



AUTOMATED SYSTEMS HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 771)

2008/09 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, 2008.

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" or "ASL") for the three months ended 30th June, 2008. The first quarterly financial statements have been reviewed by the Company's Audit Committee.

Condensed Consolidated Income Statement

		Unaudited Three months ended 30th June,	
		2008	2007
	Notes	HK\$'000	HK\$'000
TURNOVER	(2)	354,695	324,145
Cost of goods sold		(188,784)	(184,530)
Cost of services rendered		(123,871)	(104,716)
Other income	(3)	1,227	3,069
Selling expenses		(16,969)	(12,539)
Administrative expenses		(11,026)	(9,903)
Finance costs	(4)	(1)	-
Share of results of associates		199	92
PROFIT BEFORE TAXATION	(5)	15,470	15,618
Taxation	(6)	(2,608)	(2,729)
Profit for the period attributable to equity holders of the Company		<u>12,862</u>	<u>12,889</u>
EARNINGS PER SHARE	(7)		
Basic		<u>HK4.34 cents</u>	<u>HK4.38 cents</u>
Diluted		<u>HK4.33 cents</u>	<u>HK4.36 cents</u>

Condensed Consolidated Balance Sheet

	<i>Notes</i>	Unaudited 30th June, 2008 HK\$'000	Audited 31st March, 2008 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	(8)	215,541	223,225
Intangible assets		4,030	4,138
Interests in associates		700	705
		<u>220,271</u>	<u>228,068</u>
CURRENT ASSETS			
Inventories		114,134	111,556
Trade receivables	(9)	225,781	191,488
Other receivables, deposits and prepayments		79,082	65,202
Short term bank deposits	(10)	100	100
Bank balances and cash	(10)	315,942	398,581
		<u>735,039</u>	<u>766,927</u>
CURRENT LIABILITIES			
Trade and bills payables	(11)	128,565	182,058
Other payables and accruals		85,138	75,920
Receipts in advance		130,011	139,392
Tax liabilities		9,812	6,362
		<u>353,526</u>	<u>403,732</u>
NET CURRENT ASSETS		<u>381,513</u>	<u>363,195</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		601,784	591,263
NON-CURRENT LIABILITY			
Deferred taxation		21,762	23,142
		<u>580,022</u>	<u>568,121</u>
CAPITAL AND RESERVES			
Share capital		29,666	29,666
Reserves		550,356	538,455
Total equity		<u>580,022</u>	<u>568,121</u>

NOTES TO THE CONDENSED CONSOLIDATED 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, 2008.

2. Turnover

Turnover represents the net amounts 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,	
	2008 HK\$'000	2007 HK\$'000
Sales of goods	217,284	203,047
Revenue from service contracts	<u>137,411</u>	<u>121,098</u>
	<u><u>354,695</u></u>	<u><u>324,145</u></u>

Approximate 90% of the Group's revenue is derived from the Hong Kong market, its major geographical segment based on location of customers. 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.

3. Other Income

	Unaudited Three months ended 30th June,	
	2008 HK\$'000	2007 HK\$'000
Interest on bank deposits	1,049	2,687
Miscellaneous	<u>178</u>	<u>382</u>
	<u><u>1,227</u></u>	<u><u>3,069</u></u>

4. Finance Costs

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

5. Profit before Taxation

	Unaudited Three months ended 30th June,	
	2008 HK\$'000	2007 HK\$'000
Profit before taxation has been arrived at after charging:		
Depreciation and amortisation:		
Property, plant and equipment	10,740	11,580
Intangible assets (included in cost of services rendered)	223	378
Loss on disposal of property, plant and equipment	7	229
Share-based payment expense	<u>330</u>	<u>188</u>

6. Taxation

	Unaudited Three months ended 30th June,	
	2008	2007
	HK\$'000	HK\$'000
The charge comprises:		
Current taxation:		
Hong Kong Profits Tax	2,543	2,586
Overseas taxation	<u>65</u>	<u>143</u>
Taxation attributable to the Company and its subsidiaries	<u><u>2,608</u></u>	<u><u>2,729</u></u>

Hong Kong Profits Tax is calculated at 16.5% (three months ended 30th June, 2007: 17.5%) on the estimated assessable profits derived from Hong Kong for the period.

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

7. Earnings Per Share

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

	Unaudited Three months ended 30th June,	
	2008	2007
	HK\$'000	HK\$'000
Earnings for the purpose of basic earnings per share and diluted earnings per share	<u><u>12,862</u></u>	<u><u>12,889</u></u>
	Number of shares	
	2008	2007
	'000	'000
Weighted average number of ordinary shares for the purpose of basic earnings per share	296,657	294,366
Effect of dilutive potential ordinary shares – Share options	<u>345</u>	<u>954</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u><u>297,002</u></u>	<u><u>295,320</u></u>

8. Property, Plant and Equipment

During the period, the Group spent approximately HK\$6,791,000 (three months ended 30th June, 2007: HK\$17,673,000) mainly on additions to computer and office equipment.

The Group's leasehold land and buildings were stated at valuations made at 31st March, 2008 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 30th June, 2008 did not differ significantly from their market value at the same date.

9. 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 of HK\$4,215,000 (31st March, 2008: HK\$4,183,000) is as follows:

	Unaudited 30th June, 2008 HK\$'000	Audited 31st March, 2008 HK\$'000
0 - 1 month	173,987	159,755
1 - 2 months	18,229	10,299
2 - 3 months	10,490	5,822
Over 3 months	<u>23,075</u>	<u>15,612</u>
	<u>225,781</u>	<u>191,488</u>

10. Short Term Bank Deposits/Bank Balances and Cash

As at 30th June, 2008, short term bank deposits comprise deposits held by the Group with an original maturity not less than three months and include bank deposits of approximately HK\$100,000 (31st March, 2008: HK\$100,000) that have been pledged to secure certain short term banking facilities of the Group. Other bank balances comprise deposits held by the Group with an original maturity of three months or less.

11. Trade and Bills Payables

An aged analysis of the trade and bills payables as at the balance sheet date, based on payment due date, is as follows:

	Unaudited 30th June, 2008 HK\$'000	Audited 31st March, 2008 HK\$'000
0 - 1 month	112,325	159,496
1 - 2 months	4,088	5,464
2 - 3 months	4,289	5,862
Over 3 months	<u>7,863</u>	<u>11,236</u>
	<u>128,565</u>	<u>182,058</u>

DIVIDEND

The Directors did not recommend the payment of dividend for the three months ended 30th June, 2008.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

Turnover for the first quarter of this year was HK\$354.7 million which increased by HK\$30.6 million or 9.4% compared to the corresponding period in FY08. Product sales and service revenue for the first quarter grew 7.0% and 13.5% respectively against last year's figures to HK\$14.2 million and HK\$16.3 million. Product sales and service revenue contributed to 61.3% and 38.7% of the first quarter's turnover respectively.

Commercial and public sector sales during the first quarter contributed to 58.8% and 41.2% of turnover respectively compared to 55.5% and 44.5% last year.

Profit before taxation for the quarter was HK\$15.5 million which was levelled the same quarter last year. It was attributed by the good performance in the infrastructure and services business, particularly in the commercial sector. However, the Company in the first quarter was pressurised by the high inflationary cost and had lower interest income due to declined interest rate. Meanwhile, the Company continued to succeed in securing sizable projects. The growth in services business also contributed to stable revenue stream.

Order book balance as at 30th June, 2008 was maintained approximately at HK\$550.0 million. A healthy balance sheet was achieved with net cash of approximately HK\$316.0 million. There were no debts during this period and working capital ratio stood at 2.08:1.

Business Review

IT Infrastructure business

In the first quarter of FY09, the infrastructure business continued to record satisfactory performance. In line with our major account strategy, the Group continued to receive repeated business from our customers in various industries, particularly from the banking, telecommunications and transportation sectors, to upgrade and enhance their systems in order to achieve operational efficiency and better customer services. Two noteworthy multi-million dollars projects included the supply of 22 units of Sun servers for a leading international bank's business expansion needs and the provision of hardware infrastructure for a passenger integration platform of a famous Hong Kong based international airline. In the public sector, the Group won a tender from a government related organisation for the supply, delivery, installation and maintenance of storage systems and Storage Area Network switches.

Services business

The services business achieved satisfactory progress. A number of sizable and long-term maintenance and managed services deals were secured in the first quarter, providing a steady stream of recurrent revenue to the Group. In June 2008, the Group was awarded a multi-million dollars 5-year government IT maintenance and support services contract for one of the largest government departments to supply 7x24 hardware and software maintenance services covering 40,000 pieces of equipments at over 100 customer sites and dedicated support teams to provide services for approximately 32,000 users. Furthermore, the Group won a multi-million dollars 3-year managed services tender to provide Computer Technician Support Service for 32 Hong Kong public libraries. In the education sector, the Group was awarded with two maintenance services contracts from the Open University of Hong Kong and another renowned local tertiary education institute. The contract with the Open University of Hong Kong covers the provision of maintenance services for servers, networks, systems and related peripherals.

Solution business

During the review period, the Group continued to capture contracts from private and public organisations which demand a comprehensive range of solutions, among them included an accounting and financial management system for a disciplinary government department and a network and applications monitoring solution for one of the biggest non-profit making organisations in Hong Kong. The winning of these projects showed our ability and competitive edge to deliver advanced solutions to our customers promptly. At the same time, the Group benefited from the upsurge in IT spending prompted by the increase in IT security awareness after a series of security incidents were detected and reported early this year, receiving a number of orders to enhance network security for a number of customers in various sectors.

Overseas business

Overseas business performed satisfactorily. Turnover of overseas business for the first quarter of FY09 increased by 62.2% compared to the corresponding period last year.

In Macau, the Group provided a tailor-made hospitality solution for Macau CTS Hotel Management (International) Limited to manage the back-office operations.

Capturing the recent increase in customer demand for infrastructure virtualisation, our subsidiary in Thailand was able to garner a contract from Klongchan Credit Union Limited, providing storage virtualisation, backup and recovery solution to render efficient operation.

Across the straits in Taiwan, we recorded an encouraging growth through continual penetration into various industries. We secured a number of sizable projects to provide servers, storage and backup systems for the infrastructure upgrade or replacement in both private and public sectors. Notably, we have won an over a million dollar project from one of the largest IT distribution companies in the Asia Pacific to provide storage and backup hardware for its data center consolidation. Besides, the Group also won a contract from a leading insurance and financial services company to provide maintenance services and consultancy for client's backup system.

With track records in providing large-scale content management solution to a power supplier in 2007, our Guangzhou subsidiary gained further access to local market by providing content management training services for another power supplier during the review period. Besides, we continued to seize business opportunities derived from our Hong Kong customer, and won a contract to provide security appliances for the Shanghai office of an international bank in Hong Kong to ensure them with a secure and efficient Web communications.

Outlook and Prospects

The Group strives to enhance business partnership in order to provide quality products and value-added services. ASL continues to enjoy a strong relationship with existing vendors. Such relationship was demonstrated in a recent project over a million dollar awarded to ASL in partnership with H3C for the set up of a large-scale 10GE network infrastructure for a Hong Kong-based television broadcaster. Apart from maintaining good business relationship with current vendors, ASL also continues to forge strategic partnership with innovative players in the industry. Currently, the Group is undergoing partnership discussion with a leading U.S.-based data warehouse software and services company in the field of super warehousing.

It has always been the Group's aim to explore new business needs. Of note was a multi-million dollars contract awarded to the Group from a prestigious financial institution in Hong Kong with the provision of a comprehensive human resources management system for its 700 users. This project signifies the successful extension of such solution from public and education sector to banking and finance sector.

Our ability to manage complex and large-scale project was well acknowledged. The Onscreen Marking System project was commissioned to us by the Hong Kong Examinations and Assessment Authority since 2007. And we are glad that this system has excelled in the sixth annual MIS Asia IT Excellence Awards, an honor recognised as one of the Asia's most prestigious award competitions that appreciates excellence in information technology management.

To maintain a competitive edge, ASL continues to focus on human resource development. The Group conducted Six Sigma staff training in July and early August 2008 and expected to increase the number of Green Belts. We have also introduced the world-class Voices Multi-rater 360⁰ Feedback System, a competency-based and research-validated 360⁰ assessment tool for leader development.

ASL will continue to maintain Hong Kong as a centre of excellence with a continuous focus on Taiwan and Greater China. We look forward to extending our professional services and solutions to broader clientele in Hong Kong, Macau, Taiwan, PRC and Thailand.

Financial Resources and Liquidity

As at 30th June, 2008, the Group's total assets of HK\$955.3 million were financed by current liabilities of HK\$353.5 million, deferred taxation of HK\$21.8 million and shareholders' equity of HK\$580.0 million. The Group had a working capital ratio of approximately 2.08:1.

As at 30th June, 2008, the Group had an aggregate composite banking facilities from banks of approximately HK\$97.0 million of which HK\$29.4 million was utilised (31st March, 2008: HK\$26.9 million). The Group's gearing ratio was zero (31st March, 2008: zero) as at 30th June, 2008.

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, 2008.

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 30th June, 2008. The amount utilised against such facilities and goods supplied as at 30th June, 2008 which was secured by the corporate guarantee amounted to approximately HK\$3.7 million. The performance bond issued by the Group to customers as security of contract was approximately HK\$29.4 million as at 30th June, 2008.

Employee and Remuneration Policies

As at 30th June, 2008, the Group, excluding its associates, employed 1,545 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 three months ended 30th June, 2008, 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.

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 three months ended 30th June, 2008, 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 three months ended 30th June, 2008 except as noted below:

- (a) with respect to Code A.1.1, a majority of directors of the Board was not present in a Board meeting duly held on 27th June, 2008 due to some directors had to travel for business development; and
- (b) 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, 27th August, 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.