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AUTOMATED SYSTEMS HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 771)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30TH JUNE 2013

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 2013. The condensed consolidated interim financial information has been reviewed by the Company’s Audit Committee and the Company’s auditors.

Condensed Consolidated Income Statement

		Unaudited Six months ended 30th June	
	Notes	2013 HK\$'000	2012 HK\$'000
Revenue	3	808,354	891,019
Cost of goods sold		(396,812)	(469,604)
Cost of services rendered		(336,460)	(312,787)
Other income	4	3,881	1,153
Other loss, net	5	(549)	(2,211)
Selling expenses		(34,439)	(43,536)
Administrative expenses		(31,862)	(38,012)
Finance income	6	710	718
Finance costs		(273)	(76)
Share of results of associates		73	228
Profit before income tax	7	12,623	26,892
Income tax expense	8	(2,968)	(4,949)
Profit for the period attributable to equity holders of the Company		9,655	21,943

Condensed Consolidated Income Statement (Cont'd)

		Unaudited Six months ended 30th June	
		2013 HK cents	2012 HK cents
	Notes		
Earnings per share attributable to equity holders of the Company	10		
Basic and diluted earnings per share		<u><u>3.10</u></u>	<u><u>7.05</u></u>

Condensed Consolidated Statement of Comprehensive Income

		Unaudited Six months ended 30th June	
		2013 HK\$'000	2012 HK\$'000
Profit for the period		9,655	21,943
Other comprehensive (loss)/income that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of overseas operations		<u>(1,385)</u>	<u>312</u>
Total comprehensive income for the period attributable to equity holders of the Company		<u><u>8,270</u></u>	<u><u>22,255</u></u>

Condensed Consolidated Balance Sheet

		Unaudited As at 30th June 2013 HK\$'000	Audited As at 31st December 2012 HK\$'000
	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment	11	204,900	211,754
Investment properties	12	36,400	36,400
Intangible assets		13,794	11,817
Goodwill		35,228	36,247
Interests in associates		876	804
Finance lease receivables		13,648	21,487
Deferred income tax assets		978	1,441
		305,824	319,950
CURRENT ASSETS			
Inventories		134,043	102,756
Trade receivables	13	209,976	237,471
Finance lease receivables		16,013	18,802
Other receivables, deposits and prepayments	14	28,177	19,476
Amounts due from customers for contract work		225,677	224,856
Tax recoverable		967	243
Restricted bank deposits	15	2,136	3,987
Cash and cash equivalents	15	85,629	116,677
		702,618	724,268
TOTAL ASSETS		1,008,442	1,044,218
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
Share capital		31,140	31,140
Share premium		104,947	104,947
Reserves		430,915	437,915
TOTAL EQUITY		567,002	574,002
NON-CURRENT LIABILITIES			
Trade payables	16	-	854
Deferred income tax liabilities		29,889	30,324
		29,889	31,178
CURRENT LIABILITIES			
Trade payables	16	209,321	230,924
Other payables and accruals	17	39,289	66,046
Receipts in advance		139,215	130,252
Current income tax liabilities		2,463	908
Other financial liabilities		-	8,239
Borrowings		21,263	2,669
		411,551	439,038
TOTAL LIABILITIES		441,440	470,216
TOTAL EQUITY AND LIABILITIES		1,008,442	1,044,218
NET CURRENT ASSETS		291,067	285,230
TOTAL ASSETS LESS CURRENT LIABILITIES		596,891	605,180

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 2013 has been prepared in accordance with the applicable disclosure requirement 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 2012, 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 2012.

The HKICPA has issued certain new and revised HKFRSs. For those which are effective for accounting periods beginning on 1st January 2013, 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	
	2013	2012
	HK\$’000	HK\$’000
Sales of goods	436,029	523,929
Revenue from service contracts	372,325	367,090
	808,354	891,019

The chief operating decision maker has been identified as the Board of Directors (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 2012: 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 2013

	IT Products	IT Services	Total
	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	436,029	372,325	808,354
Intersegment revenue	6,503	13,839	20,342
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	-	3,790	3,790

Unaudited
Six months ended 30th June 2012

	IT Products	IT Services	Total
	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	523,929	367,090	891,019
Intersegment revenue	8,225	15,425	23,650
Segment revenue	532,154	382,515	914,669
Reportable segment profit	17,160	48,485	65,645
Segment depreciation	1,082	5,202	6,284
Segment amortisation	-	1,257	1,257
Additions to property, plant and equipment	96	2,643	2,739
Additions to intangible assets	-	2,129	2,129

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

Unaudited
As at 30th June 2013

	IT Products	IT Services	Total
	HK\$'000	HK\$'000	HK\$'000
Reportable segment assets	306,687	365,796	672,483
Reportable segment liabilities	205,270	172,382	377,652

Audited
As at 31st December 2012

Reportable segment assets	294,450	379,590	674,040
Reportable segment liabilities	210,656	167,623	378,279

- (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 loss, net, share of results of associates, unallocated depreciation for property, plant and equipment that are used for all segments, 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 and unallocated corporate assets (mainly include property, plant and equipment, investment properties and part of intangible assets that are used by all segments, prepayments and deposits).

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

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:

Revenue	Unaudited	
	Six months ended	
	30th June	
	2013	2012
	HK\$'000	HK\$'000
Reportable segment revenue	828,696	914,669
Elimination of intersegment revenue	(20,342)	(23,650)
Revenue per condensed consolidated income statement	808,354	891,019

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

Profit or loss	Unaudited	
	Six months ended	
	30th June	
	2013	2012
	HK\$'000	HK\$'000
Reportable segment profit	41,360	65,645
Unallocated amounts:		
Unallocated other income	3,881	1,060
Unallocated other loss, net	(556)	(1,953)
Unallocated depreciation	(2,815)	(2,989)
Share of results of associates	73	228
Finance costs	(273)	(76)
Unallocated corporate expenses	(29,047)	(35,023)
Profit before income tax per condensed consolidated income statement	12,623	26,892

Assets	Unaudited 30th June 2013 HK\$'000	Audited 31st December 2012 HK\$'000
Reportable segment assets	672,483	674,040
Unallocated assets:		
Interests in associates	876	804
Deferred income tax assets	978	1,441
Unallocated restricted bank deposits	2,136	3,987
Unallocated cash and cash equivalents	85,629	116,677
Unallocated corporate assets	246,340	247,269
	1,008,442	1,044,218
Total assets per condensed consolidated balance sheet		

Liabilities	Unaudited 30th June 2013 HK\$'000	Audited 31st December 2012 HK\$'000
Reportable segment liabilities	377,652	378,279
Unallocated liabilities:		
Current income tax liabilities	2,463	908
Deferred income tax liabilities	29,889	30,324
Unallocated corporate liabilities	31,436	60,705
	441,440	470,216
Total liabilities per condensed consolidated balance sheet		

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 2013 HK\$'000	2012 HK\$'000
Hong Kong	702,608	745,665
China	11,991	10,155
Macau	17,773	27,447
Singapore	27,851	26,368
Taiwan	35,777	50,259
Thailand	10,380	30,009
Others	1,974	1,116
	808,354	891,019

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

Unaudited	Audited
30th June	31st December
2013	2012
HK\$'000	HK\$'000

Hong Kong	242,292	246,646
China	823	864
Macau	947	905
Singapore	46,558	47,852
Taiwan	33	172
Thailand	380	583
Others	165	-
	291,198	297,022

4. Other Income

Unaudited	
Six months ended	
30th June	

2013	2012
HK\$'000	HK\$'000

Interest on bank deposits	86	94
Rental income from investment properties	1,297	748
Sundry income	1,961	-
Others	537	311
	3,881	1,153

5. Other Loss, Net

Unaudited	
Six months ended	
30th June	

2013	2012
HK\$'000	HK\$'000

Deferred consideration payable		
- Fair value loss	(16)	(1,210)
Gain/(loss) on disposal of property, plant and equipment	20	(171)
Exchange loss, net	(553)	(1,083)
Net fair value gain on foreign forward exchange contract	-	253
	(549)	(2,211)

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	
2013	2012
HK\$'000	HK\$'000

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

Depreciation and amortisation		
Property, plant and equipment	9,130	9,273
Intangible assets (included in cost of services rendered)	1,515	1,257
(Gain)/loss on disposal of property, plant and equipment	(20)	171
Reversal of provision for impairment of trade receivables	(78)	(180)
Staff costs	240,838	259,202

8. Income Tax Expense

Unaudited Six months ended 30th June	
2013	2012
HK\$'000	HK\$'000

Current taxation:		
Hong Kong profits tax	2,851	4,959
Overseas taxation	75	377
Under/(over)-provision in respect of prior period:		
Hong Kong profits tax	-	392
Overseas taxation	-	(9)
	2,926	5,719
Deferred taxation:		
Current period	42	(770)
Income tax expense	2,968	4,949

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30th June 2012: 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 or regions in which the Group operates.

9. Dividends

Unaudited Six months ended 30th June	
2013	2012
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 (six months ended 30th June 2012: year ended 31st December 2011 of 5.5 HK cents per share)

15,570	17,127
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The Directors did not recommend the payment of an interim dividend for the six months ended 30th June 2013 (six months ended 30th June 2012: 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	
	2013	2012
	HK\$'000	HK\$'000
Earnings for the purpose of basic and diluted earnings per share	9,655	21,943
	Number of shares	
	2013	2012
	'000	'000
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	311,403	311,403

Diluted earnings per share for the six months ended 30th June 2013 is the same as the basic earnings per share as the conversion of potential ordinary shares in relation to the outstanding share options would have an anti-dilutive effect to the basic earnings per share.

11. Property, Plant and Equipment

During the six months period ended 30th June 2013, the additions of property, plant and equipment, mainly for computers and office equipment, was approximately HK\$2,537,000 (six months ended 30th June 2012: HK\$3,763,000).

During the six months period ended 30th June 2013, the Group disposed of certain property, plant and equipment at the carrying amount of HK\$232,000 (six months ended 30th June 2012: HK\$223,000), resulting in a gain on disposal of HK\$20,000 (six months ended 30th June 2012: loss on disposal of HK\$171,000).

The Group's leasehold land and buildings were stated at valuations made at 31st December 2012 less depreciation. The leasehold land and buildings were last revalued by DTZ Debenham Tie Leung Limited, an independent professional valuer, at 31st December 2012 at market value basis which is determined by reference to market evidence of recent transactions for similar properties. As at 30th June 2013, 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 2013, 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\$49,398,000 (31st December 2012: HK\$50,431,000).

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

As at 30th June 2013, the Group has pledged leasehold land and buildings with a carrying amount of approximately HK\$187,148,000 (31st December 2012: HK\$189,900,000) to secure banking facilities granted to the Group.

12. Investment Properties

The investment properties of the Group were last revalued at 31st December 2012 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 2013, 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 2013, the Group has pledged investment properties with a carrying amount of approximately HK\$36,400,000 (31st December 2012: HK\$36,400,000) 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	Audited
	30th June	31st December
	2013	2012
	HK\$'000	HK\$'000
Trade receivables - gross	210,634	238,264
Less: provision for impairment of receivables	(658)	(793)
Trade receivables - net	209,976	237,471

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 2013 HK\$'000	Audited 31st December 2012 HK\$'000
Current	105,086	138,026
Within 30 days	28,419	53,119
31 - 60 days	15,485	25,820
61 - 90 days	37,043	7,483
Over 90 days	24,601	13,816
	<u>210,634</u>	<u>238,264</u>

14. Other Receivables, Deposits and Prepayments

	Unaudited 30th June 2013 HK\$'000	Audited 31st December 2012 HK\$'000
Other receivables	3,132	2,254
Deposits	5,398	6,295
Prepayments	16,450	9,706
Amount due from the ultimate holding company	1,388	-
Amount due from a fellow subsidiary	1,806	1,214
Amount due from an associate	3	7
	<u>28,177</u>	<u>19,476</u>

15. Restricted Bank Deposits and Cash and Cash Equivalents

	Unaudited 30th June 2013 HK\$'000	Audited 31st December 2012 HK\$'000
Cash at bank and on hand	77,624	113,566
Short-term bank deposits	8,005	3,111
	<u>85,629</u>	<u>116,677</u>
Cash and cash equivalents	<u>85,629</u>	<u>116,677</u>
Restricted bank deposits	<u>2,136</u>	<u>3,987</u>

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

	Unaudited 30th June 2013 HK\$'000	Audited 31st December 2012 HK\$'000
Trade payables	209,321	231,778
Less: non-current portion of trade payables	-	(854)
	<u>209,321</u>	<u>230,924</u>
Current portion of trade payables	<u>209,321</u>	<u>230,924</u>

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

	Unaudited 30th June 2013 HK\$'000	Audited 31st December 2012 HK\$'000
Current	129,683	142,399
Within 30 days	41,397	50,287
31 - 60 days	12,793	21,025
61 - 90 days	16,906	10,004
Over 90 days	8,542	8,063
	209,321	231,778

17. Other Payables and Accruals

	Unaudited 30th June 2013 HK\$'000	Audited 31st December 2012 HK\$'000
Other payables	5,354	9,409
Accruals	32,248	52,050
Amount due to the ultimate holding company	-	3,019
Amount due to the immediate holding company	521	441
Amount due to an associate	1,166	1,127
	39,289	66,046

18. Pledge of Assets

As at 30th June 2013, the Group's leasehold land and buildings of approximately HK\$187,148,000 (31st December 2012: HK\$189,900,000) and investment properties of approximately HK\$36,400,000 (31st December 2012: HK\$36,400,000) were pledged to secure the banking facilities of the Group.

As at 30th June 2013, the Group's restricted bank balances of approximately HK\$2,136,000 (31st December 2012: HK\$3,987,000) were pledged to secure the banking facilities and performance bonds of the Group.

19. Event after the Reporting Period

On 10th July 2013, the Board resolved to adopt i-Sprint Innovations Pte Ltd ("i-Sprint") employee share ownership plan (the "Scheme") under which participants of the Scheme comprising key executives and employees of i-Sprint will be granted awards in respect of an aggregate of up to 49,962,192 existing i-Sprint Shares (representing 30% of the issued share capital of i-Sprint). Details of the above were disclosed in the Company's announcement dated 15th July 2013.

DIVIDEND

The Directors did not recommend the payment of an interim dividend for the six months ended 30th June 2013 (six months ended 30th June 2012: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial results

For the six months ended 30th June 2013, the revenue of the Group was HK\$808.4 million, lower by 9.3% compared to the same period last year.

For the six months ended 30th June 2013, product sales and service revenue were HK\$436.0 million and HK\$372.4 million, decreasing by 16.8% and increasing by 1.4% respectively compared with the corresponding period last year. Product sales and service revenue contributed 53.9% and 46.1% to total revenue respectively, compared to 58.8% and 41.2% with the corresponding period last year.

For the six months ended 30th June 2013, private and public sector sales contributed 42.9% and 57.1% to revenue respectively, compared to 46.4% and 53.6% for the corresponding period last year.

Gross profit margin and profit after income tax for the first six months were 9.3% and HK\$9.7 million, lower by 2.9% and 56.0% respectively compared to the corresponding period last year. During the period under review, the decrease in profit after income tax was mainly due to increasingly prudent IT spending, rising operating costs and keener market competition which resulted in the reduction of the gross profit.

During the six months ended 30th June 2013, orders newly secured by the Group amounted to approximately HK\$839.0 million. As of 30th June 2013, the order book balance was approximately HK\$814.1 million. The Group's net cash stood at approximately HK\$85.6 million with a working capital ratio of 1.71:1. During the period under review, the Group maintained a healthy balance sheet and outstanding loans amounted to HK\$21.3 million as at 30th June 2013.

Business Review

Although the Group's performance for the first half of 2013 was affected by a multitude of factors, the Group continued to win various sizable orders, including infrastructure, solution and services projects from both the public and private sectors. The orders demonstrated that the Group's leading position in the market remains strong.

In the public sector, the Group continued to secure numerous sizeable government or quasi-government projects, particularly on the development of Service-Oriented Architecture application, consultancy service on identity management, web accessibility as well as IT security risk assessment and security audit, for provision of quality public services and efficiency enhancement. It is worth noting that the Group stood out as the IT services provider who obtained the highest total contract value among numerous industry peers to provide quality professional services. This achievement signifies the Group's competence in providing all-round professional services and superb technical expertise in implementing large government projects, as well as the continual trust and confidence from Hong Kong government.

In the private sector, the Group focused on managed services business, niche solutions and infrastructure businesses. With our extensive domain knowledge, proven methodologies and track records, the Group reaped satisfactory results in managed services. During the period, the Group won two significant managed services orders for the provision of network security upgrade for a Hong Kong's telecommunications operator and the revamp of core network for a wholly-owned subsidiary of a leading banking group in Hong Kong respectively. In addition, the Group successfully extended its desktide managed services into banking industry by providing such services to one of the oldest banks in mainland China in support of its 50 branches and offices in Hong Kong.

The Group continued to capitalise on regional opportunities. In March 2013, our subsidiary in Thailand won a multi-million dollar project for the provision of infrastructure solutions to around 250 branches in 25 provinces of a renowned bank in Thailand on a multi-year basis. Benefitting from the rising regional IT demands related to cloud computing, data center and security, the Group kept on yielding encouraging results. Such orders included the setup of private cloud infrastructure for a securities firm of a Japanese-based global financial institution in Hong Kong; completion of a container-based data center in Tianjin for one of the world's largest electronics contract manufacturers; as well as the provision of security solution of our wholly-owned subsidiary, i-Sprint Innovations Pte Ltd, to a securities company in Thailand which is under an Asia's famous securities and investment broker.

During the period under review, the Group and its parent company Beijing Teamsun Technology Co., Ltd. ("Teamsun") continued to create greater synergy. By leveraging its relationship with Teamsun, the Group secured a significant Hong Kong-mainland China project from a mainland security solutions supplier. The Group is tasked to provide IT infrastructure facilities for a renowned transportation operator in Hong Kong for its launch of a massive transportation system which will connect Hong Kong and mainland China with system completion in 2015. This project not only demonstrates satisfactory progress of the Group's cross-territories businesses, but also amplifies its strong domain knowledge in transportation industry.

Outlook and Prospects

We are re-aligning our business strategy to respond to market challenges by harnessing our solid foundations and core strengths built over 40 years.

One of our strategies will be our concentrated and continual efforts to grow our solutions and services businesses, develop self-owned Intellectual Property (IP)-based products, as well as provide our customers with high value-added services.

We will focus on private cloud computing, security operation center (SOC), managed services and data center in view of their rising demand across the region. With regard to private cloud computing, ASL will further expand this business by investing more resources. For example, using IP developed from existing projects and replicating it for other customers, forging strategic partnership with product suppliers to integrate self-owned and Teamsun's products with market-ready products to offer common services.

As far as managed services are concerned, we will vamp it up further so that we can move up our value chain for higher returns. By offering high value-added data center services such as business continuity service, maintenance support, system and network monitoring services as well as security managed service; we can use IT to help customers advance their business development. In addition, we will closely monitor regional opportunities in data center business and increase investment when timing is appropriate.

Leveraging our experience and network of subsidiaries in the Asia Pacific region, together with Hong Kong as a center of excellence, we will continue our stated strategy to further strengthen our businesses in areas outside Hong Kong, such as mainland China, Macau, Taiwan, Thailand, Singapore and Malaysia. In July 2013, we won a project from the largest independent local bank in Hong Kong to provide infrastructure for its disaster recovery sites in Shanghai and Shenzhen.

Apart from our focus on traditional systems integration business, we will continue to actively explore business opportunities regarding niche solutions, and is currently formulating new business model to further tap into more regional opportunities. In Macau, we will closely monitor opportunities brought by the flourishing gaming and hospitality industry as more hotels and gaming tables are expected to be built in future. In view of the Group's significant market share of Baccarat Score Board system in Macau and track record of such system in other countries including USA, Vietnam, Australia and Singapore, together with the Group's 80% market share of playing card management system in Macau, we are confident that more and more casinos and hotels will opt for our gaming solutions as well as other IT services.

The implementation of aforementioned strategies is complemented by quality services. Automated Systems (HK) Limited, our wholly owned subsidiary, has already earned certifications, including ISO 9001, ISO 20000 and ISO 27001, with extensive coverage of service delivery, software development and internal processes. In March 2013, the sales operation division of this subsidiary earned ISO 9001 certification in the aspect of internal process management which signifies our services are upgraded to a more comprehensive international standard. With our quality services, the Group was awarded the Hong Kong ICT Awards for its work on a project for Maxim's Caterers Limited in early 2013. We trust that such international certifications can enable the Group to provide more innovative and award-winning projects to satisfy the diverse needs of our customers.

Looking ahead, the Group will continue to optimise its human capital efficiency, reduce cost, improve services, as well as create greater synergies with Teamsun in order to expand the Group's market coverage. We believe that we are responding rapidly to market changes and is implementing appropriate transformation so as to strengthen the Group's core competencies for long-term growth and enhance our competitive edge in the market.

Financial Resources and Liquidity

As at 30th June 2013, the Group's total assets of HK\$1,008.4 million were financed by current liabilities of HK\$411.5 million, non-current liabilities of HK\$29.9 million and shareholders' equity of HK\$567.0 million. The Group had a working capital ratio of approximately 1.71:1.

As at 30th June 2013, the Group had an aggregate composite banking facility from banks of approximately HK\$132.1 million (31st December 2012: HK\$137.8 million). The Group had pledged leasehold land and buildings and investment properties in an aggregate amount of HK\$223.5 million (31st December 2012: HK\$226.3 million) and restricted bank deposits of approximately HK\$2.1 million (31st December 2012: HK\$4.0 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\$41.0 million as at 30th June 2013 (31st December 2012: HK\$55.0 million). The Group's gearing ratio was 3.8% as at 30th June 2013 (31st December 2012: 0.5%).

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 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 borrowings are denominated in HKD, USD, and Singapore dollars ("SGD").

Foreign Exchange Exposure

The Group mainly earns revenue and incurs costs in USD, HKD and SGD. 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 2013 (six months ended 30th June 2012: to manage the foreign currency risk arising from SGD, the Group had entered into foreign forward exchange contracts and a net gain of HK\$253,000 was recognised in the Group's condensed consolidated income statement).

Contingent Liabilities

As at 30th June 2013, bank deposits held as security for banking facilities and performance bonds amounted to approximately HK\$2.1 million (31st December 2012: HK\$4.0 million). At 30th June 2013, performance bonds of HK\$41.0 million (31st December 2012: HK\$55.0 million) have 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 2013 (31st December 2012: HK\$44.5 million). The amount utilised against goods supplied as at 30th June 2013 which was secured by the corporate guarantee was approximately HK\$1.4 million (31st December 2012: HK\$0.9 million).

Capital Commitments

As at 30th June 2013, the Group had no contracted capital commitment (31st December 2012: HK\$0.4 million).

Employee and Remuneration Policies

As at 30th June 2013, the Group, excluding its associates, employed 1,548 permanent and contract staff in Hong Kong, mainland China, Taiwan, Macau, Thailand, Singapore and Malaysia. 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, share options scheme and employee share ownership plan.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30th June 2013, 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 2013, 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 2013 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 and the special general meeting of the Company held on 15th May 2013 due to other commitments; and

- (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 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
Hui Wing Choy, Henry
Chief Executive Officer

Hong Kong, 23rd August 2013

As at the date hereof, the Board comprises Mr. Lai Yam Ting, Ready, Mr. Hui Wing Choy, Henry and Mr. Leung Tat Kwong, Simon being Executive Directors, Mr. Hu Liankui and Mr. Wang Weihang being Non-Executive Directors and Ms. Young Meng Ying, Mr. Lu Jiaqi and Ms. Xu Peng being Independent Non-Executive Directors.