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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 2015

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 2015. The condensed consolidated interim financial information has been reviewed by the Company’s Audit Committee and the Company’s auditor.

Condensed Consolidated Statement of Profit or Loss

		Unaudited Six months ended 30th June	
	<i>Notes</i>	2015 HK\$'000	2014 HK\$'000
Revenue	3	769,564	694,151
Cost of goods sold		(403,985)	(341,259)
Cost of services rendered		(299,943)	(296,425)
Other income	4	1,898	2,122
Other gain, net	5	5,554	44,237
Selling expenses		(36,757)	(35,535)
Administrative expenses		(20,640)	(25,083)
Finance income	6	371	526
Finance costs		(561)	(995)
Share of results of associates		(3,832)	(6,530)
		<hr/>	<hr/>
Profit before income tax	7	11,669	35,209
Income tax expense	8	(3,520)	(1,167)
		<hr/>	<hr/>
Profit for the period		8,149	34,042
		<hr/>	<hr/>
Attributable to:			
Equity holders of the Company		8,149	34,073
Non-controlling interests		-	(31)
		<hr/>	<hr/>
		8,149	34,042
		<hr/>	<hr/>

Condensed Consolidated Statement of Profit or Loss (Cont'd)

	<i>Notes</i>	Unaudited	
		Six months ended	
		30th June	
		2015	2014
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share attributable to equity holders of the Company	10		
Basic		2.60	10.94
Diluted		<u>2.58</u>	<u>10.94</u>

Condensed Consolidated Statement of Comprehensive Income

	Unaudited		
	Six months ended		
	30th June		
		2015	2014
		<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the period		8,149	34,042
Other comprehensive income/(loss) that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of overseas operations		(1,908)	1,427
Reclassification adjustment of translation reserve upon deemed disposal of partial interests in associates		52	-
Reclassification adjustment of translation reserve upon deemed disposal of subsidiaries		-	(451)
Share of other comprehensive income/(loss) of associates		<u>113</u>	<u>(132)</u>
Total comprehensive income for the period		<u>6,406</u>	<u>34,886</u>
Attributable to:			
Equity holders of the Company		6,406	34,917
Non-controlling interests		<u>-</u>	<u>(31)</u>
		<u>6,406</u>	<u>34,886</u>

Condensed Consolidated Statement of Financial Position

		Unaudited As at 30th June 2015 HK\$'000	Audited As at 31st December 2014 HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment	11	273,949	278,485
Investment properties	12	50,200	50,200
Intangible assets		3,184	4,018
Interests in associates		63,371	63,569
Finance lease receivables		7,500	5,184
Deferred income tax assets		3,007	3,345
		<u>401,211</u>	<u>404,801</u>
CURRENT ASSETS			
Inventories		121,650	125,239
Trade receivables	13	146,926	179,417
Finance lease receivables		6,955	10,015
Other receivables, deposits and prepayments	14	30,057	24,521
Amounts due from customers for contract work		268,905	271,058
Tax recoverable		1,139	6,052
Restricted bank deposits	15	-	781
Cash and cash equivalents		155,131	130,439
		<u>730,763</u>	<u>747,522</u>
TOTAL ASSETS		<u>1,131,974</u>	<u>1,152,323</u>
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
Share capital		31,700	31,186
Share premium		112,067	105,528
Reserves		523,120	526,123
TOTAL EQUITY		<u>666,887</u>	<u>662,837</u>
NON-CURRENT LIABILITIES			
Deferred income tax liabilities		43,386	43,228
CURRENT LIABILITIES			
Trade payables	16	204,408	228,632
Other payables and accruals	17	50,457	56,479
Receipts in advance		134,435	118,004
Current income tax liabilities		2,401	1,143
Short-term borrowings		30,000	42,000
		<u>421,701</u>	<u>446,258</u>
TOTAL LIABILITIES		<u>465,087</u>	<u>489,486</u>
TOTAL EQUITY AND LIABILITIES		<u>1,131,974</u>	<u>1,152,323</u>
NET CURRENT ASSETS		<u>309,062</u>	<u>301,264</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>710,273</u>	<u>706,065</u>

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 2015 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 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 2014, 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 2014.

The HKICPA has issued certain new and revised HKFRSs. For those which are effective for accounting periods beginning on 1st January 2015, 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:

	Unaudited	
	Six months ended	
	30th June	
	2015	2014
	HK\$'000	HK\$'000
Sales of goods	454,116	376,499
Revenue from service contracts	<u>315,448</u>	<u>317,652</u>
	<u>769,564</u>	<u>694,151</u>

The Board has been identified as the chief operating decision maker. 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 2014: 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 2015

	<u>IT Products</u> <i>HK\$'000</i>	<u>IT Services</u> <i>HK\$'000</i>	<u>Total</u> <i>HK\$'000</i>
Revenue from external customers	454,116	315,448	769,564
Intersegment revenue	<u>13,272</u>	<u>10,311</u>	<u>23,583</u>
Segment revenue	467,388	325,759	793,147
Reportable segment profit	22,040	8,319	30,359
Segment depreciation	398	4,560	4,958
Segment amortisation	-	834	834
Additions to property, plant and equipment	<u>52</u>	<u>2,191</u>	<u>2,243</u>

Unaudited
Six months ended 30th June 2014

	<u>IT Products</u> <i>HK\$'000</i>	<u>IT Services</u> <i>HK\$'000</i>	<u>Total</u> <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>

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

Unaudited
As at 30th June 2015

	<u>IT Products</u> <i>HK\$'000</i>	<u>IT Services</u> <i>HK\$'000</i>	<u>Total</u> <i>HK\$'000</i>
Reportable segment assets	253,510	330,464	583,974
Reportable segment liabilities	<u>208,300</u>	<u>161,305</u>	<u>369,605</u>

Audited
As at 31st December 2014

	<u>IT Products</u> <i>HK\$'000</i>	<u>IT Services</u> <i>HK\$'000</i>	<u>Total</u> <i>HK\$'000</i>
Reportable segment assets	304,441	316,909	621,350
Reportable segment liabilities	<u>237,243</u>	<u>130,643</u>	<u>367,886</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, unallocated other gain, net, unallocated depreciation for property, plant and equipment that are used for all segments, share of results of associates, finance costs and unallocated 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, unallocated restricted bank deposits, unallocated cash and cash equivalents and unallocated corporate assets (mainly include certain property, plant and equipment, investment properties and part of intangible assets that are used by all segments, prepayments, deposits and tax recoverable).

Reportable segment liabilities exclude current income tax liabilities, deferred income tax liabilities and unallocated corporate liabilities (mainly include accrued charges of the head office and short-term borrowings).

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, total assets and total liabilities of the Group as follows:

Revenue	Unaudited	
	Six months ended	
	30th June	
	2015	2014
	HK\$'000	HK\$'000
Reportable segment revenue	793,147	741,876
Elimination of intersegment revenue	(23,583)	(47,725)
	769,564	694,151

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

Profit or loss	Unaudited	
	Six months ended	
	30th June	
	2015	2014
	HK\$'000	HK\$'000
Reportable segment profit	30,359	21,436
Unallocated amounts:		
Unallocated other income	1,898	2,122
Unallocated other gain, net	5,565	44,259
Unallocated depreciation	(3,874)	(2,675)
Share of results of associates	(3,832)	(6,530)
Finance costs	(561)	(995)
Unallocated corporate expenses	(17,886)	(22,408)
Profit before income tax per condensed consolidated statement of profit or loss	11,669	35,209

Assets	Unaudited 30th June 2015 HK\$'000	Audited 31st December 2014 HK\$'000
Reportable segment assets	583,974	621,350
Unallocated assets:		
Interests in associates	63,371	63,569
Deferred income tax assets	3,007	3,345
Unallocated restricted bank deposits	-	781
Unallocated cash and cash equivalents	155,131	130,439
Unallocated corporate assets	326,491	332,839
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Total assets per condensed consolidated statement of financial position	1,131,974	1,152,323
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Liabilities	Unaudited 30th June 2015 HK\$'000	Audited 31st December 2014 HK\$'000
Reportable segment liabilities	369,605	367,886
Unallocated liabilities:		
Current income tax liabilities	2,401	1,143
Deferred income tax liabilities	43,386	43,228
Unallocated corporate liabilities	49,695	77,229
	<hr/>	<hr/>
Total liabilities per condensed consolidated statement of financial position	465,087	489,486
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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.

Place of domicile	Revenue from external customers Unaudited Six months ended 30th June	
	2015 HK\$'000	2014 HK\$'000
Hong Kong	694,388	623,237
China	2,965	9,327
Macau	40,020	22,139
Singapore	-	2,550
Taiwan	18,008	23,527
Thailand	14,183	13,197
Others	-	174
	<hr/>	<hr/>
	769,564	694,151
	<hr/> <hr/>	<hr/> <hr/>

Place of domicile

Specified non-current assets	
Unaudited	Audited
30th June	31st December
2015	2014
HK\$'000	HK\$'000

Hong Kong	390,046	394,603
China	247	418
Macau	135	894
Taiwan	107	136
Thailand	169	221
	390,704	396,272

4. Other Income

Unaudited	
Six months ended	
30th June	
2015	2014
HK\$'000	HK\$'000

Interest on bank deposits	24	44
Rental income from investment properties	1,459	1,297
Sundry income	14	569
Others	401	212
	1,898	2,122

5. Other Gain, Net

Unaudited	
Six months ended	
30th June	
2015	2014
HK\$'000	HK\$'000

(Loss)/Gain on disposal of property, plant and equipment	(42)	47
Gain on deemed disposal of partial interests in associates	5,281	-
Gain on deemed disposal of subsidiaries	-	44,666
Exchange gain/(loss), net	315	(476)
	5,554	44,237

6. Finance Income

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

7. Profit Before Income Tax

	Unaudited Six months ended 30th June	
	2015 HK\$'000	2014 HK\$'000
Profit before income tax is arrived at after charging/(crediting):		
Depreciation and amortisation		
Property, plant and equipment	8,832	7,339
Intangible assets (included in cost of services rendered)	834	251
Provision for impairment of amounts due from customers for contract work	-	6,701
Reversal of provision for impairment of trade receivables	(156)	(311)
Staff costs	202,345	218,973

8. Income Tax Expense

	Unaudited Six months ended 30th June	
	2015 HK\$'000	2014 HK\$'000
Current taxation:		
Hong Kong profits tax	2,140	2,178
Overseas taxation	12	23
Under/(Over)-provision in respect of prior period:		
Hong Kong profits tax	872	(79)
Overseas taxation	-	(1)
	3,024	2,121
Deferred taxation:		
Current period	496	(954)
Income tax expense	3,520	1,167

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30th June 2014: 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	
	2015 HK\$'000	2014 HK\$'000
Dividend recognised as distribution during the period:		
Final dividend in respect of the year ended 31st December 2014 of 2.5 HK cents per share	7,908	-

The Directors did not recommend the payment of an interim dividend for the six months ended 30th June 2015 (six months ended 30th June 2014: 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	
	2015 HK\$'000	2014 HK\$'000
Earnings for the purpose of basic and diluted earnings per share	<u>8,149</u>	<u>34,073</u>
	Number of shares	
	2015 '000	2014 '000
Weighted average number of ordinary shares for the purpose of basic earnings per share	313,731	311,403
Effect of deemed issue of shares under the Company's share option scheme	<u>2,641</u>	<u>-</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>316,372</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 2015, the additions of property, plant and equipment, mainly for computers and office equipment, was approximately HK\$4,344,000 (six months ended 30th June 2014: HK\$2,111,000).

During the six months period ended 30th June 2015, the Group disposed of certain property, plant and equipment at the carrying amount of HK\$61,000 (six months ended 30th June 2014: HK\$2,000), resulting in a loss on disposal of HK\$42,000 (six months ended 30th June 2014: a gain of HK\$47,000).

The Group's leasehold land and buildings were stated at valuations made at 31st December 2014 less depreciation. The leasehold land and buildings were last revalued by an independent professional valuer at 31st December 2014 at market value basis which was determined by reference to market evidence of recent transactions for similar properties. As at 30th June 2015, 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 2015, 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\$45,215,000 (31st December 2014: HK\$46,004,000).

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 2015, the Group had pledged leasehold land and buildings with a carrying amount of approximately HK\$255,655,000 (31st December 2014: HK\$259,650,000) to secure banking facilities granted to the Group.

12. Investment Properties

The investment properties of the Group were last revalued at 31st December 2014 by an independent professional valuer on the basis of open market value which was determined by reference to market evidence of recent transactions for similar properties.

As at 30th June 2015, 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 2015, the Group had pledged investment properties with a carrying amount of approximately HK\$50,200,000 (31st December 2014: HK\$50,200,000) 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 2015 HK\$'000	Audited 31st December 2014 HK\$'000
Trade receivables – gross	147,252	179,899
Less: provision for impairment	<u>(326)</u>	<u>(482)</u>
Trade receivables – net	<u>146,926</u>	<u>179,417</u>

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

	Unaudited 30th June 2015 HK\$'000	Audited 31st December 2014 HK\$'000
Current	88,784	104,010
Within 30 days	23,590	34,516
31 - 60 days	11,717	13,777
61 - 90 days	8,526	8,725
Over 90 days	14,635	18,871
	<u>147,252</u>	<u>179,899</u>

14. Other Receivables, Deposits and Prepayments

	Unaudited 30th June 2015 HK\$'000	Audited 31st December 2014 HK\$'000
Other receivables	4,750	4,843
Deposits	5,861	5,658
Prepayments	17,536	13,859
Amount due from the ultimate holding company	201	113
Amount due from the immediate holding company	13	13
Amount due from an associate	1,696	35
	<u>30,057</u>	<u>24,521</u>

15. Restricted Bank Deposits

As at 31st December 2014, 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 end of the reporting period, based on payment due date, is as follows:

	Unaudited 30th June 2015 HK\$'000	Audited 31st December 2014 HK\$'000
Current	149,423	148,309
Within 30 days	27,402	53,630
31 - 60 days	15,805	17,308
61 - 90 days	4,127	1,909
Over 90 days	7,651	7,476
	<u>204,408</u>	<u>228,632</u>

17. Other Payables and Accruals

	Unaudited 30th June 2015 HK\$'000	Audited 31st December 2014 HK\$'000
Other payables	3,798	4,595
Accruals	41,259	40,512
Amount due to a fellow subsidiary	-	9,230
Amounts due to associates	5,400	2,142
	<u>50,457</u>	<u>56,479</u>

18. Pledge of Assets

As at 30th June 2015, the Group's leasehold land and buildings of approximately HK\$255,655,000 (31st December 2014: HK\$259,650,000) and investment properties of approximately HK\$50,200,000 (31st December 2014: HK\$50,200,000) were pledged to secure the banking facilities of the Group.

As at 30th June 2015, the Group had no restricted bank deposits pledged to secure the banking facilities and performance bonds of the Group (31st December 2014: HK\$781,000).

DIVIDEND

The Directors did not recommend the payment of an interim dividend for the six months ended 30th June 2015 (six months ended 30th June 2014: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

For the six months ended 30th June 2015, total revenue of the Group was HK\$769.6 million, representing a 10.9% increase from the corresponding period last year, primarily driven by the increase in product sales. As compared with the corresponding period last year, product sales was increased by 20.6% to HK\$454.1 million while service revenue was decreased by 0.7% to HK\$315.4 million. For the six months ended 30th June 2015, product sales and service revenue contributed 59.0% and 41.0% to total revenue respectively, compared to 54.2% and 45.8% for the corresponding period last year.

For the six months ended 30th June 2015, commercial and public sector sales contributed 41.7% and 58.3% to total revenue respectively, compared to 40.7% and 59.3% for the corresponding period last year.

For the six months ended 30th June 2015, upon the implementation of various measures relating to human resources integration, effectiveness of operational efficiency and ongoing marketing promotion, the Group has achieved a positive momentum by an increase in revenue and a fall in overall operating costs, which resulted in significant increase in net profit of the Group's core information technology ("IT") business of 89.3% as compared to the corresponding period last year. The gross profit margin for the first six months was 8.5%, an increase of 0.4% compared to the corresponding period last year. In addition, the share of loss of associates, i-Sprint Innovations Pte Ltd ("i-Sprint"), by the Group was decreased by 34.1% as i-Sprint continued improving in its business development which resulted in an increase in its revenue of 71.7% and a decrease of its net loss of 42.5%.

During the period under review, the Group recorded profit attributable to the Company's equity holders of HK\$8.1 million, a drop of 76.1% compared to the corresponding period last year of HK\$34.1 million. The drop was mainly due to the one-off gain on the deemed disposals of the Group's partial interests in i-Sprint was HK\$5.3 million of the current period, compared to HK\$44.7 million of the corresponding period last year. Details of the deemed disposals in the current period and the corresponding period last year were disclosed in the Company's announcements dated 28th January 2014, 4th February 2014, 12th February 2014 and 31st March 2015.

For the year ended 31st December 2014, a business contract of a wholly-owned subsidiary of the Group had been terminated, details of which were disclosed in the Company's announcements dated 19th March 2014 and 21st May 2014. During the period under review, the Group had adopted a prudent approach and further provision was made in view of the potential financial impact that might incur. The possible impact arising from the termination of the business contract on the Group's results for future financial periods is subject to negotiation.

For the six months ended 30th June 2015, orders newly secured by the Group amounted to approximately HK\$727.5 million. As at 30th June 2015, the order book balance was approximately HK\$775.3 million, a decrease of HK\$127.3 million compared to the corresponding period last year. The Group's net cash stood at approximately HK\$155.1 million with a working capital ratio of 1.73:1. The Group maintained a healthy financial position and outstanding borrowings amounted to HK\$30.0 million as at 30th June 2015.

Business Review

The Group, since the second half of 2014, endeavours to refine and implement new strategies especially focusing on 5 key solutions and services pillars (i.e. Infrastructure, Security, Data Intelligence, Mobile and Cloud) and a progressive results had been made.

With over 40 years of experience in systems integration, the Group responded to demand in mobile market and successfully obtained projects for deploying large-scale Wi-Fi solutions for educational institutions and security enhancement. In addition, the Group was able to ride on the trend of big data & analytics by winning numerous projects in various industries. During the period under review, the Group entered into high-value and long-term managed services contracts of a strong recurrent nature with organizations in financial services, entertainment, engineering and maintenance sectors for the provision of help desk & deskside support services, onsite support services and data center operation support.

Against the backdrop of a complicated budget bill's approval process of the Hong Kong Government in the period under review, the Group is pleased to record a steady growth in the government sector.

In January 2015, the Group blazed a trail in establishing an Automated Center of Excellence ("ACoE") in providing a unique platform for our partners and customers to see, touch and feel the integrated solutions we offer. During the period under review, there were approximately 100 visits from customers and partners to the ACoE, representing to almost a visit per day, that indicates positive feedbacks from customers and strong support from global IT partners in collaboratively developing integrated IT solutions.

Outlook and Prospects

According to the International Data Corporation (IDC), it is anticipated that Asia-Pacific (excluding Japan) region will remain a most reliable engine for IT spending growth with multinational companies and Asian enterprises alike continuing to relentlessly look to Asia for future opportunities. In view of this, we will continue to invest proactively in enhancing service offerings to better position of the Group in capitalising on the significant growth opportunities, such as big data, security and managed services, we see in the marketplace. Notably, in the beginning of the second half of 2015, the Group continued its success in garnering multi-million dollar data analytics contract from an international airline. And in the same period of time in July, the Group was awarded a Standing Offer Agreement for Quality Professional Services 3 (SOA-QPS3) relating to Review of Government Information Technology Security Related Regulations, Policies and Guidelines for the Office of the Government Chief Information Officer.

According to Frost & Sullivan, an independent market researcher and consultant, the managed security services market in Asia Pacific (“APAC”) is predicted to record the fastest growth globally, with a compound annual growth rate of 16.2%, and increase to US\$3.83 billion in 2018. Most customers in APAC prefer managed security services providers with local security operations centers due to the requirements of data sovereignty and other security compliance regulations imposed by governments.

In anticipation of a strong demand for managed security services, the Group has established an advanced Security Operation Center *Plus* (“SOC+”) in July 2015. The SOC+ is the eighth area of the ACoE and is dedicated to provide security services to clients. Supported by over 100 certified security professionals and more than 800 technical professionals with multi-vendor hands-on experience, SOC+ can provide onsite security incident response services across different platforms, which is unique in Hong Kong marketplace. Its establishment represents our continuous commitment in improving our security services and solutions.

Apart from managed security services market, the Group will continue to closely look for business opportunities in the other markets. Hong Kong Monetary Authority is now working with local banking sector for a brand new electronic payment services of which expecting rollout by the end of 2015. Our competence was demonstrated by providing relevant applications to two prominent financial institutions in Hong Kong. The Group expects a similar demand to continue and is committed to actively capture the market.

Looking forward, the Group believes our proactive investment approach in core competences will increase the Group’s agility to cater for market demand. Coupled with our strong capability in providing IT solutions and services, the Group remains confident that our current strategies will foster the position as a trustworthy and professional IT partner and strengthen our foundation for long term sustainable growth in the future.

Financial Resources and Liquidity

As at 30th June 2015, the Group’s total assets of HK\$1,132.0 million were financed by current liabilities of HK\$421.7 million, non-current liabilities of HK\$43.4 million and shareholders’ equity of HK\$666.9 million. The Group had a working capital ratio of approximately 1.73:1.

As at 30th June 2015, the Group had an aggregate composite banking facility from banks of approximately HK\$310.0 million (31st December 2014: HK\$310.8 million). The Group had pledged leasehold land and buildings and investment properties in an aggregate amount of HK\$305.9 million (31st December 2014: HK\$309.9 million) and no restricted bank deposits (31st December 2014: HK\$0.8 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\$51.7 million as at 30th June 2015 (31st December 2014: HK\$46.5 million). The Group’s gearing ratio (total borrowings over total equity) was 4.5% as at 30th June 2015 (31st December 2014: 6.3%).

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, overdrafts 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.

Foreign Exchange Exposure

The Group mainly earns revenue and incurs costs in HKD and USD. 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 2015 (six months ended 30th June 2014: same).

Contingent Liabilities

As at 30th June 2015, the Group had no bank deposits held as security for banking facilities and performance bonds (31st December 2014: HK\$0.8 million). As at 30th June 2015, performance bonds of approximately HK\$51.7 million (31st December 2014: HK\$46.5 million) had been issued by the bank on behalf of 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 2015 (31st December 2014: HK\$44.5 million). The amount utilised against goods supplied as at 30th June 2015 which was secured by the corporate guarantee was approximately HK\$0.5 million (31st December 2014: HK\$0.3 million).

Capital Commitments

As at 30th June 2015, the Group had contracted capital commitment amounting to approximately HK\$0.9 million (31st December 2014: HK\$1.2 million).

Employee and Remuneration Policies

As at 30th June 2015, the Group, excluding its associates, employed 1,255 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 2015, neither the Company nor any of its subsidiaries 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 2015, 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 2015, 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;
- (b) with respect to Code provision A.6.7, one Non-Executive Director did not attend the annual general meeting of the Company held on 20th May 2015 (the “2015 AGM”) due to other commitments;
- (c) 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 made by the Board in respect of the responsibilities of the Non-Executive Directors in such Board’s committees; and
- (d) with respect to Code provision E.1.2, Mr. Hu Liankui, the Chairman of the Board, was unable to attend the 2015 AGM due to other commitments.

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

Hong Kong, 26th August 2015

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.