



# AUTOMATED SYSTEMS HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 771)

## 2007/08 THIRD 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 nine months ended 31st December, 2007.

### RESULTS

The Board of Directors (the "Directors") of Automated Systems Holdings Limited (the "Company" or "ASL") are pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the nine months ended 31st December, 2007. The quarterly financial statements have been reviewed by the Company's Audit Committee.

### Condensed Consolidated Income Statement

	Notes	Unaudited Three months ended 31st December,		Unaudited Nine months ended 31st December,	
		2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
TURNOVER	(3)	<b>327,736</b>	327,425	<b>994,689</b>	887,529
Cost of goods sold		<b>(182,998)</b>	(196,617)	<b>(571,987)</b>	(526,970)
Costs of services rendered		<b>(109,881)</b>	(96,880)	<b>(314,824)</b>	(271,439)
Other income	(4)	<b>22,886</b>	2,054	<b>30,611</b>	10,720
Selling expenses		<b>(15,978)</b>	(14,231)	<b>(46,541)</b>	(38,773)
Administrative expenses		<b>(9,951)</b>	(8,649)	<b>(29,030)</b>	(25,811)
Finance costs	(5)	-	(4)	<b>(1)</b>	(7)
Share of results of associates		<b>36</b>	29	<b>194</b>	133
<b>PROFIT BEFORE TAXATION</b>	(6)	<b>31,850</b>	13,127	<b>63,111</b>	35,382
Taxation	(7)	<b>(2,199)</b>	(1,545)	<b>(7,724)</b>	(5,501)
Profit for the period attributable to equity holders of the Company		<b><u>29,651</u></b>	<u>11,582</u>	<b><u>55,387</u></b>	<u>29,881</u>
<b>EARNINGS PER SHARE</b>	(8)				
Basic		<b><u>HK10.05 cents</u></b>	<u>HK3.94 cents</u>	<b><u>HK18.75 cents</u></b>	<u>HK10.16 cents</u>
Diluted		<b><u>HK9.95 cents</u></b>	<u>HK3.92 cents</u>	<b><u>HK18.52 cents</u></b>	<u>HK10.10 cents</u>

## Condensed Consolidated Balance Sheet

		<b>Unaudited</b> <b>31st December,</b> <b>2007</b> <i>HK\$'000</i>	(Restated) Audited 31st March, 2007 <i>HK\$'000</i>
	<i>Notes</i>		
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	(9)	<b>189,838</b>	199,916
Intangible assets		<b>3,605</b>	5,283
Interests in associates		<b>436</b>	242
Available-for-sale investments	(10)	<u>-</u>	<u>33,641</u>
		<b><u>193,879</u></b>	<u>239,082</u>
<b>CURRENT ASSETS</b>			
Inventories		<b>134,023</b>	108,973
Trade receivables	(11)	<b>215,523</b>	135,919
Other receivables, deposits and prepayments		<b>76,990</b>	60,871
Tax recoverable		-	4,497
Short term bank deposits		<b>100</b>	100
Bank balances and cash		<b><u>250,026</u></b>	<u>343,011</u>
		<b><u>676,662</u></b>	<u>653,371</u>
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	(12)	<b>157,958</b>	185,352
Other payables and accruals		<b>70,763</b>	65,810
Receipts in advance		<b>84,075</b>	97,934
Tax liabilities		<b><u>2,898</u></b>	<u>-</u>
		<b><u>315,694</u></b>	<u>349,096</u>
<b>NET CURRENT ASSETS</b>		<b><u>360,968</u></b>	<u>304,275</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>554,847</b>	543,357
<b>NON-CURRENT LIABILITY</b>			
Deferred taxation		<b><u>22,352</u></b>	<u>19,402</u>
		<b><u>532,495</u></b>	<u>523,955</u>
<b>CAPITAL AND RESERVES</b>			
Share capital		<b>29,621</b>	29,417
Reserves		<b><u>502,874</u></b>	<u>494,538</u>
<b>Equity attributable to equity holders of the Company</b>		<b><u>532,495</u></b>	<u>523,955</u>

## NOTES TO THE CONDENSED CONSOLIDATED 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").

### 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 Company's annual consolidated financial statements for the year ended 31st March, 2007.

In the current period, the Group has applied, for the first time, the following new standard, amendment and interpretations ("new HKFRSs") issued by HKICPA, which are effective for the Group's financial year beginning on 1st April, 2007.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) - Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC) - Int 8	Scope of HKFRS 2
HK(IFRIC) - Int 9	Reassessment of Embedded Derivatives
HK(IFRIC) - Int 10	Interim Financial Reporting and Impairment
HK(IFRIC) - Int 11	HKFRS 2 : Group and Treasury Share Transactions

The application of these new HKFRSs had no material effect on the results and the financial position of the Group for the current and prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the following new or revised standards or interpretations that have been issued but are not yet effective.

HKAS 23 (Revised)	Borrowing Costs <sup>1</sup>
HKFRS 8	Operating Segments <sup>1</sup>
HK(IFRIC) - Int 12	Service Concession Arrangements <sup>2</sup>
HK(IFRIC) - Int 13	Customer Loyalty Programmes <sup>3</sup>
HK(IFRIC) - Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1st January, 2009

<sup>2</sup> Effective for annual periods beginning on or after 1st January, 2008

<sup>3</sup> Effective for annual periods beginning on or after 1st July, 2008

The Directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group.

### 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 31st December,		Unaudited Nine months ended 31st December,	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Sales of goods	200,527	214,680	625,656	581,000
Revenue from service contracts	127,209	112,745	369,033	306,529
	<u>327,736</u>	<u>327,425</u>	<u>994,689</u>	<u>887,529</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 31st December,		Unaudited Nine months ended 31st December,	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Interest on bank deposits	2,155	2,179	7,116	7,880
Gain on disposal from available-for-sale investments	20,712	-	20,712	-
Dividend income from available-for-sale investments	-	-	2,313	2,683
Miscellaneous	19	(125)	470	157
	<u>22,886</u>	<u>2,054</u>	<u>30,611</u>	<u>10,720</u>

#### 5. Finance Costs

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

#### 6. Profit before Taxation

	Unaudited Three months ended 31st December,		Unaudited Nine months ended 31st December,	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Profit before taxation has been arrived at after charging (crediting):				
Depreciation and amortisation:				
Property, plant and equipment	11,317	12,838	33,805	30,908
Intangible assets (included in costs of services rendered)	831	198	2,040	2,168
(Gain)/Loss on disposal of property, plant and equipment	(1)	47	66	129
Share-based payment expense	188	497	563	1,247
	<u>11,317</u>	<u>12,838</u>	<u>33,805</u>	<u>30,908</u>

#### 7. Taxation

	Unaudited Three months ended 31st December,		Unaudited Nine months ended 31st December,	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
The charge comprises:				
Current taxation:				
Hong Kong Profits Tax	1,208	1,484	5,744	2,801
Overseas taxation	991	61	1,430	840
Overprovision of Hong Kong Profits Tax in prior period	-	-	-	(75)
Deferred taxation	-	-	550	1,935
	<u>2,199</u>	<u>1,545</u>	<u>7,724</u>	<u>5,501</u>

Hong Kong Profits Tax is calculated at 17.5% (Nine months ended 31st December, 2006: 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. 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 31st December,		Unaudited Nine months ended 31st December,	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Earnings for the purpose of basic earnings per share and diluted earnings per share	<u>29,651</u>	<u>11,582</u>	<u>55,387</u>	<u>29,881</u>
	Number of shares '000		Number of shares '000	
Weighted average number of ordinary shares for the purpose of basic earnings per share	295,012	294,086	295,366	294,036
Effect of dilutive potential ordinary shares – Share options	<u>3,137</u>	<u>1,654</u>	<u>3,716</u>	<u>1,711</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>298,149</u>	<u>295,740</u>	<u>299,082</u>	<u>295,747</u>

## 9. Property, Plant and Equipment

During the period, the Group spent approximately HK\$31,440,000 (nine months ended 31st December, 2006: HK\$65,574,000) mainly on additions to computer and office equipment.

At 31st December, 2007, the Directors of the Company considered the carrying amount 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.

## 10. Available-for-sale Investments

	Unaudited 31st December, 2007 HK\$'000	Audited 31st March, 2007 HK\$'000
Overseas listed shares, at market value	<u>-</u>	<u>33,641</u>

On 4th October, 2007, the Group disposed of the available-for-sale investments to an outsider at a consideration of HK\$42 million, which resulted in a net gain of disposal of approximately HK\$20 million, after release of cumulative gain previously recognised in investment revaluation reserves upon disposal. The income tax arising from the disposal is estimated to be approximately HK\$800,000.

## 11. 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 allowance, is as follows:

	Unaudited 31st December, 2007 HK\$'000	Audited 31st March, 2007 HK\$'000
0 - 1 month	176,615	102,507
1 - 2 months	14,086	10,459
2 - 3 months	8,999	9,407
Over 3 months	<u>15,823</u>	<u>13,546</u>
	<u>215,523</u>	<u>135,919</u>

## 12. 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 31st December, 2007 HK\$'000</b>	Audited 31st March, 2007 HK\$'000
0 - 1 month	<b>105,119</b>	157,344
1 - 2 months	<b>29,354</b>	5,942
2 - 3 months	<b>8,906</b>	2,771
Over 3 months	<b>14,579</b>	19,295
	<b><u>157,958</u></b>	<b><u>185,352</u></b>

## 13. Pledge of Assets

The Group's bank deposits of approximately HK\$100,000 (31st March, 2007: HK\$100,000) have been pledged to secure the banking facilities of the Group.

## DIVIDEND

The directors did not recommend the payment of dividend for the three months ended 31st December, 2007.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Results

Turnover for the first nine months of this year was HK\$994.7 million; which increased HK\$107.2 million or 12.1% as compared to the corresponding period in FY07. Turnover for the third quarter of FY08 was HK\$327.7 million which stayed at approximately the same level compared to the corresponding 3 months period in FY07. The product and service revenue for the first nine months increased by 7.7% and 20.4% respectively, which contributed 62.9% and 37.1% of the nine months period turnover. Commercial and public sector sales for the first nine months contributed 58.2% and 41.8% to turnover respectively as compared to 58.7% and 41.3% in the corresponding period in FY07.

Profit before taxation for the third quarter was HK\$31.9 million, higher than the same quarter last year by HK\$18.7 million. During the period, the Group recorded a gain of HK\$20.7 million from the disposal of available-for-sale investment, and provided a special bonus of HK\$5.0 million for all supporting staff with a view to rewarding and retaining talents. Excluding such factors, the profit from operations for the third quarter amounted to HK\$16.2 million, representing an increase of 22.9 % from the same period in FY07. Profit before taxation for the first nine months of FY08 was HK\$63.1 million, higher than the corresponding period in FY07 by HK\$27.7 million. The growth on profit before taxation was due to the strong performance by the infrastructure system sales, stable recurring revenue from the service business and investment gain as above mentioned.

The order book as at 31st December, 2007 stood approximately at HK\$500.0 million, which increased approximately 10% as compared to the corresponding period in FY 07. We are pleased to report that we continue to maintain a healthy balance sheet with no debt and a working capital ratio of 2.14:1. The net cash of the Group amounted to approximately HK\$250.1 million, a decrease of HK\$93.0 million from 31st March 2007. The cash reduction was the result of the Group moving towards value-added services projects with longer delivery times and staged payments tied to specific project milestones that have caused an increase in trade receivable and inventories.

### Business Reviews

#### *IT Infrastructure business*

The infrastructure business continued to perform satisfactorily in the third quarter of FY08. Notably, the Company was awarded a contract of over HK\$26 million with a prestigious financial organization in Hong Kong to provide them with about 60 units of Sun servers and a series of enterprise software products. Other multi-million dollar deals awarded to the Company in this quarter included a deal to expand the data center for a leading Hong Kong-based international bank and a deal with a renowned regional bank to strengthen their financial trading system, both deals amounting to approximately HK\$10 million each.

### *Services business*

With the aim of moving the Group's business towards service orientated, we continued to expand the scope of our services business in the third quarter with satisfactory result. During the quarter under review, the Group has secured several multi-million dollars contracts with a number of government departments under the Quality Professional Service (QPS) arrangement. Particularly, the Group was awarded a 4-year application maintenance services contract to provide comprehensive support services for a mission critical application. We also won service contracts from three government departments to provide design and implementation services for Lotus Notes/Domino upgrades. We believe that the implementation experience gained from these projects will enhance our ability and strength in undertaking similar services for other government departments in future. In the commercial sector, our SWIFT services sustained growth in this quarter largely due to the replacement of Real-Time Gross Settlement (RTGS) with the new SWIFTNet-based messaging platform. The increased demand for upgrade service among the banking community has created many new business opportunities to the Group.

### *Solution Business*

The solution business has made satisfactory progress. During the quarter under review, the Group won a tender to provide Mobile Application System for housing management as well as 5-year application maintenance and training services to the Hong Kong Housing Authority. We are also developing tailor-made solutions including Electronic Record Keeping System, Web-based Human Resources Management System, E-Procurement Portal, and Web-based Ticketing System for several customers in the public and private sectors.

### *Overseas business*

Turnover of overseas business enjoyed a 40.4% growth in the first nine months of FY08. In the third quarter of FY08, Our subsidiary in Guangzhou completed a million dollar project with a multinational corporation to upgrade their data centers in Guangzhou and Beijing. Our subsidiary in Thailand also closed projects of storage infrastructure setup and application development for a Hong Kong-based international bank. In Macau, our penetration in the gaming industry continued; in the quarter under review, one more well-known casino implemented our Baccarat Score Board System.

## **Outlook and Prospects**

We maintain Hong Kong as a centre of excellence, and continue to expand within the regional market mainly the Greater China. We stay focused in pursuing expansion opportunities through strategic alliance and mergers & acquisitions.

In terms of local development, with our continued efforts in refining the service offerings and enhancing our service capability, we see a noted increase of service elements in the orders we received, particularly in the public sector. The Group would continue to explore new services business opportunities, and increase the service attach rate associated with product sales with a view to securing a stronger recurring revenue stream. The major account strategy also increases the contract value in general, allowing us to capitalize on the economy of scale and focus our efforts and resources in serving the key customers better.

While the current positive economic outlook brings ample business opportunities, with no exception, the Group also faces the challenge of staff turnover and higher cost. To stay competitive, we are leveraging our resources in mainland China by developing local support team and business partners. Adhering to our stated strategies, and with the sound performance in the first nine months of FY 08, the prospect of the Group remains positive.

## **Financial Resources and Liquidity**

As at 31st December, 2007, the Group's total assets of HK\$870.5 million were financed by current liabilities of HK\$315.7 million, deferred taxation of HK\$22.4 million and shareholders' equity of HK\$523.5 million. The Group had a working capital ratio of approximately 2.14:1.

As at 31st December, 2007, the Group had an aggregate composite banking facilities from banks of approximately HK\$97.0 million of which HK\$26.8 million was utilised (31st March, 2007: HK\$20.4 million). The Group's gearing ratio was zero (31st March, 2007: zero) as at 31st December, 2007.

## **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 nine-month period ended 31st, December 2007.

### **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, 2007. The amount utilised against such facilities and goods supplied as at 31st December, 2007 which was secured by the corporate guarantee amounted to approximately HK\$3.4 million. The performance bond issued by the Group to customers as security of contract was approximately HK\$26.8 million as at 31st December, 2007.

### **Employee and Remuneration Policies**

As at 31st December, 2007, the Group, excluding its associates, employed 1,381 permanent and contract staff in Hong Kong, Macau, Taiwan, mainland China 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, 2007, 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 quarterly 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 nine months ended 31st December, 2007, 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 nine months ended 31st December, 2007 except 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.

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

Hong Kong, 3rd March, 2008

*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. Michael Shove, 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.*