AUTOMATED SYSTEMS HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 771)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30TH JUNE 2016

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 2016. 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	
		2016	2015
	Notes	***HK$'000***	*HK$'000*
Revenue	3	**776,457**	769,564
Cost of goods sold		**(384,937)**	(403,985)
Cost of services rendered		**(308,336)**	(299,943)
Other income	4	**2,460**	1,898
Other (loss)/gain, net	5	**(6,027)**	5,554
Selling expenses		**(34,324)**	(36,757)
Administrative expenses		**(19,591)**	(20,640)
Finance income	6	**303**	371
Finance costs		**(275)**	(561)
Share of results of associates		**(2,591)**	(3,832)
Profit before income tax	7	**23,139**	11,669
Income tax expense	8	**(4,862)**	(3,520)
Profit for the period attributable to equity holders of the Company		**18,277**	8,149

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

		Unaudited Six months ended 30th June	
		2016	2015
	Notes	***HK cents***	*HK cents*
Earnings per share attributable to equity holders of the Company	10		
Basic		**5.21**	**2.36***
Diluted		**5.21**	**2.34***

*Adjusted for bonus issue of shares in 2016.

Condensed Consolidated Statement of Comprehensive Income

	Unaudited Six months ended 30th June	
	2016	2015
	HK$'000	*HK$'000*
Profit for the period	**18,277**	8,149
Other comprehensive income/(loss) that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of overseas operations	**2,813**	(1,908)
Reclassification adjustment of translation reserve upon deemed disposal of partial interests in associates	**-**	52
Share of other comprehensive income of associates	**188**	113
Total comprehensive income for the period attributable to equity holders of the Company	**21,278**	6,406

Condensed Consolidated Statement of Financial Position

	Notes	**Unaudited As at 30th June 2016** *HK$'000*	Audited As at 31st December 2015 *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment	11	**272,098**	278,482
Investment properties	12	**50,200**	50,200
Intangible assets		**1,515**	2,349
Interests in associates		**58,297**	58,382
Finance lease receivables		**5,383**	3,943
Deferred income tax assets		**158**	679
		387,651	394,035
CURRENT ASSETS			
Inventories		**114,153**	106,842
Trade receivables	13	**180,992**	218,282
Finance lease receivables		**5,266**	4,254
Other receivables, deposits and prepayments	14	**27,864**	27,926
Amounts due from customers for contract work		**236,957**	248,647
Other financial asset		**-**	1,180
Tax recoverable		**104**	1,000
Restricted bank deposit	15	**487**	-
Cash and cash equivalents		**218,556**	172,955
		784,379	781,086
TOTAL ASSETS		**1,172,030**	1,175,121
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
Share capital		**35,079**	31,875
Share premium		**114,497**	114,305
Reserves		**555,220**	537,170
TOTAL EQUITY		**704,796**	683,350
NON-CURRENT LIABILITIES			
Deferred income tax liabilities		**44,542**	44,510
		44,542	44,510
CURRENT LIABILITIES			
Trade payables	16	**207,122**	244,907
Other payables and accruals	17	**56,913**	63,730
Receipts in advance		**134,848**	117,521
Current income tax liabilities		**3,809**	1,103
Bank borrowings		**20,000**	20,000
		422,692	447,261
TOTAL LIABILITIES		**467,234**	491,771
TOTAL EQUITY AND LIABILITIES		**1,172,030**	1,175,121
NET CURRENT ASSETS		**361,687**	333,825
TOTAL ASSETS LESS CURRENT LIABILITIES		**749,338**	727,860

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 2016 has been prepared in accordance with the applicable disclosure requirements of 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 2015, 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 2015 except for the adoption of the amended HKFRSs as detailed below.

The HKICPA has issued certain amended HKFRSs that are first effective for accounting periods beginning on 1st January 2016. Of these, the following amendments are relevant to the Group:

Amendments to HKAS 1 *Disclosure Initiative*
Amendments to HKAS 16 and HKAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation*
Annual Improvements to HKFRSs 2012-2014 Cycle *Amendments to a number of HKFRSs*

The adoption of these newly effective amended 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 new and amended HKFRSs 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	
	2016	2015
	HK$’000	*HK$’000*
Sales of goods	**436,282**	454,116
Revenue from service contracts	**340,175**	315,448
	776,457	769,564

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 2015: 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 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 (loss)/gain, net, unallocated depreciation for property, plant and equipment that are used for all segments, unallocated loss on disposal of property, plant and equipment, 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 deposit, unallocated cash and cash equivalents and unallocated corporate assets (mainly include property, plant and equipment and investment properties that are used by all segments, prepayments, deposits, tax recoverable and other financial asset).

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 bank borrowings).

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

Unaudited
Six months ended 30th June 2016

	IT Products	**IT Services**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
Revenue from external customers	**436,282**	**340,175**	**776,457**
Intersegment revenue	**2,278**	**11,167**	**13,445**
Segment revenue	**438,560**	**351,342**	**789,902**
Reportable segment profit	**30,657**	**18,732**	**49,389**
Segment depreciation	**1,093**	**4,890**	**5,983**
Segment amortisation	**-**	**834**	**834**
Additions to property, plant and equipment	**11**	**2,231**	**2,242**

Unaudited
Six months ended 30th June 2015

	IT Products	IT Services	Total
	HK$'000	*HK$'000*	*HK$'000*
Revenue from external customers	454,116	315,448	769,564
Intersegment revenue	13,272	10,311	23,583
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	52	2,191	2,243

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

Unaudited
As at 30th June 2016

	IT Products	**IT Services**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
Reportable segment assets	**244,430**	**326,052**	**570,482**
Reportable segment liabilities	**214,580**	**149,819**	**364,399**

Audited
As at 31st December 2015

	IT Products	IT Services	Total
	HK$'000	*HK$'000*	*HK$'000*
Reportable segment assets	310,386	302,112	612,498
Reportable segment liabilities	240,586	150,133	390,719

(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**	
	2016	2015
	HK$'000	*HK$'000*
Reportable segment revenue	**789,902**	793,147
Elimination of intersegment revenue	**(13,445)**	(23,583)
Revenue per condensed consolidated statement of profit or loss	**776,457**	769,564

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

Profit or loss	**Unaudited Six months ended 30th June**	
	2016	2015
	HK$'000	*HK$'000*
Reportable segment profit	**49,389**	30,359
Unallocated amounts:		
Unallocated other income	**2,234**	1,898
Unallocated other (loss)/gain, net	**(6,027)**	5,565
Unallocated depreciation	**(2,720)**	(3,874)
Share of results of associates	**(2,591)**	(3,832)
Finance costs	**(275)**	(561)
Unallocated corporate expenses	**(16,871)**	(17,886)
Profit before income tax per condensed consolidated statement of profit or loss	**23,139**	11,669

Assets	**Unaudited**	Audited
	30th June	31st December
	2016	2015
	HK$'000	*HK$'000*
Reportable segment assets	**570,482**	612,498
Unallocated assets:		
Interests in associates	**58,297**	58,382
Deferred income tax assets	**158**	679
Unallocated restricted bank deposit	**487**	-
Unallocated cash and cash equivalents	**218,556**	172,955
Unallocated corporate assets	**324,050**	330,607
Total assets per condensed consolidated statement of financial position	**1,172,030**	1,175,121

Liabilities	**Unaudited**	Audited
	30th June	31st December
	2016	2015
	HK$'000	*HK$'000*
Reportable segment liabilities	**364,399**	390,719
Unallocated liabilities:		
Current income tax liabilities	**3,809**	1,103
Deferred income tax liabilities	**44,542**	44,510
Unallocated corporate liabilities	**54,484**	55,439
Total liabilities per condensed consolidated statement of financial position	**467,234**	491,771

The following table sets out information about the geographical segment location of the Group's revenue from external customers and its non-current assets (other than financial instruments and deferred income tax assets). The geographical location of customers is based on the location at which the services were provided or the goods were delivered. The geographical location of the specified non-current assets is based on the physical location of the asset in the case of property, plant and equipment and investment properties, the location of the operations to which they are allocated in the case of the intangible assets and the location of operations in the case of interests in associates.

Place of domicile	**Revenue from external customers Unaudited Six months ended 30th June**	
	2016	2015
	HK$'000	*HK$'000*
Hong Kong	**724,862**	694,388
Mainland China	**1,709**	2,965
Macau	**8,124**	40,020
Taiwan	**12,247**	18,008
Thailand	**29,515**	14,183
	776,457	769,564

Place of domicile	Specified non-current assets	
	Unaudited	Audited
	30th June	31st December
	2016	2015
	HK$'000	*HK$'000*
Hong Kong	**379,720**	388,414
Mainland China	**796**	181
Macau	**1,003**	120
Taiwan	**456**	560
Thailand	**135**	138
	382,110	389,413

4. Other Income

	Unaudited Six months ended 30th June	
	2016	2015
	HK$'000	*HK$'000*
Interest on bank deposits	**22**	24
Rental income from investment properties	**1,959**	1,459
Others	**479**	415
	2,460	1,898

5. Other (Loss)/Gain, Net

	Unaudited Six months ended 30th June	
	2016	2015
	HK$'000	*HK$'000*
Loss on disposal of property, plant and equipment	**(195)**	(42)
Gain on deemed disposal of partial interests in associates	**-**	5,281
Provision for customers' claim	**(6,300)**	-
Exchange gain, net	**468**	315
	(6,027)	5,554

6. Finance Income

Finance income represents accretion of discount recognised upon initial recognition of finance lease receivables to their fair values. (six months ended 30th June 2015: same).

7. **Profit Before Income Tax**

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

	Unaudited Six months ended 30th June **2016** *HK$'000*	2015 *HK$'000*
Depreciation and amortisation		
Property, plant and equipment	**8,704**	8,832
Intangible assets (included in cost of services rendered)	**834**	834
Provision for impairment of trade receivable	**1**	-
Reversal of provision for impairment of trade receivables	**-**	(156)
Staff costs	**213,645**	204,395
Provision for customers' claim	**6,300**	-

8. **Income Tax Expense**

	Unaudited Six months ended 30th June **2016** *HK$'000*	2015 *HK$'000*
Current taxation:		
Hong Kong profits tax	**4,425**	2,140
Overseas taxation	**-**	12
(Over)/Under-provision in respect of prior period:		
Hong Kong profits tax	**(2)**	872
Overseas taxation	**(114)**	-
	4,309	3,024
Deferred taxation:		
Current period	**553**	496
Income tax expense	**4,862**	3,520

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30th June 2015: 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 **2016** *HK$'000*	2015 *HK$'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 2016 (six months ended 30th June 2015: 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	
	2016	2015
	HK$'000	*HK$'000*
Earnings for the purpose of basic and diluted earnings per share	**18,277**	8,149

	Number of shares	
	2016	2015
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic earnings per share	**350,751**	345,104*
Effect of deemed issue of shares under the Company's share option scheme	**134**	2,980*
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**350,885**	348,084*

* Adjusted for bonus issue of shares in 2016.

11. Property, Plant and Equipment

During the six months ended 30th June 2016, the additions of property, plant and equipment, mainly for computer and office equipment and furniture and fixtures, was approximately HK$2,535,000 (six months ended 30th June 2015: HK$4,344,000).

During the six months ended 30th June 2016, the Group disposed of certain property, plant and equipment at the carrying amount of HK$218,000 (six months ended 30th June 2015: HK$61,000), resulting in a loss on disposal of HK$195,000 (six months ended 30th June 2015: HK$42,000).

The Group's leasehold land and buildings were stated at valuations made at 31st December 2015 less depreciation. The leasehold land and buildings were last revalued by an independent professional valuer at 31st December 2015 at market value basis which was determined by reference to market evidence of recent transactions for similar properties. As at 30th June 2016, 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 2016, 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$43,197,000 (31st December 2015: HK$44,230,000).

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 2016, the Group had pledged leasehold land and buildings with a carrying amount of approximately HK$103,780,000 (31st December 2015: HK$105,450,000) to secure banking facilities granted to the Group.

12. Investment Properties

The investment properties of the Group were last revalued at 31st December 2015 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 2016, 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.

13. Trade Receivables

	Unaudited 30th June 2016 *HK$'000*	Audited 31st December 2015 *HK$'000*
Trade receivables – gross	**181,591**	218,880
Less: provision for impairment	**(599)**	(598)
Trade receivables – net	**180,992**	218,282

The Group has granted credit to substantially all of its customers for 30 days and has credit control procedures to minimise credit risk. Overdue balances are reviewed regularly by senior management.

An 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 2016 *HK$'000*	Audited 31st December 2015 *HK$'000*
Current	**96,914**	128,235
Within 30 days	**23,155**	50,118
31 - 60 days	**23,223**	14,535
61 - 90 days	**13,486**	6,292
Over 90 days	**24,813**	19,700
	181,591	218,880

14. Other Receivables, Deposits and Prepayments

	Unaudited 30th June 2016 *HK$'000*	Audited 31st December 2015 *HK$'000*
Other receivables	**4,603**	5,093
Deposits	**6,030**	5,667
Prepayments	**17,168**	15,564
Amount due from the immediate holding company	**13**	13
Amount due from an associate	**50**	1,589
	27,864	27,926

15. Restricted Bank Deposit

As at 30th June 2016, restricted bank deposit represented fixed term deposit placed in commercial bank that was pledged against performance bonds granted to the Group (31st December 2015: nil).

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 2016 *HK$'000*	Audited 31st December 2015 *HK$'000*
Current	**147,803**	158,126
Within 30 days	**34,365**	58,112
31 - 60 days	**14,397**	15,268
61 - 90 days	**3,397**	2,355
Over 90 days	**7,160**	11,046
	207,122	244,907

17. Other Payables and Accruals

	Unaudited 30th June 2016 *HK$'000*	Audited 31st December 2015 *HK$'000*
Other payables	**3,678**	4,855
Accruals	**43,367**	56,669
Provision for customers' claim	**6,300**	-
Amount due to the ultimate holding company	**71**	55
Amounts due to associates	**3,497**	2,151
	56,913	63,730

18. Pledge of Assets

As at 30th June 2016, the Group's leasehold land and buildings of approximately HK$103,780,000 (31st December 2015: HK$105,450,000) were pledged to secure the banking facilities of the Group.

As at 30th June 2016, the Group's restricted bank deposit of approximately HK$487,000 (31st December 2015: nil) was pledged to secure the performance bonds of the Group.

DIVIDEND

The Directors did not recommend the payment of an interim dividend for the six months ended 30th June 2016 (six months ended 30th June 2015: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

For the six months ended 30th June 2016, total revenue of the Group was HK$776.5 million, representing a 0.9% increase from the corresponding period last year. As compared with the corresponding period last year, product sales was decreased by 3.9% to HK$436.3 million while service revenue was increased by 7.8% to HK$340.2 million. For the six months ended 30th June 2016, product sales and service revenue contributed 56.2% and 43.8% to total revenue respectively, compared to 59.0% and 41.0% for the corresponding period last year.

For the six months ended 30th June 2016, commercial and public sector sales contributed 42.5% and 57.5% to total revenue respectively, compared to 41.7% and 58.3% for the corresponding period last year.

Gross profit margin for the first six months was 10.7%, an increase in gross profit by 26.7% compared to the corresponding period last year. Such increase was mainly attributable to the ongoing implementation of various measures relating to human resources integration, effectiveness of operational efficiency and marketing promotion.

During the period under review, the Group recorded a profit attributable to the Company's equity holders of HK$18.3 million, a rise of 124.3% compared to the corresponding period last year of HK$8.1 million. The positive momentum was mainly driven by an increase in the order book by 11.9% and a decrease in operating costs by 1.9%. Simultaneously, the share of loss of associates by the Group was decreased by 32.4%.

For the six months ended 30th June 2016, orders newly secured by the Group amounted to approximately HK$761.9 million. As at 30th June 2016, the order book balance was approximately HK$867.8 million, an increase of HK$92.4 million compared to the corresponding period last year. The Group's net cash stood at approximately HK$219.0 million with a working capital ratio of 1.86:1. The Group maintained a healthy financial position and outstanding borrowings amounted to HK$20.0 million as at 30th June 2016.

Business Review

The Group, continuously focusing on five key solutions and services pillars (i.e. Infrastructure, Security, Data Intelligence, Mobile and Cloud) in 2016, has been consistent in its development strategy and has made remarkable progress during the period under review. In respect of the managed service business, the result was particularly impressive. As there is an increasing demand for enhancing operational efficiency from the public and private sectors in Hong Kong and the Greater China region, the Group has successfully introduced a "customer-oriented" concept to various locally-based enterprises through providing long-term Information Technology ("IT") managed services and those enterprises may outsource their IT support and management operations from their internal IT departments. This has considerably increased the business flexibility of those enterprises and, with the performance pledge made by the Group, further increased their support service standard and coverage.

Following the establishment of Automated Center of Excellence (ACoE) and Security Operation Center *Plus* ("SOC+") last year, the Group has expanded its Service Center and improved its IT infrastructure to meet customers' buoyant demand for IT Service Management (ITSM), resulting in the provision of one-stop IT managed service support for customers during the period under review. Running 24 hours a day throughout the year, the Service Center is not only providing clients with a more convenient and reliable central service platform, but also swifts support for different IT problems. The Center is highly scalable and capable of responding promptly to the fast-changing market. Moreover, the Center has been accredited with the ISO 20000-1:2011 International Standard for IT Service Management System certification and the ISO 9001:2008 Quality Management System certification, thus highlighting the Group's competence in delivering IT services that meet the international standards. The establishment of the Service Center further shows the Group's competency to conduct more large-scale and sophisticated projects, as well as offer a wide spectrum of extensive services and support. The Center also helps to underscore the Group's determination to grasp the aforementioned emerging opportunities in managed services.

The Group has persistently focused on the provision of IT-related professional services and has long identified the South China region as a market with enormous development potential. Correspondingly, the Group has expanded its Offshore Delivery Excellence Center ("ODEC") in Guangzhou in the first half year. This arrangement has broadened the talent pool for application development and substantially enhanced the cost effectiveness of projects and quality of service delivery.

Outlook and Prospects

The rapid growth of Cloud and big data is being followed by rising cases of cyber attacks and hacker invasions, which have already caused enterprises to incur tremendous losses and brought widespread concerns to society. International Data Corporation (IDC) expects that 55% of enterprises in the Asia Pacific region (excluding Japan) will rely on third parties to manage their internal security infrastructure by the end of 2017. It is therefore expected that SOC+, with provision of comprehensive managed security solution services which was set up in July last year, would continue to benefit from this trend. Moreover, to raise the level of cybersecurity of banks in Hong Kong, the Hong Kong Monetary Authority launched the "Cybersecurity Fortification Initiative" in May this year. The Initiative is a supervisory requirement, under which banks in Hong Kong have to implement IT security-related measures to protect themselves from unexpected cyber attacks. With the Group's well-established reputation in the security market, a loyal customer base, the well-equipped SOC+, and a professional security team comprising over 100 certified staff, the Group has a definite advantage in being one of the few competent managed security services providers in the market. The Group is fully capable of offering flexible and reliable local services regarding system security assessment, security infrastructure, network surveillance, issues management and security strategy formulation consultancy, etc. We have confidence to our ability to assist corporations in developing a regulated and safe IT environment which meets international standards.

As an IT company with substantial techniques, the Group is continuously searching for opportunities to advance IT development. The Group has entered into an agreement with a leading new-energy vehicle integrated service provider in Mainland China in mid-2016 for setting up a joint venture. Under the agreement, a research and development center will be established, and we expect both will benefit from the synergies generated by sharing and complementing of the resources. Through the new corporation, it will not only provide stable and high-standard technical support to each other, but also further expand the ODEC's talent pool, which was enlarged at the beginning of the year, and will improve its service delivery level and capacity. The cooperation will potentially help opening up business opportunities in Mainland China, particularly in South China region, for the long-term development of the Group.

Looking ahead, since more uncertainties will be arisen in the macro environment, such as the sluggish global economy, global political tension and Brexit as well as slow economic growth of Hong Kong; the Group will face more challenges and pressures, such as maintaining or further enhancing the service quality to sustain its competitive edge, despite possibly lower order prices. Nevertheless, the Group will strenuously consolidate its leading position in the IT industry and leverage its competiveness through the development of innovative technologies and grasping new opportunities for the development of the Group in the future.

Financial Resources and Liquidity

As at 30th June 2016, the Group's total assets of HK$1,172.0 million were financed by current liabilities of HK$422.7 million, non-current liabilities of HK$44.5 million and shareholders' equity of HK$704.8 million. The Group had a working capital ratio of approximately 1.86:1.

As at 30th June 2016, the Group had an aggregate composite banking facility from banks of approximately HK$170.0 million (31st December 2015: HK$180.0 million). The Group had pledged leasehold land and buildings in an aggregate amount of HK$103.8 million (31st December 2015: HK$105.5 million) and restricted bank deposit HK$0.5 million (31st December 2015: nil) for performance bonds granted to the Group respectively. The performance bonds issued by the Group to customers as security of contracts were approximately HK$53.6 million as at 30th June 2016 (31st December 2015: HK$52.3 million). The Group's gearing ratio (total borrowings over total equity) was 2.8% as at 30th June 2016 (31st December 2015: 2.9%).

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 bank 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 2016 (six months ended 30th June 2015: same).

Contingent Liabilities

As at 30th June 2016, the Group had HK$0.5 million restricted bank deposit held as security for performance bonds (31st December 2015: nil). As at 30th June 2016, performance bonds of approximately HK$53.6 million (31st December 2015: HK$ 52.3 million) had been issued by the bank on behalf of the Group to customers as security of contracts.

The Group is involved in disputes arising in the ordinary course of business. In accordance with the Group's policies, the Group will make a provision for a liability when it has a present obligation as a result of a past event, it is probable that an outflow of resources will be required from the Group to settle the obligation and the amount can be reasonably estimated. Having reviewed outstanding claims of the Group, a provision for customers' claim of HK$6.3 million was consequently recognised in profit or loss within other (loss)/gain, net.

The Group reviews these provisions in conjunction with any related provisions on assets related to the claims and adjusts these provisions to reflect the impacts of negotiations, settlements, rulings, advice of legal counsel and other pertinent information related to the case. Should developments in any of these matters cause a change in the Group's determination as to an unfavourable outcome and result in the need to recognise a material provision, or, should any of these matters result in a final adverse judgment or be settled for significant amounts, they could have an adverse effect on the Group's results of operations, cash flows, and financial position in the year or years in which such a change in determination, settlement or judgment occurs.

Capital Commitments

As at 30th June 2016, the Group had no contracted capital commitment (31st December 2015: HK$0.2 million).

Employee and Remuneration Policies

As at 30th June 2016, the Group, excluding its associates, employed 1,259 permanent and contract staff in Hong Kong, Mainland 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 2016, 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, risk management and internal control systems 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 2016, 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 2016, except as noted below:

(a) with respect to Code provision A.6.7, one Non-Executive Director did not attend the annual general meeting of the Company held on 18th May 2016 (the "2016 AGM") due to other commitments; and

(b) with respect to Code provision E.1.2, Mr. Li Wei, the Chairman of the Board, was unable to attend the 2016 AGM due to other commitments.

By Order of the Board
Automated Systems Holdings Limited
Wang Yueou
Executive Director and Acting Chief Executive Officer

Hong Kong, 17th August 2016

As at the date of this announcement, the Board comprises Mr. Wang Weihang and Mr. Wang Yueou being Executive Directors; Mr. Li Wei and Mr. Cui Yong being Non-Executive Directors; and Mr. Pan Xinrong, Mr. Deng Jianxin and Ms. Ye Fang being Independent Non-Executive Directors.