



AUTOMATED SYSTEMS HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 771)

2005/06 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, 2005:

Condensed Consolidated Profit and Loss Account

	Notes	Unaudited Three months ended 31st December,		Unaudited Nine months ended 31st December,	
		2005 HK\$'000	2004 HK\$'000 (Restated)	2005 HK\$'000	2004 HK\$'000 (Restated)
TURNOVER	(2)	258,649	238,671	757,240	689,279
Direct costs		(160,242)	(142,626)	(456,740)	(405,648)
Other costs of services and distribution costs		(71,096)	(68,896)	(224,967)	(211,521)
Other net operating income	(3)	3,984	418	10,108	3,374
Sales expenses		(11,466)	(10,500)	(34,499)	(29,759)
Administrative expenses		(7,577)	(7,384)	(23,413)	(22,426)
Restructuring costs		-	-	-	(1,979)
PROFIT FROM OPERATIONS	(4)	12,252	9,683	27,729	21,320
Finance costs		(28)	(50)	(228)	(206)
Share of results of associates		31	(24)	75	(105)
PROFIT BEFORE TAXATION		12,255	9,609	27,576	21,009
Taxation	(5)	(2,405)	(927)	(4,115)	(2,106)
PROFIT FOR THE PERIOD		9,850	8,682	23,461	18,903
Attributable to:					
Equity holders of the parent		9,850	8,682	23,461	18,530
Minority interest		-	-	-	373
		9,850	8,682	23,461	18,903
EARNINGS PER SHARE	(6)				
Basic		3.36 cents	2.98 cents	8.02 cents	6.35 cents
Diluted		3.34 cents	2.97 cents	7.97 cents	6.35 cents

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

Condensed Consolidated Balance Sheet

	<i>Notes</i>	Unaudited 31st December, 2005 HK\$'000	Audited 31st March, 2005 HK\$'000 (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment	(7)	139,483	149,479
Intangible assets		5,333	5,844
Interests in associates		97	22
Club memberships		900	900
		<u>145,813</u>	<u>156,245</u>
CURRENT ASSETS			
Inventories		82,273	92,478
Trade receivables	(8)	166,505	121,070
Other receivables, deposits and prepayments		44,212	38,081
Investments in securities	(9)	23,086	18,461
Short term bank deposits	(10)	221,685	254,215
Bank balances and cash		90,229	104,190
		<u>627,990</u>	<u>628,495</u>
CURRENT LIABILITIES			
Trade and bills payables	(11)	149,975	132,351
Other payables and accruals		70,414	48,065
Receipts in advance		73,699	110,523
Taxation		5,940	3,973
Bank borrowings		–	12,985
		<u>300,028</u>	<u>307,897</u>
NET CURRENT ASSETS		<u>327,962</u>	<u>320,598</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>473,775</u>	<u>476,843</u>
NON-CURRENT LIABILITY			
Deferred taxation		9,398	9,398
MINORITY INTERESTS			
		<u>–</u>	<u>–</u>
		<u>464,377</u>	<u>467,445</u>
CAPITAL AND RESERVES			
Share capital		29,376	29,173
Reserves		435,001	438,272
		<u>464,377</u>	<u>467,445</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, 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 31st December, 2005		Unaudited Nine months ended 31st December, 2005	
	HK\$'000	2004 HK\$'000 (Restated)	HK\$'000	2004 HK\$'000 (Restated)
Sales of goods	178,091	157,151	502,235	448,978
Revenue from service contracts	80,558	81,520	255,005	240,301
	<u>258,649</u>	<u>238,671</u>	<u>757,240</u>	<u>689,279</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. Other Net Operating Income

	Unaudited Three months ended 31st December, 2005		Unaudited Nine months ended 31st December, 2005	
	HK\$'000	2004 HK\$'000	HK\$'000	2004 HK\$'000
Interest on bank deposits	2,210	541	5,447	1,244
Dividend income from investments in securities	–	–	1,655	1,844
Unrealised gains on fair value changes of investments in securities	1,949	–	3,953	–
Other income	229	223	446	923
	<u>4,388</u>	<u>764</u>	<u>11,501</u>	<u>4,011</u>
Share option expenses	(404)	(346)	(1,393)	(637)
	<u>3,984</u>	<u>418</u>	<u>10,108</u>	<u>3,374</u>

4. Profit from Operations

	Unaudited Three months ended 31st December, 2005		Unaudited Nine months ended 31st December, 2005	
	HK\$'000	2004 HK\$'000	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)	337	378	1,001	1,094
Property, plant and equipment	7,864	9,348	26,505	27,028
Loss on disposal of property, plant and equipment and after crediting:	10	83	21	2,012
Interest income	2,210	541	5,447	1,244
Dividend income from investments in securities	–	–	1,655	1,844
Gain on disposal of listed securities	–	–	–	–
Unrealised gains on fair value changes of investments in securities	1,949	–	3,953	–
	<u>12,360</u>	<u>10,340</u>	<u>48,482</u>	<u>53,222</u>

5. Taxation

	Unaudited Three months ended 31st December, 2005		Unaudited Nine months ended 31st December, 2005	
	HK\$'000	2004 HK\$'000	HK\$'000	2004 HK\$'000
The charge comprises:				
Hong Kong profits tax	2,042	558	3,412	1,393
Overseas taxation	363	369	703	713
	<u>2,405</u>	<u>927</u>	<u>4,115</u>	<u>2,106</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 and the nine months ended 31st December, 2005. 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:

	Unaudited Three months ended 31st December, 2005		Unaudited Nine months ended 31st December, 2005	
	HK\$'000	2004 HK\$'000 (Restated)	HK\$'000	2004 HK\$'000 (Restated)
Earnings for the purpose of basic earnings per share and diluted earnings per share	<u>9,850</u>	<u>8,682</u>	<u>23,461</u>	<u>18,530</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	293,280	291,634	292,653	291,617
Effect of dilutive potential ordinary shares – share options	<u>1,896</u>	<u>275</u>	<u>1,833</u>	<u>289</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>295,176</u>	<u>291,909</u>	<u>294,486</u>	<u>291,906</u>

7. Movements in Property, Plant and Equipment

During the nine months ended 31st December, 2005, the Group spent HK\$17,169,703 on property, plant and equipment. The Group disposed of property, plant and equipment with an aggregate carrying amount of HK\$219,397 for proceeds of HK\$197,899, resulting in a loss on disposal of HK\$21,498.

The Group's leasehold land and buildings were stated at valuations made in 1998, less depreciation and amortisation.

8. 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 31st December, 2005 HK\$'000	Audited 31st March, 2005 HK\$'000
Current	87,574	64,308
Within 1 month	40,585	21,174
1 – 2 months	13,027	14,733
2 – 3 months	11,759	8,926
Over 3 months	<u>13,560</u>	<u>11,929</u>
	<u>166,505</u>	<u>121,070</u>

9. Investments in Securities

Upon the adoption of HKAS 39, the other securities have been reclassified as listed securities at fair value through profit or loss. The listed securities at fair value through profit or loss are carried at fair value, with changes in fair values recognized in profit and loss.

	Unaudited 31st December, 2005 HK\$'000	Audited 31st March, 2005 HK\$'000
Other securities at market value	–	18,461
Listed securities at fair value	<u>23,086</u>	<u>–</u>
	<u><u>23,086</u></u>	<u><u>18,461</u></u>

10. Short Term Bank Deposits

The short term bank deposits included the bank deposits amounting to HK\$1,552,000 (31st March, 2005: HK\$ Nil) which have been pledged to the bank.

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:

	Unaudited 31st December, 2005 HK\$'000	Audited 31st March, 2005 HK\$'000
Current	53,527	81,342
Within 1 month	65,122	26,472
1 – 2 months	10,355	7,511
2 – 3 months	7,616	6,297
Over 3 months	<u>13,355</u>	<u>10,729</u>
	<u><u>149,975</u></u>	<u><u>132,351</u></u>

DIVIDEND

The Directors did not recommend the payment of dividend for the three months ended 31st December, 2005.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

The results of the third quarter of FY06 continued to improve on a year-on-year basis. Turnover for the quarter was HK\$258.6 million, an increase of HK\$20.0 million, or 8.4% over the corresponding period in FY05. For the first nine months of the financial year, the turnover was HK\$757.2 million, compared to HK\$689.3 million for the same period in FY05, representing an increase of 9.9%.

Product sales and service sales contributed 66.3% and 33.7% of the revenue mix for the first nine months of FY06 respectively. Both sectors increased by 11.9% and 6.1% respectively over the same period last year. Private and public sectors sales for the first nine months of FY06 contributed 50.6% and 49.4% of total turnover respectively, close to the percentage of the first nine months last year.

Profit before taxation for the third quarter was HK\$12.2 million (HK\$2.6 million higher than the third quarter of FY05) and for the nine months was HK\$27.6 million, an increase of HK\$6.6 million or 31.3% over the first nine months of FY05. Contributory factors for the increase in profits include completion of sizable IT infrastructure projects, continuing growth of the managed service business and rise in interest income. This increase was partially offset by higher operating costs. Furthermore, the Group benefited from unrealized gain on the revaluation of the investment in the listed securities at fair value as a result of the adoption of the new and revised Hong Kong Financial Reporting Standards, the Hong Kong Accounting Standards and Interpretations.

The Group maintained a balance sheet with net cash at approximately HK\$311.9 million as at 31st December, 2005.

Business Review

The Group secured various notable orders in the third quarter of FY06, substantially increasing the order book balance. Service contracts made up more than half of this total.

During the period under review, the Group derived major product sales revenue from the provision of enterprise servers and storage products for, amongst the others, a number of leading international banks and one international container transportation company. During the period, the Group also won an infrastructure and systems integration contract worth more than HK\$10.0 million from an airline to upgrade its mission-critical application system.

The Managed Services business accounted for HK\$78.3 million of the Group's revenues for the nine-month period of FY06. This revenue, which was recurrent in nature, increased by HK\$10.0 million as compared to the same period last year. In the third quarter, the Group continued to provide managed services for various Hong Kong quasi-government and government organizations, including the provision of 37 onsite technical staff for Airport Authority Hong Kong. The Group has also commenced the Computer Technician Support Service for 30 Hong Kong Public Libraries and completed its first on-demand service project to set up a remote access platform for the employees of a multinational company to access company information anywhere and anytime. In the private sector, the Group has secured its largest IT services contract, in terms of contract value, from an industry-leading client. It is a three-year outsourcing contract, and the Group is expecting to take over the services of managing hundreds of servers located in the client's data centre and providing desktop support services to thousands of users in the company within the first quarter of FY07.

In the third quarter of FY06, the Group completed multiple application development projects, including a large-scale document management system to facilitate human resources management for a new casino in Macau, and the first phase of a Web-based enterprise class document management system project for a legal institution. Moreover, the Group localized a record management solution for enterprises and started a pilot project to provide and customize a record management system for a government department. The application outsourcing business of the Group also began to work on the three-year Standing Offer Agreement for the provision of IT contract staff services to various HKSAR Government departments effective from September 2005.

In addition, the Group has entered into new standing offer agreements with the HKSAR Government to provide Quality Professional Services (QPS) for various government departments. The agreements cover four service categories: Pre-implementation and Project Management, Ongoing Services and total solutions on maintenance services such as system maintenance and support, Full System Development Life Cycle Services involving mainly system analysis and design, as well as Information Security. The QPS program is scheduled to run in the fourth quarter of FY06 for a contract period of 42 months. The Group is one of the three IT services providers who have signed up agreements under all the four service categories in the tender of the HKSAR Government.

Business outside the Group's Hong Kong base stayed strong. The Group secured contracts to supply advanced computer systems and services to the University of Macau and to 553 branches of Bank for Agriculture and Agricultural Cooperatives in Thailand. The Thai offices also entered into a contract with a leading international bank to provide enterprise servers, personal computers and helpdesk outsourcing services locally.

Outlook and Prospects

The Group will continue to form strong partnerships and align business strategies with other industry leading companies. This quarter, the Group has entered into a strategic partnership with AXS-One Inc., a leading provider of high performance Records Compliance Management solutions. The Group would offer these solutions to the Greater China market, addressing the emerging demand for record management in compliance with good corporate governance, legal discovery and industry regulations.

With steady improvements in order book and a generally positive economic environment, the outlook for the Group remains positive.

Financial Resources and Liquidity

As at 31st December, 2005, the Group's total assets of HK\$773.8 million were financed by current liabilities of HK\$300.0 million, deferred tax of HK\$9.4 million and shareholders' equity of HK\$464.4 million. The Group had a working capital ratio of approximately 2.09 : 1.

As at 31st December, 2005, the Group had an aggregate composite banking facilities from banks of approximately HK\$321.4 million of which HK\$16.9 million was utilized (31st March, 2005: HK\$28.8 million). The Group's gearing ratio was 0% (31st March, 2005: 2.8%) as at 31st December, 2005.

Except for the pledged bank deposits of HK\$1.6 million, there was no charge on the Group's assets as at 31st December, 2005.

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 31st December, 2005.

Contingent Liabilities

Corporate guarantee to banks and vendors as security for banking facilities and goods supplied to the Group amounted to approximately HK\$51.8 million as at 31st December 2005. The amount utilized against such facilities and goods supplied as at 31st December, 2005 which was secured by the corporate guarantee amounted to approximately HK\$6.0 million. The performance bond issued by the Group to customers as security of contract was approximately HK\$16.9 million as at 31st December 2005.

Employee and Remuneration Policies

As at 31st December, 2005, the Group, excluding its associates, employed 1,071 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, 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 third quarterly results.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code on Corporate Governance Practices (the “Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the accounting period under review except as noted below:

- (a) with respect to Code A.4.1, all 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 Company’s Bye-laws. The majority of Non-executive Directors are nominated by the Company’s controlling shareholder and are not appointed with a specific term. The Company has no intention to change the present arrangement; and
- (b) with respect to Code B.1.4 and C.3.4, the Terms of References for Remuneration Committee and Audit Committee are available on request but not accessible through the Company’s website. The Board will consider posting the terms of references on the Company’s website where appropriate.

By Order of the Board
Lai Yam Ting
Managing Director

Hong Kong, 8th February, 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. Tan Swee Hock, Sunny, Mr. Moo Kwee Chong, Johnny, Ms. Tan Suan Kheng, Esther, 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.