

## **AUTOMATED ANNOUNCES 2017 INTERIM RESULTS**

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### ***Innovation Journey on Solid Foundation Captures Opportunities for Global Expansion***

(Hong Kong, 24 August 2017) – **Automated Systems Holdings Limited** (“ASL” or “the Group”) (HKEX stock code: 771), a trustworthy and professional global information technology (“IT”) partner in the region, announced its interim results for the six months ended 30 June 2017 (the “Review Period”). During the Review Period, total revenue of the Group was HK\$932.2 million, representing a 20.1% increase from the corresponding period last year.

The Group recorded a profit attributable to the Company’s equity holders of HK\$18.0 million (2016 Interim: HK\$18.3 million) mainly because the profit contribution from Grid Dynamics International, Inc. (“Grid Dynamics”), which was acquired on 7 April 2017, (the “Acquisition”) was offset by the one-off professional fees and finance costs incurred for the acquisition. Gross profit for the six months ended 30 June 2017 was HK\$149.6 million, an increase of HK\$66.5 million or 79.9% compared with the same period last year. Gross profit margin for the period also increased from 10.7% to 16.1%. The increase in gross profit and gross profit margin was mainly attributable to the gross profit contribution from Grid Dynamics. During the Review Period, basic earnings per share and diluted earnings per share are 3.43 HK cents and 3.19 HK cents respectively (2016 Interim: 4.44 HK cents).

The Group maintained a healthy financial position during the Review Period. As at 30 June 2017, the Group’s net cash stood at approximately HK\$343.1 million with a working capital ratio of 1.20:1. During the Review Period, orders newly secured by the Group amounted to approximately HK\$816.7 million. As at 30 June 2017, the order book balance was approximately HK\$1,041.4 million, an increase of HK\$173.6 million compared to the corresponding period last year, while outstanding borrowings amounted to HK\$591.9 million.

As compared with the corresponding period last year, service revenue increased by 47.7% to HK\$502.4 million while product sales decreased by 1.5% to HK\$429.7 million, contributing 53.9% and 46.1% to total revenue respectively. (2016 Interim: 43.8% and 56.2%). The increase in service revenue was mainly attributable to the contribution from Grid Dynamics. Commercial and public sector sales contributed 52.3% and 47.7% to total revenue respectively (2016 Interim: 42.5% and 57.5%).

The development of the Group's local core business remained stable during the first six months of this year. The Group completed the Acquisition of Grid Dynamics, a company incorporated in California, the United States, at a total consideration of US\$118.0 million (equivalent to approximately HK\$916.8 million). Grid Dynamics has become a wholly-owned subsidiary of the Group. Grid Dynamics is a provider of open, scalable, next-generation e-commerce technology solutions in the areas of omni-channel digital platforms, cloud-enablement, big data analytics and continuous delivery. The Acquisition resulted in a significant growth in the Group's revenue and gross profit during the Review Period, and the coverage of the delivery services also expanded from the Asia-Pacific region to Europe and the United States.

In respect of the public sector sales, the Group continued to be benefited from the Government's policies on actively promoting innovation and improving public services through the use of IT. In response to the trend of innovation and technology development, the Group has also adopted DevOps (the combination of a new advanced IT service delivery and agile application development methodologies) as a delivery model in governmental projects during the period to enhance the flexibility and effectiveness of delivery services.

In respect of the commercial sector sales, the Group has continued to focus on the managed service business adhering to last year's development strategy and has successfully obtained a three-year security managed service project contract from a large transport operator in Hong Kong during the period. The Group believes that the success is not merely attributable to winning the project contract, but also successfully further launching the Security Operation Center *Plus* (SOC+) of its own security managed services together with managed services and service desk services to the market. This evidenced that the Group was one of a few one-stop IT service providers which possesses both local supporting services capability and world-class security managed services.

New generation of digital technologies are growing rapidly and becoming increasingly popular in IT application across every industry while clients from commercial sector are open to cloud services. Meanwhile, due to large cloud service providers entering the market in Hong Kong in recent years, the Group expects that the demand from enterprises to invest in IT infrastructure will gradually decrease. These changes will bring challenges to the Group. However, the Group believes that the demand for IT infrastructure investment from financial industry clients will remain at a certain level; therefore, there will not be a significant impact on the Group's IT infrastructure business in the short term.

The Group's next stage major development strategy is to seize the opportunities brought by the development of the third generation IT platform. The Group will continue to make use of its current market position and advantages, further promoting the digital transformation of professional services. The Group will, depend on the needs of the customer, use the third platform technologies to develop new mission-critical business applications based on the concept of "customer-oriented" to meet customers' long-term needs for digital technologies, and to help customers reduce operating costs, streamline operational procedures and improve business agility.

With the convergence of IT products and services, it is particularly important for professional service providers to make use of their special skills and accumulated experience in their respective industries to make a profit. The Group will concentrate on further strengthening its innovative capabilities for particular industry solutions in emerging industries with advantages. In this regard, the Group will seek to understand the changes in customers' needs and to provide solutions that meet the core business needs of our customers based on the integration and reconstruction of their business procedures. The Group expects to focus on meeting the needs of particular major industries and provide customers with more appropriate and better services.

In addition, in response to rapid changes in the industry, the Group will continue to integrate its internal and external resources, attract talents and nurture teams with a wide range of practical experience. The Group, in the beginning of this year, focused on strengthening professional and technical training (including DevOps, Scrum (a methodology of agile software development), IT security and big data, etc.) for existing staff, and introduced a graduate trainee program to expand the talent pool and cultivate talents.

It is worth mentioning that the Group was entrusted as one of the contractors of "Standing Offer Agreement for Quality Professional Services 4" (SOA-QPS4) by the Office of the Government Chief Information Officer and was eligible for bidding four categories of IT services for various government bureau and departments under

a period of 48 months, effective from 31 July 2017, which the Group is confident that it could bring a stable revenue to the Group for our relevant IT services. In respect of SOA-QPS4, the government has increased funding and has adopted a higher technical weighting with a price to technical ratio of 60:40 for some work assignments in the new round of contract bidding. As a quality IT services company, the Group believes that we could have more opportunities in getting government contracts in higher profit margin. Meanwhile, by taking the opportunity of SOA-QPS4, we endeavor to make use of the Group's DevOps technology, experienced professional team and agile development adoption to introduce quality and innovative IT solutions and professional IT services to the government and assist the government in building Hong Kong to be a more competitive smart city.

2017 is the Group's 20th listing anniversary in Hong Kong, therefore, not only did the successful completion of the Acquisition lay a solid foundation for the future development of the Group, but also marked the Group's new journey of development. With Grid Dynamics joining the Group, a large number of its world-class developers have become part of the Group, thus extending the coverage of Group's several offshore delivery centers from Asia to Europe, further creating a global delivery model for customers. At the same time, the technological resources and business strength of Grid Dynamics would not only accelerate the Group to enter the segmented markets in the industry, but also improve the overall technological strengths of the Group. Through this, the Group could grasp the opportunities brought by third platform technologies and further expand its services coverage into Europe and the United States. The Group expected that Grid Dynamics would bring a significant growth in the profit of the Group.

Looking forward, as the Group has further extended its service delivery coverage from Hong Kong-based Greater China region to North America and Europe, this will establish the Group's position as a global, trustworthy and professional one-stop IT service partner.

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### **About Automated Systems Holdings Limited**

Automated Systems (H.K.) Limited was founded in Hong Kong in 1973 and was listed on the Stock Exchange of Hong Kong Limited under the name of Automated Systems Holdings Limited (“the ASL Group” or “the Group”) (Stock Code: 771) in November 1997. The ASL Group's ultimate controlling shareholder is Beijing Teamsun Technology Co., Ltd. (“Teamsun”) whose shares are listed on the Shanghai Stock Exchange (Stock Code: 600410). The Group is a member of the Teamsun Group which recorded turnover of more than RMB5.0 billion and has more than 5,000 employees. The ASL Group, consisting of Automated Systems (H.K.) Limited, ELM Computer Technologies Limited, CSA Automated (Macau) Limited, Guangzhou Automated Systems Limited, ASL Automated (Thailand) Limited and the newly acquired company in April 2017 - Grid Dynamics International, Inc.. In addition, i-Sprint Innovations Pte Ltd is our associate company. We offer professional information technology services to corporate clients worldwide, particularly in the Greater China and Asia covering Hong Kong, Mainland China, Taiwan, Macau, Thailand, Singapore, Malaysia as well as North America and Europe, etc. After more than 40 years of success, the ASL Group has established its reputation as a trustworthy and professional global IT partner.

With its strong commitment to quality services, the ASL Group has been winning well-known clients such as government agencies, prestigious universities, telecommunications giants, transportation enterprises, major financial institutions, and leading international corporations.

For more information, please visit our web page at <http://www.asl.com.hk>.

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