



AUTOMATED SYSTEMS HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 771)

2006/07 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, 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 nine months ended 31st December, 2006.

Condensed Consolidated Profit and Loss Account

	Notes	Unaudited Three months ended 31st December,		Unaudited Nine months ended 31st December,	
		2006 HK\$'000	2005 HK\$'000 (Restated)	2006 HK\$'000	2005 HK\$'000 (Restated)
TURNOVER	(3)	327,425	258,649	887,529	757,240
Cost of goods sold		(196,617)	(160,242)	(526,970)	(456,740)
Cost of services rendered		(96,880)	(71,096)	(271,439)	(224,967)
Selling expenses		(14,231)	(11,466)	(38,773)	(34,499)
Administrative expenses		(8,649)	(7,981)	(25,811)	(24,806)
Other income	(4)	2,054	2,439	10,720	7,548
Finance costs	(5)	(4)	(28)	(7)	(228)
Share of results of associates		29	31	133	75
PROFIT BEFORE TAXATION	(6)	13,127	10,306	35,382	23,623
Taxation	(7)	(1,545)	(2,405)	(5,501)	(4,115)
Profit for the period attributable to equity holders of the Company		<u>11,582</u>	<u>7,901</u>	<u>29,881</u>	<u>19,508</u>
EARNINGS PER SHARE	(8)				
Basic		<u>3.94 cents</u>	<u>2.69 cents</u>	<u>10.16 cents</u>	<u>6.67 cents</u>
Diluted		<u>3.92 cents</u>	<u>2.68 cents</u>	<u>10.10 cents</u>	<u>6.62 cents</u>

Note: Increase in fair value of available-for-sale investment of HK\$3,953,000 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 31st December, 2006 HK\$'000	Audited 31st March, 2006 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	(9)	187,389	152,031
Intangible assets		11,973	11,937
Interests in associates		212	79
		<u>199,574</u>	<u>164,047</u>
CURRENT ASSETS			
Inventories		124,957	77,911
Trade receivables	(10)	208,244	103,946
Other receivables, deposits and prepayments		60,432	50,031
Available-for-sale investments	(11)	32,464	22,094
Short term bank deposits	(12)	137,883	322,374
Bank balances and cash		75,842	45,946
		<u>639,822</u>	<u>622,302</u>
CURRENT LIABILITIES			
Trade and bills payables	(13)	166,047	127,513
Other payables and accruals		60,013	59,523
Receipts in advance		99,024	98,340
Taxation		4,964	3,167
		<u>330,048</u>	<u>288,543</u>
NET CURRENT ASSETS		<u>309,774</u>	<u>333,759</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>509,348</u>	<u>497,806</u>
NON-CURRENT LIABILITY			
Deferred taxation		12,927	10,992
		<u>496,421</u>	<u>486,814</u>
CAPITAL AND RESERVES			
Share capital		29,419	29,379
Reserves		467,002	457,435
Equity attributable to equity holders of the Company		<u>496,421</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").

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 period, the Group has applied a number of new standard, amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants, 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 31st December,		Unaudited Nine months ended 31st December,	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Sales of goods	214,680	178,091	581,000	502,235
Revenue from service contracts	112,745	80,558	306,529	255,005
	<u>327,425</u>	<u>258,649</u>	<u>887,529</u>	<u>757,240</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,	
	2006 HK\$'000	2005 HK\$'000 (Restated)	2006 HK\$'000	2005 HK\$'000 (Restated)
Interest on bank deposits	2,179	2,210	7,880	5,447
Dividend income from available-for-sale investments	-	-	2,683	1,655
Miscellaneous	(125)	229	157	446
	<u>2,054</u>	<u>2,439</u>	<u>10,720</u>	<u>7,548</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 31st December,		Unaudited Nine months ended 31st December,	
	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)	198	337	2,168	1,001
Property, plant and equipment	12,838	7,864	30,908	26,505
Loss on disposal of property, plant and equipment	47	10	129	21
Share-based payment expense	497	404	1,247	1,393
	<u>497</u>	<u>404</u>	<u>1,247</u>	<u>1,393</u>

7. Taxation

	Unaudited Three months ended 31st December,		Unaudited Nine months ended 31st December,	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
The charge comprises:				
Current tax:				
Hong Kong Profits Tax	1,484	2,042	2,801	3,412
Overseas taxation	61	363	840	703
Overprovision in prior year	-	-	(75)	-
Deferred taxation	-	-	1,935	-
Taxation attributable to the Company and its subsidiaries	<u>1,545</u>	<u>2,405</u>	<u>5,501</u>	<u>4,115</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. 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,	
	2006 HK\$'000	2005 HK\$'000 (Restated)	2006 HK\$'000	2005 HK\$'000 (Restated)
Earnings for the purpose of basic earnings per share and diluted earnings per share	<u>11,582</u>	<u>7,901</u>	<u>29,881</u>	<u>19,508</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	294,086	293,280	294,036	292,653
Effect of dilutive potential ordinary shares – share options	1,654	1,896	1,711	1,833
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>295,740</u>	<u>295,176</u>	<u>295,747</u>	<u>294,486</u>

9. Property, Plant and Equipment

During the period, the Group spent approximately HK\$65,574,000 (31st March, 2006: HK\$30,707,000) on equipment.

At 31st December, 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.

10. 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 31st December, 2006 HK\$'000	Audited 31st March, 2006 HK\$'000
Current	109,970	56,734
0 – 1 month	44,417	22,010
1 – 2 months	20,985	9,992
2 – 3 months	19,128	4,093
Over 3 months	13,744	11,117
	<u>208,244</u>	<u>103,946</u>

11. Available-for-sale Investments

	Unaudited 31st December, 2006 HK\$'000	Audited 31st March, 2006 HK\$'000
Overseas listed shares, at market value	<u>32,464</u>	<u>22,094</u>

12. 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.

13. 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, 2006 HK\$'000	Audited 31st March, 2006 HK\$'000
Current	105,003	93,739
0 – 1 month	39,578	14,156
1 – 2 months	6,194	5,009
2 – 3 months	3,044	2,878
Over 3 months	12,228	11,731
	<u>166,047</u>	<u>127,513</u>

DIVIDEND

The Directors did not recommend the payment of dividend for the three months ended 31st December, 2006.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

Turnover for the first nine months was HK\$887.5 million; higher by HK\$130.3 million or 17.2% as compared to the corresponding nine months period in FY06. Turnover for the third quarter of FY07 was HK\$327.4 million; higher by HK\$68.8 million or 26.6% as compared to the corresponding 3 months period in FY06. Product and service revenue for the first nine months increased by 15.7% and 20.2% respectively, which contributed 65.5% and 34.5% of the nine-months period turnover. Private and public sector sales for the first nine months contributed 58.7% and 41.3% to turnover respectively as compared to 50.6% and 49.4% in the corresponding period last year.

Profit before taxation for the third quarter was HK\$13.1 million, higher than same quarter last year by HK\$2.8 million. Profit before taxation for the first nine months was HK\$35.4 million, higher than corresponding period last year by HK\$11.8 million, an increase of 49.8%. Improved profits were attributable to sales growth in both infrastructure system and service business.

The Group had net cash approximate HK\$214.0 million, a decrease of HK\$155.0 million from 31st March, 2006. The Group currently is debt-free with a working capital ratio of 1.94:1 (as at 31st March, 2006, 2.16:1). In the period under review, the growth in value-added project services that typically have longer delivery time and staged payments linked to specific milestones has caused an increase in trade receivables and inventories that resulted in a decrease in cash.

Business Review

The Group achieved growth in application development, business solutions and infrastructure systems sales, in both public and private sectors. Managed services also continued to strengthen as a recurring revenue stream.

During the period, the group won a large-scale project from a government department for a Web-based mission critical system which is capable of supporting 5,000 users. Given the stringent system availability and response time requirements of this project, the award exemplified the Group's competence in delivering large-scale projects with high reliability and serviceability.

Other contracts secured during the period include multimillion-dollar projects to provide system analysis and design, system implementation and integration, and system maintenance and support services for an electronic document management system, internet portals and web content management platforms, a financial management system and a human resources management system. The Group also provided real time clustering solutions and consultancy for one of the world's largest integrated international container transportation, logistics and terminal companies.

For the second time, the Group was granted Standing Offer Agreements for the provision of server systems and network systems to various government departments. The duration of both agreements was 24 months with an option to extend for a further period of 12 months. The Group also partnered with a technology vendor to supply thousands of notebook computers to students, staff and alumni of The University of Hong Kong and the Open University of Hong Kong. During the period the Group provided storage solutions for one of the largest telecommunication services providers and government departments in Macau. The Group was awarded a contract to provide IT infrastructure for a leading international bank's offices in different PRC locations.

During the period, the Group won a number of industry accolades for outstanding sales performance, including "Best Performance SI Partner 2006" from Sun Microsystems, "Outstanding Performance Award 2006" from Oracle and "Best Solutions Partner – Hong Kong" award from RSA, the Security Division of EMC. Our wholly-owned subsidiary ELM Computer Technologies Limited was also accredited with ISO9001:2000 certification, and obtained the Level 3 Qualification Certification of Computer Information System Integration (SI) from the Ministry of Information Industry of the Central People's Government, which demonstrated its capability to offer systems integration services to enterprises and organizations in the mainland China.

Outlook and Prospects

The Group will continue to refine its service quality and move up the value chain. The Group's Six Sigma programme is contributing to these quality improvements and is proceeding well within the organization. We will continue to strengthen our Greater China presence and leverage resources across the region to expand market presence. With a clear strategy for continued future development, the Group's prospects remain positive.

Financial Resources and Liquidity

As at 31st December, 2006, the Group's total assets of HK\$839.4 million were financed by current liabilities of HK\$330.1 million, deferred tax of HK\$12.9 million and shareholders' equity of HK\$496.4 million. The Group had a working capital ratio of approximately 1.94:1.

As at 31st December, 2006, the Group had an aggregate composite banking facilities from banks of approximately HK\$202.1 million of which HK\$19.0 million was utilized (31st March, 2006: HK\$16.6 million). The Group's gearing ratio was zero (31st March, 2006: zero) as at 31st December, 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 nine-month period ended 31st December, 2006.

Contingent Liabilities

The amount utilized against banking facilities and goods supplied as at 31st December, 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\$19.0 million as at 31st December, 2006.

Employee and Remuneration Policies

As at 31st December, 2006, the Group, excluding its associates, employed 1,210 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, 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 third 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, 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 nine months ended 31st December, 2006.

By Order of the Board
Lai Yam Ting
Managing Director

Hong Kong, 28th February, 2007

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.”