal of property, plant and equipment	72	(21)
Write-off of intangible assets	-	26
	<u>-</u>	<u>26</u>

## 5. Taxation

	Unaudited Three months ended 30th June,	
	2006	2005
	HK\$'000	HK\$'000
The charge comprises:		
Hong Kong Profits Tax	1,098	587
Overseas taxation	231	71
	<u>1,329</u>	<u>658</u>

Hong Kong Profits Tax is calculated at 17.5% (FY06: 17.5%) of the estimated assessable profits derived from Hong Kong for the three months ended 30th June, 2006. Overseas taxation is calculated at the rates prevailing in the respective jurisdictions.

## 6. Earnings Per Share

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

	<b>Unaudited</b>	
	<b>Three months ended</b>	
	<b>30th June,</b>	
	<b>2006</b>	<b>2005</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Earnings for the purpose of basic earnings per share and diluted earnings per share	<u>7,765</u>	<u>4,176</u>
	<b>Number of shares</b>	
	<b>'000</b>	<b>'000</b>
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>293,876</u>	291,809
Effect of dilutive potential ordinary shares – share options	<u>1,872</u>	<u>1,950</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>295,748</u>	<u>293,759</u>

## 7. Movements in Property, Plant and Equipment

During the period, the Group spent HK\$5,344,000 on equipment. The Group disposed of equipment with an aggregate carrying amount of HK\$75,000 for proceeds of HK\$3,000, resulting in a loss on disposal of HK\$72,000.

The Group's leasehold land and buildings were stated at valuations made at 31st March, 2006 less depreciation and amortization. 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, 2006 did not differ significantly from their market value at the same date.

## 8. 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 provisions, is as follows:

	<b>Unaudited</b>	<b>Audited</b>
	<b>30th June,</b>	<b>31st March,</b>
	<b>2006</b>	<b>2006</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Current	<b>65,800</b>	56,734
Within 1 month	<b>31,920</b>	22,010
1 – 2 months	<b>15,372</b>	9,992
2 – 3 months	<b>14,622</b>	4,093
Over 3 months	<b>10,805</b>	11,117
	<u>138,519</u>	<u>103,946</u>

## 9. Available-for-sale Investments

	<b>Unaudited</b>	<b>Audited</b>
	<b>30th June,</b>	<b>31st March,</b>
	<b>2006</b>	<b>2006</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Available-for-sale investments	<u>22,968</u>	<u>22,094</u>

## 10. Short Term Bank Deposits

The short term bank deposits included the bank deposits amounting to HK\$234.1 million (31st March, 2006: HK\$322.4 million) at the bank at 30th June, 2006.

## 11. 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:

	<b>Unaudited 30th June, 2006 HK\$'000</b>	Audited 31st March, 2006 HK\$'000
Current	<b>82,714</b>	93,739
Within 1 month	<b>22,025</b>	14,156
1 – 2 months	<b>5,457</b>	5,009
2 – 3 months	<b>8,240</b>	2,878
Over 3 months	<b>11,920</b>	11,731
	<b><u>130,356</u></b>	<u>127,513</u>

## DIVIDEND

The Directors did not recommend the payment of dividend for the three months ended 30th June, 2006.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Results

Turnover for the first quarter was HK\$246.8 million, higher by HK\$15.8 million or 6.8% as compared to the year-ago corresponding period in FY06. Product sales and service revenue increased by 4.9% and 10.3% respectively, contributing 62.3% and 37.7% of turnover, respectively, as compared to 63.5% and 36.5% during the last fiscal year. Revenue from private sector and public sector contributed 55.8% and 44.2% to turnover, respectively, as compared to FY06's 46.9% and 53.1%.

Profit before taxation for the first quarter was HK\$9.1 million, higher than the same quarter last year by HK\$4.3 million or 88.1%. The increase was mainly due to continuing growth in the managed services business and infrastructure systems sales, and an increase in interest income.

Order book balance increased to HK\$466.0 million as at 30th June, 2006 by HK\$66.0 million from the balance as at 31st March, 2006. We continue to maintain a healthy balance sheet, with net cash of approximate HK\$300.3 million, slightly higher than that of HK\$299.7 million in the same period in FY06, and zero bank debt.

### Business Review

Our managed services business this quarter generated revenue of HK\$29.1 million, compared to HK\$25.6 million in the year-ago quarter, up 13.7%. Growth was partly due to revenue starting to be generated from the two three-year outsourcing contracts with Cathay Pacific Airways Limited, and the rest due to contracts awarded and renewed during last year and this quarter.

Managed services continue to strengthen the recurring income base and provide incremental revenue of the Group.

The Group secured a number of important infrastructure systems wins this quarter, including continuing to secure sizeable deals from a leading international bank in Hong Kong. In the first quarter, the Group provided large-scale information technology ("IT") infrastructure packages to the customer, including enterprise storage systems and approximately 40 servers for the bank's mission-critical systems. In addition to revenue contribution, these project wins have also enabled the Group to gain deeper understanding of the bank's IT requirements and foster a closer working relationship. These results stem from the Group's earlier adoption a few years ago of a customer-centric business model which has enabled more efficient resource allocation and deeper penetration of targeted accounts, as well as increased service quality.

The public sector continued to be active, compared with the year-ago quarter. During the review period, the Group won multi-million dollar contracts from a number of government departments for professional quality services, including full system development life cycle services, system analysis and design, and system implementation services.

### **Outlook and Prospects**

The Group intends to continue exploring and developing business opportunities outside Hong Kong. We are exploring and capitalizing on opportunities in China. In particular, the continuous increase in demand for IT services and support in the South China region, from existing customers to support cross-border trading and development of their South China businesses, has been the impetus for our decision to invest and form a company in Guangzhou and scale up service efficiency and effectiveness for customers.

We are confident that the formation of Guangzhou office can help us expand into the South China market with our comprehensive portfolio of business IT solutions that have already been developed for existing customers. The Guangzhou office will also set up a solution center with a mix of IT platforms and configurations to allow customers to perform proofs-of-concept and performance testing with a range of the Group's enterprise-grade business applications.

This Guangzhou initiative is related to our other expansion projects, including an upgrade of the Taiwan service branch to a full-function sales and service entity. This upgrade will provide a more comprehensive set of sales and IT resources to our Taiwan customers and is in accordance with our overall objective of full Greater China coverage, comprising the Hong Kong, PRC and Taiwan markets.

The Group will leverage our continuous insight into doing business in Greater China and continue to bolster our market position by focusing on key customers, especially within the banking and finance vertical. Through these efforts, the outlook of the Group remains positive in the foreseeable future.

### **Financial Resources and Liquidity**

As at 30th June, 2006, the Group's total assets of HK\$782.7 million were financed by current liabilities of HK\$275.5 million, deferred tax of HK\$11.0 million and shareholders' equity of HK\$496.2 million. The Group had a working capital ratio of approximately 2.26:1.

As at 30th June, 2006, the Group had an aggregate composite banking facilities from banks of approximately HK\$209.9 million of which HK\$16.6 million was utilized (31st March, 2006: HK\$16.6 million). The Group's gearing ratio was zero (31st March, 2006: zero) as at 30th June, 2006.

There was no charge on the Group's assets as at 30th June, 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 three-month period ended 30th June, 2006.

### **Contingent Liabilities**

The amount utilized against banking facilities and goods supplied as at 30th June, 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\$16.6 million as at 30th June, 2006.

### **Employee and Remuneration Policies**

As at 30th June, 2006, the Group, excluding its associates, employed 1,116 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, 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 first quarterly results.

### **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 under review.

By Order of the Board  
**Lai Yam Ting**  
*Managing Director*

Hong Kong, 8th August, 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 and Mr. Wang Yung Chang, Kenneth 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.”