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**AUTOMATED**

# AUTOMATED SYSTEMS HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 771)

## INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30TH JUNE 2014

### RESULTS

The Board of Directors (the “Board”) of Automated Systems Holdings Limited (the “Company”) are pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group” or “ASL”) for the six months ended 30th June 2014. The condensed consolidated interim financial information has been reviewed by the Company’s Audit Committee and the Company’s auditor.

### Condensed Consolidated Income Statement

		Unaudited Six months ended 30th June	
	<i>Notes</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
<b>Revenue</b>	3	<b>694,151</b>	808,354
Cost of goods sold		<b>(341,259)</b>	(396,812)
Cost of services rendered		<b>(296,425)</b>	(336,460)
Other income	4	<b>2,122</b>	3,881
Other gain/(loss), net	5	<b>44,237</b>	(549)
Selling expenses		<b>(35,535)</b>	(34,439)
Administrative expenses		<b>(25,083)</b>	(31,862)
Finance income	6	<b>526</b>	710
Finance costs		<b>(995)</b>	(273)
Share of results of associates		<b>(6,530)</b>	73
		<hr/>	<hr/>
<b>Profit before income tax</b>	7	<b>35,209</b>	12,623
Income tax expense	8	<b>(1,167)</b>	(2,968)
		<hr/>	<hr/>
<b>Profit for the period</b>		<b>34,042</b>	9,655
		<hr/>	<hr/>
<b>Attributable to:</b>			
Equity holders of the Company		<b>34,073</b>	9,655
Non-controlling interests		<b>(31)</b>	-
		<hr/>	<hr/>
		<b>34,042</b>	9,655
		<hr/>	<hr/>

## Condensed Consolidated Income Statement (Cont'd)

	<i>Notes</i>	<b>Unaudited</b>	
		<b>Six months ended</b>	
		<b>30th June</b>	
		<b>2014</b>	2013
		<i>HK cents</i>	<i>HK cents</i>
<b>Earnings per share attributable to equity holders of the Company</b>	10		
Basic and diluted		<b>10.94</b>	3.10

## Condensed Consolidated Statement of Comprehensive Income

	<b>Unaudited</b>		
	<b>Six months ended</b>		
	<b>30th June</b>		
		<b>2014</b>	2013
		<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Profit for the period</b>		<b>34,042</b>	9,655
<b>Other comprehensive income/(loss) that may be reclassified subsequently to profit or loss:</b>			
Exchange difference on translation of overseas operations		1,427	(1,385)
Reclassification adjustment of translation reserve upon disposal of subsidiaries		(451)	-
Share of other comprehensive loss of associates		(132)	-
<b>Total comprehensive income for the period</b>		<b>34,886</b>	8,270
<b>Attributable to:</b>			
Equity holders of the Company		34,917	8,270
Non-controlling interests		(31)	-
		<b>34,886</b>	8,270

## Condensed Consolidated Balance Sheet

		Unaudited As at 30th June 2014 <i>HK\$'000</i>	Audited As at 31st December 2013 <i>HK\$'000</i>
	<i>Notes</i>		
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	11	231,425	236,823
Investment properties	12	43,000	43,000
Intangible assets		5,655	5,906
Interests in associates		83,004	877
Finance lease receivables		7,242	12,932
Deferred income tax assets		1,377	320
		<u>371,703</u>	<u>299,858</u>
<b>CURRENT ASSETS</b>			
Inventories		170,539	124,225
Trade receivables	13	140,768	210,963
Finance lease receivables		16,115	18,055
Other receivables, deposits and prepayments	14	30,035	16,999
Amounts due from customers for contract work		214,736	241,928
Tax recoverable		5,628	4,152
Restricted bank deposits	15	1,071	48
Cash and cash equivalents		127,508	114,661
		<u>706,400</u>	<u>731,031</u>
Assets of disposal group classified as held for sale		-	84,201
		<u>706,400</u>	<u>815,232</u>
<b>TOTAL ASSETS</b>		<b><u>1,078,103</u></b>	<b><u>1,115,090</u></b>
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY</b>			
Share capital		31,140	31,140
Share premium		104,947	104,947
Reserves		500,175	472,560
<b>TOTAL EQUITY</b>		<b><u>636,262</u></b>	<b><u>608,647</u></b>
<b>NON-CURRENT LIABILITIES</b>			
Deferred income tax liabilities		35,561	35,458
<b>CURRENT LIABILITIES</b>			
Trade payables	16	185,853	224,208
Other payables and accruals	17	57,719	47,262
Receipts in advance		135,863	115,356
Current income tax liabilities		4,845	2,972
Short-term borrowings		22,000	49,257
		<u>406,280</u>	<u>439,055</u>
Liabilities of disposal group classified as held for sale		-	31,930
		<u>406,280</u>	<u>470,985</u>
<b>TOTAL LIABILITIES</b>		<b><u>441,841</u></b>	<b><u>506,443</u></b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b><u>1,078,103</u></b>	<b><u>1,115,090</u></b>
<b>NET CURRENT ASSETS</b>		<b><u>300,120</u></b>	<b><u>344,247</u></b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b><u>671,823</u></b>	<b><u>644,105</u></b>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 1. Basis of Preparation

The condensed consolidated interim financial information for the six months ended 30th June 2014 has 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") and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The condensed consolidated interim financial information should be read in conjunction with the consolidated financial statements of the Group for the year ended 31st December 2013, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

### 2. Principal Accounting Policies

The accounting policies applied in these condensed consolidated interim financial information are consistent with those described in the financial statements for the year ended 31st December 2013.

The HKICPA has issued certain new and revised HKFRSs. For those which are effective for accounting periods beginning on 1st January 2014, the adoption of these newly effective HKFRSs has no material impact on how the results and financial position of the Group for the current and prior periods have been prepared and presented. For those which are not yet effective and have not been early adopted by the Group, the Group is in the process of assessing their impact on the Group's results and financial position.

### 3. Revenue and Segment Information

Revenue 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:

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30th June</b>	
	<b>2014</b>	<b>2013</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Sales of goods	376,499	436,029
Revenue from service contracts	<u>317,652</u>	<u>372,325</u>
	<b><u>694,151</u></b>	<b><u>808,354</u></b>

The chief operating decision maker has been identified as the Board. The Board reviews the Group's internal reporting in order to assess the performance and allocate resources. The Board has determined the operating segments based on the Group's internal reporting.

The Group is currently organised into two (six months ended 30th June 2013: two) operating divisions – Information Technology Products ("IT Products") and Information Technology Services ("IT Services"). These divisions are the basis on which the Group reports its primary segment information to the chief operating decision maker. The business nature of each segment is disclosed as follows:

#### IT Products

Being the business of information technology in supplying of information technology and associated products.

#### IT Services

Being the business of information technology in providing systems integration, software and consulting services, engineering support for products and solutions and managed services.

The Group's revenue and results by operating segment for the period under review are presented below:

**Unaudited**

**Six months ended 30th June 2014**

	<b>IT Products</b>	<b>IT Services</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue from external customers	376,499	317,652	694,151
Intersegment revenue	<u>36,646</u>	<u>11,079</u>	<u>47,725</u>
Segment revenue	413,145	328,731	741,876
Reportable segment profit	8,163	13,273	21,436
Segment depreciation	92	4,572	4,664
Segment amortisation	-	251	251
Additions to property, plant and equipment	168	1,744	1,912
Additions to intangible assets	<u>-</u>	<u>153</u>	<u>153</u>

**Unaudited**

**Six months ended 30th June 2013**

	<b>IT Products</b>	<b>IT Services</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue from external customers	436,029	372,325	808,354
Intersegment revenue	<u>6,503</u>	<u>13,839</u>	<u>20,342</u>
Segment revenue	442,532	386,164	828,696
Reportable segment profit	17,129	24,231	41,360
Segment depreciation	798	5,517	6,315
Segment amortisation	-	1,515	1,515
Additions to property, plant and equipment	-	2,101	2,101
Additions to intangible assets	<u>-</u>	<u>3,790</u>	<u>3,790</u>

The Group's assets and liabilities by operating segment for the period under review are presented below:

**Unaudited**

**As at 30th June 2014**

	<b>IT Products</b>	<b>IT Services</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Reportable segment assets	289,229	289,269	578,498
Reportable segment liabilities	<u>221,128</u>	<u>132,847</u>	<u>353,975</u>

**Audited**

**As at 31st December 2013**

Reportable segment assets	325,471	305,971	631,442
Reportable segment liabilities	<u>214,365</u>	<u>134,999</u>	<u>349,364</u>

- (a) The accounting policies of the reportable segments are the same as the Group's accounting policies. Performance is measured based on segment profit that is used by the chief operating decision maker for the purposes of resource allocation and assessment of segment performance. Income tax expense is not allocated to reportable segments.

The revenue, profit or loss, assets and liabilities of the Group are allocated based on the operations of the segments.

Reportable segment profit is profit before income tax, excluding unallocated other income, other gain/(loss), net, unallocated depreciation for property, plant and equipment that are used for all segments, share of results of associates, finance costs and other corporate expenses (mainly include staff costs and other general administrative expenses) of the head office.

Reportable segment assets exclude interests in associates, deferred income tax assets, restricted bank deposits, cash and cash equivalents, unallocated corporate assets (mainly include property, plant and equipment, investment properties and part of intangible assets that are used by all segments, prepayments, deposits and tax recoverable) and assets of disposal group classified as held for sale.

Reportable segment liabilities exclude current income tax liabilities, deferred income tax liabilities, unallocated corporate liabilities (mainly include accrued charges of the head office and short-term borrowings) and liabilities of disposal group classified as held for sale.

Additions to non-current assets comprise additions to property, plant and equipment and intangible assets.

- (b) Reconciliation of the reportable segment revenue, profit or loss, assets and liabilities

Reportable segment revenue, profit or loss, assets and liabilities are reconciled to results and total assets and total liabilities of the Group as follows:

<b>Revenue</b>	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30th June</b>	
	<b>2014</b>	<b>2013</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Reportable segment revenue	<b>741,876</b>	828,696
Elimination of intersegment revenue	<b>(47,725)</b>	(20,342)
Revenue per condensed consolidated income statement	<b>694,151</b>	<b>808,354</b>

Intersegment revenue is charged at cost plus a percentage of profit mark-up.

<b>Profit or loss</b>	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30th June</b>	
	<b>2014</b>	<b>2013</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Reportable segment profit	<b>21,436</b>	41,360
Unallocated amounts:		
Unallocated other income	<b>2,122</b>	3,881
Unallocated other gain/(loss), net	<b>44,259</b>	(556)
Unallocated depreciation	<b>(2,675)</b>	(2,815)
Share of results of associates	<b>(6,530)</b>	73
Finance costs	<b>(995)</b>	(273)
Unallocated corporate expenses	<b>(22,408)</b>	(29,047)
Profit before income tax per condensed consolidated income statement	<b>35,209</b>	<b>12,623</b>

<b>Assets</b>	<b>Unaudited</b> <b>30th June</b> <b>2014</b> <b>HK\$'000</b>	Audited 31st December 2013 <i>HK\$'000</i>
Reportable segment assets	<b>578,498</b>	631,442
Unallocated assets:		
Interests in associates	<b>83,004</b>	877
Deferred income tax assets	<b>1,377</b>	320
Unallocated restricted bank deposits	<b>1,071</b>	48
Unallocated cash and cash equivalents	<b>127,508</b>	114,661
Unallocated corporate assets	<b>286,645</b>	283,541
	<b>1,078,103</b>	1,030,889
Assets of disposal group classified as held for sale	<b>-</b>	84,201
Total assets per condensed consolidated balance sheet	<b>1,078,103</b>	1,115,090

<b>Liabilities</b>	<b>Unaudited</b> <b>30th June</b> <b>2014</b> <b>HK\$'000</b>	Audited 31st December 2013 <i>HK\$'000</i>
Reportable segment liabilities	<b>353,975</b>	349,364
Unallocated liabilities:		
Current income tax liabilities	<b>4,845</b>	2,972
Deferred income tax liabilities	<b>35,561</b>	35,458
Unallocated corporate liabilities	<b>47,460</b>	86,719
	<b>441,841</b>	474,513
Liabilities of disposal group classified as held for sale	<b>-</b>	31,930
Total liabilities per condensed consolidated balance sheet	<b>441,841</b>	506,443

The Group's businesses and segment assets are all located in the respective place of domicile of the relevant Group entities which include Hong Kong, China, Macau, Singapore, Taiwan and Thailand.

<b>Place of domicile</b>	<b>Revenue from</b> <b>external customers</b> <b>Unaudited</b> <b>Six months ended</b> <b>30th June</b> <b>2014</b> <b>HK\$'000</b>	2013 <i>HK\$'000</i>
Hong Kong	<b>623,237</b>	702,608
China	<b>9,327</b>	11,991
Macau	<b>22,139</b>	17,773
Singapore	<b>2,550</b>	27,851
Taiwan	<b>23,527</b>	35,777
Thailand	<b>13,197</b>	10,380
Others	<b>174</b>	1,974
	<b>694,151</b>	808,354

**Place of domicile****Specified non-current assets**

	<b>Unaudited</b>	<b>Audited</b>
	<b>30th June</b>	<b>31st December</b>
	<b>2014</b>	<b>2013</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Hong Kong	361,138	284,663
China	563	692
Macau	938	925
Taiwan	167	20
Thailand	278	306
	<b>363,084</b>	<b>286,606</b>

**4. Other Income**

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30th June</b>	
	<b>2014</b>	<b>2013</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Interest on bank deposits	44	86
Rental income from investment properties	1,297	1,297
Sundry income	569	1,961
Others	212	537
	<b>2,122</b>	<b>3,881</b>

**5. Other Gain/(Loss), Net**

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30th June</b>	
	<b>2014</b>	<b>2013</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Deferred consideration payable		
- Fair value loss	-	(16)
Gain on disposal of property, plant and equipment	47	20
Gain on disposal of subsidiaries	44,666	-
Exchange loss, net	(476)	(553)
	<b>44,237</b>	<b>(549)</b>

**6. Finance Income**

Finance income represents accretion of discount recognised upon initial recognition of loans and receivables to their fair values.



## 7. Profit Before Income Tax

**Unaudited**  
**Six months ended**  
**30th June**  
**2014**                      2013  
**HK\$'000**                      **HK\$'000**

Profit before income tax is arrived at after charging/(crediting):

Depreciation and amortisation		
Property, plant and equipment	7,339	9,130
Intangible assets (included in cost of services rendered)	251	1,515
Gain on disposal of property, plant and equipment	(47)	(20)
Impairment loss on amounts due from contract customers	6,701	-
Reversal of provision for impairment of trade receivables	(311)	(78)
Staff costs	<u>218,973</u>	<u>240,838</u>

## 8. Income Tax Expense

**Unaudited**  
**Six months ended**  
**30th June**  
**2014**                      2013  
**HK\$'000**                      **HK\$'000**

Current taxation:		
Hong Kong profits tax	2,178	2,851
Overseas taxation	23	75
Over-provision in respect of prior period:		
Hong Kong profits tax	(79)	-
Overseas taxation	<u>(1)</u>	<u>-</u>
	2,121	2,926
Deferred taxation:		
Current period	<u>(954)</u>	<u>42</u>
Income tax expense	<u>1,167</u>	<u>2,968</u>

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30th June 2013: 16.5%) on the estimated assessable profits for the period. Taxation on overseas profits has been calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the countries and regions in which the Group operates.

## 9. Dividends

**Unaudited**  
**Six months ended**  
**30th June**  
**2014**                      2013  
**HK\$'000**                      **HK\$'000**

Dividend recognised as distribution during the period:

Final dividend in respect of the year ended 31st December 2012 of 5.0 HK cents per share	<u>-</u>	<u>15,570</u>
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The Directors did not recommend the payment of an interim dividend for the six months ended 30th June 2014 (six months ended 30th June 2013: Nil).

## 10. 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 Six months ended 30th June	
	2014 HK\$'000	2013 HK\$'000
Earnings for the purpose of basic and diluted earnings per share	<u>34,073</u>	<u>9,655</u>
	Number of shares	
	2014 '000	2013 '000
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	<u>311,403</u>	<u>311,403</u>

Diluted earnings per share for the six months ended 30th June 2014 is the same as the basic earnings per share as there is no dilutive effect of potential ordinary shares outstanding.

## 11. Property, Plant and Equipment

During the six months period ended 30th June 2014, the additions of property, plant and equipment, mainly for computers and office equipment, was approximately HK\$2,111,000 (six months ended 30th June 2013: HK\$2,537,000).

During the six months period ended 30th June 2014, the Group disposed of certain property, plant and equipment at the carrying amount of HK\$2,000 (six months ended 30th June 2013: HK\$232,000), resulting in a gain on disposal of HK\$47,000 (six months ended 30th June 2013: HK\$20,000).

The Group's leasehold land and buildings were stated at valuations made at 31st December 2013 less depreciation. The leasehold land and buildings were last revalued by DTZ Debenham Tie Leung Limited, an independent professional valuer, at 31st December 2013 at market value basis which is determined by reference to market evidence of recent transactions for similar properties. As at 30th June 2014, the Directors of the Company considered that the carrying amount of the Group's leasehold land and buildings did not differ significantly from their fair values.

As at 30th June 2014, if the leasehold land and buildings had not been revalued, they would have been included in these condensed consolidated interim financial information at historical cost, less accumulated depreciation and amortisation with a carrying amount of approximately HK\$47,333,000 (31st December 2013: HK\$48,365,000).

The Group's interest in leasehold land represents finance lease payments held in Hong Kong with term between 10 to 50 years.

As at 30th June 2014, the Group had pledged leasehold land and buildings with a carrying amount of approximately HK\$221,051,000 (31st December 2013: HK\$224,400,000) to secure banking facilities granted to the Group.

## 12. Investment Properties

The investment properties of the Group were last revalued at 31st December 2013 by DTZ Debenham Tie Leung Limited, an independent professional valuer, on the basis of open market value which is determined by reference to market evidence of recent transactions for similar properties.

As at 30th June 2014, the Directors of the Company considered that the carrying amount of the Group's investment properties which are carried at revalued amounts did not differ significantly from their fair values.

As at 30th June 2014, the Group had pledged investment properties with a carrying amount of approximately HK\$43,000,000 (31st December 2013: HK\$43,000,000) to secure banking facilities granted to the Group.

## 13. 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.

	Unaudited 30th June 2014 HK\$'000	Audited 31st December 2013 HK\$'000
Trade receivables – gross	141,255	211,761
Less: provision for impairment	<u>(487)</u>	<u>(798)</u>
Trade receivables – net	<u>140,768</u>	<u>210,963</u>

An ageing analysis of the gross trade receivables as at the balance sheet date, based on ageing from payment due date, is as follows:

	Unaudited 30th June 2014 HK\$'000	Audited 31st December 2013 HK\$'000
Current	92,569	133,836
Within 30 days	15,285	30,035
31 - 60 days	10,040	23,885
61 - 90 days	9,125	9,597
Over 90 days	14,236	14,408
	<u>141,255</u>	<u>211,761</u>

#### 14. Other Receivables, Deposits and Prepayments

	Unaudited 30th June 2014 HK\$'000	Audited 31st December 2013 HK\$'000
Other receivables	2,974	1,524
Deposits	7,831	7,895
Prepayments	18,204	7,551
Amount due from the ultimate holding company	978	-
Amount due from the immediate holding company	13	13
Amount due from an associate	35	16
	<u>30,035</u>	<u>16,999</u>

#### 15. Restricted Bank Deposits

Restricted bank deposits represented fixed term deposits placed in commercial banks that were pledged against banking facilities and performance bonds granted to the Group.

#### 16. Trade Payables

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

	Unaudited 30th June 2014 HK\$'000	Audited 31st December 2013 HK\$'000
Current	114,399	145,817
Within 30 days	39,263	44,089
31 - 60 days	14,627	21,380
61 - 90 days	6,317	2,590
Over 90 days	11,247	10,332
	<u>185,853</u>	<u>224,208</u>

#### 17. Other Payables and Accruals

	Unaudited 30th June 2014 HK\$'000	Audited 31st December 2013 HK\$'000
Other payables	3,390	3,135
Accruals	32,203	39,336
Amount due to the ultimate holding company	-	239
Amount due to a fellow subsidiary	18,114	2,712
Amount due to associates	4,012	1,840
	<u>57,719</u>	<u>47,262</u>

## **18. Pledge of Assets**

As at 30th June 2014, the Group's leasehold land and buildings of approximately HK\$221,051,000 (31st December 2013: HK\$224,400,000) and investment properties of approximately HK\$43,000,000 (31st December 2013: HK\$43,000,000) were pledged to secure the banking facilities of the Group.

As at 30th June 2014, the Group's restricted bank deposits of approximately HK\$1,071,000 (31st December 2013: HK\$48,000) were pledged to secure the banking facilities and performance bonds of the Group.

## **DIVIDEND**

The Directors did not recommend the payment of an interim dividend for the six months ended 30th June 2014 (six months ended 30th June 2013: Nil).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Financial Results**

For the six months ended 30th June 2014, revenue of the Group was HK\$694.2 million, lower by 14.1% compared to the same period last year.

For the six months ended 30th June 2014, product sales and service revenue were HK\$376.5 million and HK\$317.7 million, decreasing by 13.6% and 14.7% respectively compared with the corresponding period last year. Product sales and service revenue contributed 54.2% and 45.8% to total revenue respectively, compared to 53.9% and 46.1% with the corresponding period last year.

For the six months ended 30th June 2014, commercial and public sector sales contributed 40.7% and 59.3% to revenue respectively, compared to 42.9% and 57.1% for the corresponding period last year.

In the period under review, the business environment remained challenging, together with conservative customer sentiment and increasingly fierce competition resulted in a considerable fall in revenue. The gross profit margin for the first six months was 8.1%, lower by 1.2% compared to the corresponding period last year. For the first six months, the profit attributable to the Company's equity holders was HK\$34.1 million, higher by 252.9% compared to the corresponding period last year. Such increase was mainly attributable to a one-off gain on the deemed disposal of partial interests in a subsidiary, i-Sprint Innovations Pte Ltd ("i-Sprint"), during the period. Details of the deemed disposal are disclosed in the Company's announcements dated 28th January 2014 and 12th February 2014. After this disposal, substantial investments in business development were made by i-Sprint, turning its business from profit to loss, which resulted in sharing of loss of associates by the Group. The aforesaid one-off gain was partially offset by the share of loss of associates and the decrease in the gross profit margin of our core information technology ("IT") business.

During the period under review, a Business Contract has been terminated, details of which are disclosed in the Company's announcements dated 19th March 2014 and 21st May 2014. The Group has made appropriate provision for the termination of the Business Contract in a prudent manner. Nevertheless, the possible impact arising from the termination of the Business Contract on the Group's results for future financial periods is still under review and subject to negotiation.

For the six months ended 30th June 2014, orders newly secured by the Group amounted to approximately HK\$807.6 million. As of 30th June 2014, the order book balance was approximately HK\$902.6 million, an increase of HK\$88.5 million compared with the corresponding period last year. The Group's net cash stood at approximately HK\$127.5 million with a working capital ratio of 1.74:1. The Group maintained a healthy balance sheet and outstanding borrowings amounted to HK\$22.0 million as at 30th June 2014.

### **Business Review**

In the period under review, the Group continued to win infrastructure, solutions and high-value service contracts from prominent players in different industry sectors. The achievement signifies the Group's leading position remains strong in the markets.

In the public sector, the Group won a significant tender from a statutory body for the provision of personal computer support and related services. This contract lasts for 63 months and covers approximately 20,000 devices, spanning across the customer's headquarters and several hundred offices in Hong Kong. Winning this tender demonstrates our strong experience in long-term and sizable managed services, including helpdesk and hardware maintenance support, one of the Group's business focuses.

In the commercial sector, the Group responded to the customers' demand for various IT solutions and high value-added services for cost control and higher operational efficiency. Significant wins included the supply of a document management solution for an entertainment company and the provision of relocation services of IT equipment for a financial institution.

During the review period, the Group continued to benefit from regional opportunities arising from growing security concerns. In addition to securing deals with financial institutions in Hong Kong, the Group continued to garner deals through i-Sprint, a regional leader in Identity, Credential and Access Management (ICAM) solution services for global financial institutions and enterprises. Orders included the provision of i-Sprint's AccessMatrix security solutions to its first second-tier bank in Thailand and also to a Singapore bank with service deployment across its offices located in three countries in Asia Pacific.

To strengthen our capability to provide an integral security mix, the Company brought in Great Ally Investments Limited (a strategic investor under Peregrine Greater China Capital Appreciation Fund, L.P.) to subscribe new shares of i-Sprint with a consideration at US\$9,850,000. Upon completion, the Group has become a major shareholder of i-Sprint. Through complementing each other's strengths, we expect to create greater synergy with i-Sprint.

### **Outlook and Prospects**

Since the Hong Kong economy still plays a major role in the future development of the Group, we will keep a close eye on the anticipated business opportunities arising from fast-growing industries, such as the aviation industry. Meanwhile, we will hone our strategy to accommodate in particular the Hong Kong government's IT initiatives, for example, the adoption of open source applications by government departments, electronic information management, web accessibility and the government's human resources management services.

Apart from continuous effort to boost our infrastructure and managed services business, we will continue our strategy to develop various kinds of advanced IT solutions, for example, business intelligence and enterprise content management solutions. We will seek close collaboration with world-leading partners to develop best-of-breed solutions that are based on our respective industry-leading solutions in hardware, software and one-stop professional services.

Among IT solutions, we will focus on developing security solutions to address the trends of sophisticated threats, expanding regulatory compliance requirements, data protection, mobility and cloud computing. We will not only partner with i-Sprint but also work closely with other providers of global security solutions. By doing so, the Group expects to offer more comprehensive solutions and secure a leading position in the IT and security markets in the region.

In addition, we will invest in facilities, technologies and talent to provide the best service for our regional customers.

As a leading Asia IT services and solution provider, we are committed to become the most trustworthy and professional IT partner for our customers. Our services and solutions enable our customers to achieve the strongest market competitiveness and excellence in service. We will continue to optimise the Group's human capital efficiency, refine and streamline the operation process, improve services and create greater synergies with Beijing Teamsun Technology Co., Ltd., our parent company, to improve the Group's core IT business and expand the Group's market coverage.

### **Financial Resources and Liquidity**

As at 30th June 2014, the Group's total assets of HK\$1,078.1 million were financed by current liabilities of HK\$406.3 million, non-current liabilities of HK\$35.5 million and shareholders' equity of HK\$636.3 million. The Group had a working capital ratio of approximately 1.74:1.

As at 30th June 2014, the Group had an aggregate composite banking facility from banks of approximately HK\$311.1 million (31st December 2013: HK\$310.0 million). The Group had pledged leasehold land and buildings and investment properties in an aggregate amount of HK\$264.1 million (31st December 2013: HK\$267.4 million) and restricted bank deposits of approximately HK\$1.1 million (31st December 2013: HK\$0.1 million) for banking facilities and performance bonds granted to the Group respectively. The performance bonds issued by the Group to customers as security of contracts were approximately HK\$45.1 million as at 30th June 2014 (31st December 2013: HK\$44.0 million). The Group's gearing ratio (total borrowings over total equity) was 3.5% as at 30th June 2014 (31st December 2013: 8.1%).

## **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, clean import loans and term loans. The interest rates of most of them are fixed by reference to the respective countries' Interbank Offer Rate. The bank deposits are mainly denominated in Hong Kong dollars ("HKD") and United States dollars ("USD"). The short-term borrowings are denominated in HKD and USD.

## **Foreign Exchange Exposure**

The Group mainly earns revenue and incurs costs in USD and HKD. Foreign exchange exposure to USD 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 HKD to USD remains in effect. There was no material exposure to fluctuations in exchange rates and therefore no related hedging financial instrument was applied during the six months ended 30th June 2014 (six months ended 30th June 2013: same).

## **Contingent Liabilities**

As at 30th June 2014, bank deposits held as security for banking facilities and performance bonds amounted to approximately HK\$1.1 million (31st December 2013: HK\$0.1 million). At 30th June 2014, performance bonds of HK\$45.1 million (31st December 2013: HK\$44.0 million) had been issued by the Group to customers as security of contracts.

Corporate guarantee to vendors as security for goods supplied to the Group amounted to approximately HK\$44.5 million as at 30th June 2014 (31st December 2013: HK\$44.5 million). The amount utilised against goods supplied as at 30th June 2014 which was secured by the corporate guarantee was approximately HK\$3.2 million (31st December 2013: HK\$1.1 million).

## **Capital Commitments**

As at 30th June 2014, the Group had contracted capital commitment amounted to approximately HK\$5.2 million (31st December 2013: Nil).

## **Employee and Remuneration Policies**

As at 30th June 2014, the Group, excluding its associates, employed 1,306 permanent and contract staff in Hong Kong, China, Taiwan, Macau 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 six months ended 30th June 2014, 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 interim 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 six months ended 30th June 2014, and they all confirmed that they have fully complied with the required standard set out in the Model Code.

## **CORPORATE GOVERNANCE**

The Company has complied with the Corporate Governance Code (the "Code") set out in Appendix 14 to the Listing Rules throughout the accounting period for the six months ended 30th June 2014 except as noted below:

- (a) with respect to Code provision 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; and

(b) with respect to Code provision D.1.4, the Company did not have formal letters of appointment for all Non-Executive Directors. However, the terms of references have set out the work scope of the Board's committees and delegation were made by the Board in respect of the responsibilities of the Non-Executive Directors in such Board's committees.

By Order of the Board  
**Automated Systems Holdings Limited**  
Leung Tat Kwong, Simon  
*Chief Executive Officer*

Hong Kong, 22nd August 2014

*As at the date hereof, the Board comprises Mr. Leung Tat Kwong, Simon and Mr. Wang Weihang being Executive Directors; Mr. Hu Liankui being Non-Executive Director; and Ms. Young Meng Ying, Mr. Lu Jiaqi and Ms. Xu Peng being Independent Non-Executive Directors.*