

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

AUTOMATED

AUTOMATED SYSTEMS HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 771)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31ST DECEMBER 2017

RESULTS

The board (the “Board”) of directors (the “Directors”) of Automated Systems Holdings Limited (the “Company”) are pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group” or “ASL”) for the year ended 31st December 2017 together with comparative figures for the year ended 31st December 2016 as follows:

Consolidated Statement of Profit or Loss

		Audited Year ended 31st December	
	<i>Notes</i>	2017 HK\$'000	2016 HK\$'000
Revenue	3	1,917,453	1,521,985
Cost of goods sold		(648,321)	(742,342)
Cost of services rendered		(924,968)	(612,958)
Other income	4	5,686	5,797
Other loss, net	5	(8,216)	(3,874)
Fair value gain on revaluation of investment properties		1,700	400
Selling expenses		(103,056)	(70,157)
Administrative expenses		(146,584)	(51,085)
Finance income	6	370	545
Finance costs	7	(17,205)	(793)
Share of results of associates		(7,111)	(8,540)
Profit before income tax	8	69,748	38,978
Income tax expense	9	(17,169)	(10,181)
Profit for the year attributable to equity holders of the Company		52,579	28,797
		<i>HK cents</i>	<i>HK cents (Restated)</i>
Earnings per share	11		
Basic		8.99	7.00
Diluted		7.77	7.00

Consolidated Statement of Comprehensive Income

	Audited	
	Year ended	
	31st December	
	2017	2016
	HK\$'000	HK\$'000
Profit for the year	52,579	28,797
Other comprehensive income/(loss):		
<i>Items that will not be reclassified subsequently to profit or loss:</i>		
Revaluation surplus of land and buildings	18,056	11,093
Deferred taxation arising from revaluation surplus of land and buildings	(2,979)	(1,830)
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of overseas operations	6,049	(1,901)
Reclassification adjustment of translation reserve upon deemed disposal of partial interests in associates	-	42
Share of other comprehensive income/(loss) of associates	1,004	(686)
Total comprehensive income for the year attributable to equity holders of the Company	<u>74,709</u>	<u>35,515</u>

Consolidated Statement of Financial Position

		Audited	
		31st December	
		2017	2016
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment	12	291,055	276,332
Investment properties	13	52,300	50,600
Intangible assets		119,323	681
Goodwill		769,499	-
Interests in associates		46,948	53,458
Available-for-sale financial asset		598	-
Finance lease receivables		3,325	4,035
Prepayments	15	340	-
Deferred income tax assets		4,017	953
		1,287,405	386,059
CURRENT ASSETS			
Inventories		128,081	128,414
Trade receivables	14	275,952	166,651
Finance lease receivables		3,592	4,264
Other receivables, deposits and prepayments	15	32,946	21,337
Amounts due from customers for contract work		204,644	220,884
Tax recoverable		41,334	88
Restricted bank deposits	16	4,168	876
Bank balances and cash	16	286,771	237,755
		977,488	780,269
TOTAL ASSETS		2,264,893	1,166,328
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
Share capital		67,054	35,079
Share premium		376,464	114,497
Reserves		654,300	569,457
TOTAL EQUITY		1,097,818	719,033
NON-CURRENT LIABILITIES			
Borrowings	19	245,182	-
Contingent consideration payable	21	67,262	-
Deferred income tax liabilities		74,723	45,899
		387,167	45,899
CURRENT LIABILITIES			
Trade payables	17	175,802	185,380
Other payables and accruals	18	153,904	72,909
Contingent consideration payable	21	69,429	-
Receipts in advance		126,711	125,660
Current income tax liabilities		6,262	7,447
Borrowings	19	247,800	10,000
		779,908	401,396
TOTAL LIABILITIES		1,167,075	447,295
TOTAL EQUITY AND LIABILITIES		2,264,893	1,166,328
NET CURRENT ASSETS		197,580	378,873
TOTAL ASSETS LESS CURRENT LIABILITIES		1,484,985	764,932

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKAS”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the accounting principles generally accepted in Hong Kong.

The consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and include the applicable disclosure requirements of the Rules Governing the Listing of Securities (the “Listing Rules”) on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The consolidated financial statements have been prepared under the historical cost basis except that the land and buildings, investment properties and contingent consideration payable are stated at fair values.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed.

2. Application of new or amended HKFRSs

(a) Amended HKFRSs that are effective for the annual periods beginning on 1st January 2017:

In the current year, the Group has applied for the first time the following amended HKFRSs issued by the HKICPA, which are relevant to the Group’s operations and effective for the Group’s consolidated financial statements for the annual period beginning on 1st January 2017:

Amendments to HKAS 7	<i>Statement of Cash Flows: Disclosure Initiative</i>
Amendments to HKAS 12	<i>Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses</i>
Amendments to HKFRS 12	<i>Disclosure of Interests in Other Entities</i>
Included in Annual Improvements to HKFRSs 2014 – 2016 Cycle	

Amendments to HKAS 7: Statement of Cash Flows: Disclosure Initiative

The amendments require an entity to provide disclosure that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. Apart from the additional disclosure, the application of these amendments has had no impact on the Group’s consolidated financial statements.

(b) Issued but not yet effective:

At the date of authorisation of these consolidated financial statements, certain new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

HKFRS 9	<i>Financial Instruments¹</i>
HKFRS 15	<i>Revenue from Contracts with Customers and the related Amendments¹</i>
HKFRS 16	<i>Leases²</i>
HKFRS 17	<i>Insurance Contracts³</i>
Amendments to HKFRS 2	<i>Classification and Measurement of Share-based Payment Transactions¹</i>
Amendments to HKFRS 4	<i>Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts¹</i>
Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensation²</i>
Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture⁴</i>
Amendments to HKAS 28	<i>Long-term Interests in Associates and Joint Ventures²</i>
Amendments to HKAS 40	<i>Transfers of Investment Property¹</i>
Amendments to HKFRSs	<i>Annual Improvements to HKFRSs 2014-2016 Cycle¹</i>
Amendments to HKFRSs	<i>Annual Improvements to HKFRSs 2015-2017 Cycle²</i>
HK(FRIC) – Int 22	<i>Foreign Currency Transactions and Advance Consideration¹</i>
HK(FRIC) – Int 23	<i>Uncertainty over Income Tax Treatments²</i>

¹ Effective for annual periods beginning on or after 1st January 2018

² Effective for annual periods beginning on or after 1st January 2019

³ Effective for annual periods beginning on or after 1st January 2021

⁴ Effective date not yet determined

2. Application of new or amended HKFRSs (Continued)

(b) Issued but not yet effective: (Continued)

The Directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. Information on new and amended HKFRSs that are expected to have impact on the Group's accounting policies is provided below. Other new and amended HKFRSs are not expected to have a material impact on the Group's financial statements.

HKFRS 9: Financial Instruments

HKFRS 9 replaces HKAS 39 "Financial Instruments: Recognition and Measurement". It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an "expected credit loss" model for the impairment of financial assets.

HKFRS 9 also contains new requirements on the application of hedge accounting. The new requirements look to align hedge accounting more closely with entities' risk management activities by increasing the eligibility of both hedged items and hedging instruments and introducing a more principles-based approach to assessing hedge effectiveness.

HKFRS 9 is effective for annual reporting periods beginning on or after 1st January 2018. Based on the assessment completed to date, the Group has identified the following areas that are expected to be impacted by the application of HKFRS 9:

- the classification and measurement of the Group's financial assets will need to be reviewed based on the new criteria that considers the assets' contractual cash flows and the business model in which they are managed. The Group has assessed that its financial assets currently measured at amortised cost will continue with their respective classification and measurements upon the adoption of HKFRS 9, except for the Group's unlisted equity investment currently classified as available-for-sale financial asset, which the Group intends to hold beyond 1st January 2018 (i.e. not held for trading), will satisfy the conditions for classification as fair value through other comprehensive income. To present changes in other comprehensive income requires making an irrevocable designation on initial recognition or at the date of transition to HKFRS 9. Currently, the Group intends to elect to present changes in the equity investment in other comprehensive income.
- the impairment of financial assets will apply the expected credit loss model. This will apply to the Group's trade receivables. The Group applies a simplified model of recognising lifetime expected credit losses as trade receivables do not have significant financing component. The Directors do not anticipate the adoption of expected credit loss model will have material impact on the Group's performance and financial position.

HKFRS 15: Revenue from Contracts with Customers

HKFRS 15 and the related clarification to HKFRS 15 (hereinafter referred to as "HKFRS 15") presents new requirements for the recognition of revenue, replacing HKAS 18 "Revenue", HKAS 11 "Construction Contracts", and several revenue-related Interpretations. HKFRS 15 establishes a single comprehensive model that applies to contracts with customers and two approaches to recognising revenue; at a point in time or overtime. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

HKFRS 15 is effective for annual periods beginning on or after 1st January 2018. Based on the assessment completed to date, the Group has identified the following areas which are expected to be affected:

(i) Timing of revenue recognition

Currently, revenue arising from provision of services other than installation service is recognised over time, whereas revenue from sale of goods is generally recognised when the risks and rewards of ownership have passed to the customers.

Under HKFRS 15, revenue is recognised when customer obtains control of the promised good or service in the contract. HKFRS 15 identifies 3 situations in which control of the promised good or service is regarded as being transferred over time:

- (1) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;
- (2) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced; or
- (3) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when transfer of control occurs.

The Group has assessed that the adoption of HKFRS 15 is not likely to have significant impact on how it recognises from contracts.

2. Application of new or amended HKFRSs (Continued)

(b) Issued but not yet effective: (Continued)

HKFRS 15: Revenue from Contracts with Customers (Continued)

(ii) Contracts with multiple performance obligations

Many of the Group's contracts comprise a variety of performance obligations including, but not limited to, system enhancement services, installation services with sales of products and maintenance services. Under HKFRS 15, the Group must evaluate the separability of the promised goods or services based on whether they are "distinct". A promised good or service is "distinct" if both:

- the customer benefits from the items either on its own or together with other readily available resources; and
- it is "separately identifiable" (i.e. the Group does not provide a significant service integrating, modifying or customising it).

While this represents significant new guidance, the implementation of this new guidance did not have a significant impact on the timing or amount of revenue recognised by the Group in any year.

The Directors do not consider that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting period.

HKFRS 16: Leases

HKFRS 16 "Leases" will replace HKAS 17 and three related Interpretations.

Currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessor and others as the lessee.

HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease, the lessee will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee would recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases of office premises and computer equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease. As at 31st December 2017, the Group's future minimum lease payments under non-cancellable operating leases amount to approximately HK\$36,929,000 for office premises and computer equipment, the majority of which is payable either within 1 year or between 1 and 5 years after the reporting date. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16 and the effects of discounting.

HKFRS 16 is effective for annual periods beginning on or after 1st January 2019. The standard offers different transition options and practical expedients, including the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. If this practical expedient is chosen, the Group will apply the new definition of a lease in HKFRS 16 only to contracts that are entered into on or after the date of initial application. If the practical expedient is not chosen, the Group will need to reassess all of its decisions about which existing contracts are, or contain, leases, using the new definition. Depending on whether the Group elects to adopt HKFRS 16 retrospectively or follow a modified retrospective method of recognising a cumulative-effect adjustment to the opening balance of equity at the date of initial application, the Group may or may not need to restate comparative information for any changes in accounting resulting from the reassessment.

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:

	Audited	
	Year ended	
	31st December	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Sales of goods	743,382	840,007
Revenue from service contracts	1,174,071	681,978
	1,917,453	1,521,985

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 (2016: 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, net, fair value gain on revaluation of investment properties, unallocated loss on disposal of property, plant and equipment, 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, tax recoverable, restricted bank deposits, bank balance and cash, and unallocated corporate assets (mainly include property, plant and equipment and investment properties that are used by all segments, prepayments, deposits, other receivables and available-for-sale 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 borrowings).

(a) The Group's revenue and results and assets and liabilities by operating segments for the year are presented below:

Audited

Year ended 31st December 2017

	IT Products	IT Services	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue from external customers	743,382	1,174,071	1,917,453
Intersegment revenue	6,847	26,815	33,662
Segment revenue	750,229	1,200,886	1,951,115
Reportable segment profit	57,532	186,795	244,327
Segment depreciation	3,037	14,660	17,697
Segment amortisation	-	7,304	7,304
Additions to property, plant and equipment	50	9,586	9,636
Additions to intangible assets	-	57	57

3. Revenue and Segment Information (Continued)

(a) The Group's revenue and results and assets and liabilities by operating segments for the year are presented below: (Continued)

Audited

Year ended 31st December 2016

	<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	840,007	681,978	1,521,985
Intersegment revenue	6,813	23,241	30,054
Segment revenue	846,820	705,219	1,552,039
Reportable segment profit	58,196	39,199	97,395
Segment depreciation	2,258	9,766	12,024
Segment amortisation	-	1,668	1,668
Additions to property, plant and equipment	83	3,539	3,622

Audited

As at 31st December 2017

	<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	220,038	1,318,279	1,538,317
Reportable segment liabilities	184,594	206,377	390,971

Audited

As at 31st December 2016

	<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	231,602	310,450	542,052
Reportable segment liabilities	199,717	146,529	346,246

(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

	Audited	
	Year ended	
	31st December	
	2017	2016
	HK\$'000	HK\$'000
Reportable segment revenue	1,951,115	1,552,039
Elimination of intersegment revenue	(33,662)	(30,054)
Revenue per consolidated statement of profit or loss	1,917,453	1,521,985

3. Revenue and Segment Information (Continued)

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

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

Profit or loss	Audited	
	Year ended	
	31st December	
	2017	2016
	HK\$'000	HK\$'000
Reportable segment profit	244,327	97,395
Unallocated amounts:		
Unallocated other income	4,008	5,474
Unallocated other loss, net	(8,216)	(3,874)
Fair value gain on revaluation of investment properties	1,700	400
Unallocated loss on disposal of property, plant and equipment	(800)	(173)
Unallocated depreciation	(3,067)	(5,472)
Share of results of associates	(7,111)	(8,540)
Finance costs	(17,205)	(793)
Unallocated corporate expenses	(143,888)	(45,439)
	<u>69,748</u>	<u>38,978</u>
Profit before income tax per consolidated statement of profit or loss	<u>69,748</u>	<u>38,978</u>
Assets	Audited	
	31st December	
	2017	2016
	HK\$'000	HK\$'000
Reportable segment assets	1,538,317	542,052
Unallocated assets:		
Interests in associates	46,948	53,458
Deferred income tax assets	4,017	953
Tax recoverable	41,334	88
Restricted bank deposits	4,168	876
Bank balances and cash	286,771	237,755
Unallocated corporate assets	343,338	331,146
	<u>2,264,893</u>	<u>1,166,328</u>
Total assets per consolidated statement of financial position	<u>2,264,893</u>	<u>1,166,328</u>
Liabilities	Audited	
	31st December	
	2017	2016
	HK\$'000	HK\$'000
Reportable segment liabilities	390,971	346,246
Unallocated liabilities:		
Current income tax liabilities	6,262	7,447
Deferred income tax liabilities	74,723	45,899
Unallocated corporate liabilities	695,119	47,703
	<u>1,167,075</u>	<u>447,295</u>
Total liabilities per consolidated statement of financial position	<u>1,167,075</u>	<u>447,295</u>

3. Revenue and Segment Information (Continued)

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

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 goodwill, and the location of operations in case of interests in associates.

Place of domicile	Revenue from external customers	
	Audited	
	Year ended	
	31st December	
	2017	2016
	HK\$'000	HK\$'000
Hong Kong	1,421,800	1,422,442
United States of America ("US")	411,446	-
Mainland China	5,924	3,371
Macau	32,441	25,302
Thailand	32,249	51,008
Taiwan	13,593	19,862
	1,917,453	1,521,985

Place of domicile	Specified non-current assets	
	Audited	
	31st December	
	2017	2016
	HK\$'000	HK\$'000
Hong Kong	332,603	326,150
US	890,827	-
Russia	4,751	-
Ukraine	2,163	-
Poland	845	-
Singapore	45,660	52,504
Mainland China	610	823
Macau	1,367	1,113
Thailand	130	107
Taiwan	169	374
	1,279,125	381,071

4. Other Income

	Audited	
	Year ended	
	31st December	
	2017	2016
	HK\$'000	HK\$'000
Interest on bank deposits	137	40
Rental income from investment properties	3,651	3,639
Rental income from sublease	326	311
Bad debts recovery	-	185
Others	1,572	1,622
	5,686	5,797

5. Other Loss, Net

	Audited Year ended 31st December	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss on disposal of property, plant and equipment	(800)	(182)
Gain on deemed disposal of partial interests in associates	-	5,714
Changes in fair value on contingent consideration payable (Note 21)	(3,221)	-
Provision for customers' claim	(3,642)	(9,630)
Impairment loss recognised for interest in associates	(4,400)	-
Exchange gain, net	3,847	224
	(8,216)	(3,874)

6. Finance Income

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

7. Finance Costs

	Audited Year ended 31st December	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank borrowings	7,284	549
Interest on liability component of convertible bonds	9,910	-
Other interest expenses	11	244
	17,205	793

8. Profit Before Income Tax

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

	Audited Year ended 31st December	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Auditors' remuneration:		
Audit services		
- Current year	3,212	1,238
- Underprovision in respect of prior year	113	62
Non-audit services	1,253	460
Depreciation and amortisation:		
- Property, plant and equipment	20,764	17,496
- Intangible assets (included in cost of services rendered)	7,304	1,668
Directors' emoluments	7,907	5,587
Employee benefit expenses (excluding Directors' emoluments)	717,519	430,213
Transaction costs for acquisition of subsidiaries (Note 21)	9,025	5,575
Operating lease rentals in respect of:		
- Office premises and staff quarter	19,970	6,863
- Computer equipment	426	418
Provision for impairment of trade receivables	541	4,187
Reversal of provision for impairment of trade receivables	(107)	(4)
Provision for obsolete inventories, net	78	69

9. Income Tax Expense

	Audited	
	Year ended	
	31st December	
	2017	2016
	HK\$'000	HK\$'000
Current taxation:		
Hong Kong profits tax	10,316	10,723
Overseas taxation	19,260	509
Under/(Over)-provision in respect of prior years:		
Hong Kong profits tax	109	(223)
Overseas taxation	110	(114)
	29,795	10,895
Deferred taxation:		
Current year	2,802	(714)
Effect of change in US tax rate (Note)	(15,428)	-
	(12,626)	(714)
Income tax expense	17,169	10,181

Note: Following the enactment of the US Tax Cuts and Jobs Act on 22nd December 2017 which amongst other measures, reduced the US federal corporate income tax rate from 35% to 21%, the Group has re-measured its deferred income tax as at 31st December 2017 and recognised a reduction of deferred income tax of approximately HK\$15,428,000.

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits for the year. Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries and regions in which the Group operates.

10. Dividends

	Audited	
	Year ended	
	31st December	
	2017	2016
	HK\$'000	HK\$'000
Dividends proposed:		
Final dividend in respect of the year ended 31st December 2017 of 1.0 HK cent per share (Note)	6,705	-

The Directors have resolved to recommend the payment of a final dividend of 1.0 HK cent per share for the year ended 31st December 2017. Subject to the approval of shareholders at the forthcoming annual general meeting, the proposed final dividend will be paid on or before 8th June 2018 to shareholders whose names appear on the register of members of the Company on 29th May 2018 (2016: Nil).

Note: The proposed final dividend for the year ended 31st December 2017, as referred to above, is calculated on the basis of 670,544,804 ordinary shares in issue as at 31st December 2017 and at a final dividend of 1.0 HK cent per share. The actual amount of final dividend payable in respect of the year ended 31st December 2017 will be subject to the actual number of ordinary shares in issue on the record date, which is expected to be on 29th May 2018.

11. 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:

	Audited Year ended 31st December	
	2017	2016
	HK\$'000	HK\$'000
Earnings for the purpose of basic earnings per share	52,579	28,797
Effect of dilutive potential ordinary shares		
- Interest on convertible bonds (Note (ii))	9,910	-
Earnings for the purpose of diluted earnings per share	<u>62,489</u>	<u>28,797</u>
	Number of shares	
	2017	2016
	'000	'000
		(Restated)
Weighted average number of ordinary shares for the purpose of basic earnings per share (Note (i))	585,061	411,231
Effect of dilutive potential ordinary shares		
- Share options (Note (iii))	82	265
- Convertible bonds (Note (ii))	219,178	-
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>804,321</u>	<u>411,496</u>

Notes:

(i) The 585,061,000 ordinary shares are derived from the weighted average number of ordinary shares in issue during year 2017 after taking into account the effects of rights issue and bonus issue being completed during the year ended 31st December 2017.

The 411,231,000 ordinary shares are derived from the weighted average number of ordinary shares in issue during year 2016 after taking into account the effects of bonus issue being completed during the year ended 31st December 2016 and rights issue and bonus issue being completed during the year ended 31st December 2017.

(ii) The calculation of the diluted earnings per share for the year ended 31st December 2017 is based on the profit attributable to equity holders of the Company, adjusted to reflect the interest of the convertible bonds issued by the Company during the year. The weighted average number of ordinary shares for the purpose of the diluted earnings per share for the year ended 31st December 2017 have taken into account the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed conversion of the convertible bonds into ordinary shares for the year.

(iii) The calculation of the diluted earnings per share for the year ended 31st December 2017 and 2016 assumed the exercise of the share options of the Company granted in March and May 2012 (Note 20(a)), but not on the share options granted in March, April and December 2017 (Note 20(b)) which are considered as anti-dilutive as the average market price of the ordinary shares of the Company is less than the exercise price of these share options.

12. Property, Plant and Equipment

During the year ended 31st December 2017, the additions of property, plant and equipment, mainly for computer and office equipment and furniture and fixtures, was approximately HK\$10,603,000 (2016: HK\$4,507,000).

During the year ended 31st December 2017, the Group disposed of certain property, plant and equipment at the carrying amount of approximately HK\$842,000 (2016: HK\$218,000), resulting in a loss on disposal of approximately HK\$800,000 (2016: HK\$182,000).

The Group's land and buildings were stated at valuations made at 31st December 2017 and 2016. The land and buildings were last revalued by an independent professional valuer, at 31st December 2017 and 2016, at market value basis which is determined by reference to market evidence of recent transactions for similar properties. The valuation gave rise to a revaluation surplus net of applicable deferred income taxes of approximately HK\$15,077,000 (2016: HK\$9,263,000) which has been credited to the property revaluation reserve.

As at 31st December 2017, if the land and buildings had not been revalued, they would have been included in these consolidated financial statements at historical cost, less accumulated depreciation and amortisation, of approximately HK\$40,099,000 (2016: HK\$42,165,000).

As at 31st December 2017, the Group had pledged land and buildings with carrying amount of HK\$271,950,000 (2016: HK\$107,250,000) to secure banking facilities granted to the Group.

13. Investment Properties

The investment properties of the Group were last revalued by an independent professional valuer at 31st December 2017 and 2016 at market value basis, which is determined by reference to market evidence of recent transactions for similar properties.

As at 31st December 2017, the Group had pledged investment properties with carrying amount of HK\$52,300,000 (2016: Nil) to secure banking facilities granted to the Group.

14. Trade Receivables

	Audited	
	31st December	
	2017	2016
	HK\$'000	HK\$'000
Trade receivables - gross	281,637	171,432
Less: provision for impairment	(5,685)	(4,781)
Trade receivables - net	275,952	166,651

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.

Based on the invoice dates, the aging analysis of the trade receivables, is as follows:

	Audited	
	31st December	
	2017	2016
	HK\$'000	HK\$'000
0 - 30 days	136,266	86,186
31 - 60 days	51,806	41,230
61 - 90 days	43,326	21,314
Over 90 days	50,239	22,702
	281,637	171,432

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

	Audited	
	31st December	
	2017	2016
	HK\$'000	HK\$'000
Not yet past due	149,210	101,214
Within 30 days	41,573	30,194
31 - 60 days	40,854	18,371
61 - 90 days	24,032	6,449
Over 90 days	25,968	15,204
	281,637	171,432

15. Other Receivables, Deposits and Prepayments

	Audited 31st December	
	2017	2016
	HK\$'000	HK\$'000
Other receivables	3,788	4,711
Deposits	4,672	4,681
Prepayments	24,745	11,882
Amount due from the immediate holding company	-	13
Amount due from an associate	81	50
	<u>33,286</u>	<u>21,337</u>
Less: Non-current portion	(340)	-
	<u>32,946</u>	<u>21,337</u>

16. Restricted Bank Deposits and Bank Balances and Cash

As at 31st December 2017, bank balances carry interest at market rates with an average interest rate of 0.04% (2016: 0.01%) per annum. As at 31st December 2017, restricted bank deposits carried interest at market rates with an average interest rate of 0.50% (2016: 0.42%) per annum.

As at 31st December 2017, included in restricted bank deposits of approximately HK\$772,000 (2016: HK\$487,000) are pledged to secure the performance bonds of the Group.

17. Trade Payables

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

	Audited 31st December	
	2017	2016
	HK\$'000	HK\$'000
Current	114,418	122,983
Within 30 days	39,115	49,507
31 - 60 days	6,595	4,679
61 - 90 days	2,711	1,187
Over 90 days	12,963	7,024
	<u>175,802</u>	<u>185,380</u>

18. Other Payables and Accruals

	Audited 31st December	
	2017	2016
	HK\$'000	HK\$'000
Other payables	57,844	3,524
Accruals	95,103	58,673
Provision for customers' claim	-	9,630
Amount due to the ultimate holding company	418	318
Amounts due to associates	539	764
	<u>153,904</u>	<u>72,909</u>

19. Borrowings

	Audited	
	31st December	
	2017	2016
	HK\$'000	HK\$'000
Current		
Bank borrowings, secured (Note (i))	247,800	10,000
Non-current		
Convertible bonds (Note (ii))	245,182	-
Total borrowings	492,982	10,000

Notes:

(i) Bank borrowings

The Group's bank borrowings are repayable as follows:

	Audited	
	31st December	
	2017	2016
	HK\$'000	HK\$'000
Within one year or on demand	247,800	10,000

- (a) As at 31st December 2016, the Group's bank borrowings of HK\$10,000,000 are fully repayable on 22nd December 2017 in accordance with the repayment schedule and bears interest at floating rates. The bank borrowings are denominated in Hong Kong dollars ("HKD") with interest rate ranging from 2.69% to 3.19% per annum and are secured by the legal charges over the Group's land and buildings with carrying amount of approximately HK\$107,250,000. Such bank borrowings were fully repaid during the year ended 31st December 2017.
- (b) During the year ended 31st December 2017, the Group obtained a banking facility in relations to a term loan of HK\$250,000,000 to finance the acquisition of Grid Dynamics International, Inc. ("Grid Dynamics") and its subsidiaries ("Grid Dynamics Group") as detailed in Note 21. As at 31st December 2017, bank borrowings of approximately HK\$247,800,000 (2016: Nil) are repayable by five semi-annually instalments commencing from 29th March 2018 to 20th February 2020 and bears interest at floating rates. The bank borrowings are denominated in HKD with an effective interest rate of 4.42% (2016: Nil) per annum as at 31st December 2017.

As at 31st December 2017, the bank borrowings are secured by:

- (1) the legal charges over the Group's land and buildings with carrying amount of approximately HK\$271,950,000 (2016: Nil) (Note 22);
- (2) the legal charges over the Group's investment properties with carrying amount of HK\$52,300,000 (2016: Nil) (Note 22);
- (3) the guarantee given by the Company and certain subsidiaries of the Group up to a limit of HK\$250,000,000;
- (4) assignment of rental and sales proceeds from the Group's land buildings and investment properties; and
- (5) assignment of insurance of all insurance policies (other than third party liabilities and public liabilities) over the Group's land buildings and investment properties.

The banking facilities of term loan is subject to the fulfillment of certain financial and non-financial covenants relating to certain subsidiaries of the Group as are commonly found in lending arrangements with financial institutions. If the Group was to breach the covenants, the drawn down facilities would become repayable on demand.

The Group regularly monitors its compliance with these covenants, is up to the date with the scheduled repayments of the loans and does not consider it probable that the banks will exercise its discretion to demand repayment for so long as the Group continues to meet these requirements.

Subject to repayment on demand clauses which can be exercised at the banks' sole discretion, the above bank borrowings are classified as current liabilities as at 31st December 2017 and 2016.

(ii) Convertible bonds

On 21st March 2017, the Group issued HKD denominated zero coupon convertible bonds of a principal amount of HK\$350,000,000 (the "Convertible Bonds").

At the issue date, the Convertible Bonds can be converted into 291,666,666 ordinary shares at the initial conversion price of HK\$1.20 per share (subject to adjustment). As a result of the bonus issue on 8th June 2017, the number of shares falling to be allotted and issued upon conversion of the Convertible Bonds and the conversion price of the Convertible Bonds have been adjusted to 321,100,917 ordinary shares and HK\$1.09 per share respectively, pursuant to the terms of conditions of the Convertible Bonds.

The Convertible Bonds are convertible during the period commencing from the 90th day after the date of issue of the Convertible Bonds and ending on the 5th business day prior to the maturity date of the Convertible Bonds on 21st March 2020 (the "Maturity Date"). Unless previously purchased or converted for Conversion Shares, the Company shall on the Maturity Date redeem the outstanding principal amount of the Convertible Bonds together with the accrued return of 3% internal rate of return per annum.

19. Borrowings (Continued)

(ii) Convertible bonds (Continued)

Early redemption at the option of the Company and the Bondholder

The Company and the bondholder have the right to redeem the Convertible Bonds early in the event that the completion of the acquisition of Grid Dynamics Group does not take place in accordance with its terms, the Company shall have the right to redeem and the bondholder shall have the right to require redemption of the Convertible Bonds outstanding before the Maturity Date (the “Early Redemption Option”) at its principal amount outstanding plus 6% internal rate of return per annum. The acquisition of Grid Dynamics Group was completed on 7th April 2017 and the Early Redemption Option expired on that date.

The conversion option embedded in the Convertible Bonds meet the definition of equity instrument of the Company, and is classified as equity and included in the convertible bonds reserves. The liability component was initially recognised at its fair value and was subsequently measured at amortised cost. As at 31st December 2017, the Convertible Bonds contain two components i.e. liability and equity elements.

The carrying amount of the Convertible Bonds recognised in the consolidated statement of financial position is calculated as follows:

	<i>HK\$'000</i>
Liability component at 1st January 2017	-
Nominal value of Convertible Bonds	350,000
Less: Derivative component (Note)	(16)
Equity component	(15,536)
Transaction costs	(4,053)
Liability component on initial recognition	330,395
Imputed interest expense	9,910
Conversion of Convertible Bonds	(95,123)
Liability component at 31st December 2017	245,182

Note: The derivative component at initial recognition represents the Early Redemption Option, which was recognised as financial liabilities at fair value through profit or loss.

Imputed interest expense of the Convertible Bonds is calculated using the effective interest method by applying effective interest rate of 4.99% per annum to the liability component.

On 25th August 2017, one of the bondholders exercised the conversion right attaching to the Convertible Bonds in the principal amount of HK\$100,000,000 at the adjusted conversion price of HK\$1.09 per share (the “Conversion”). A total of 91,743,119 ordinary shares were allotted and issued to the bondholder. The aggregate outstanding principal amount of the Convertible Bonds is reduced to HK\$250,000,000 as at 31st December 2017.

Upon the Conversion, the Group derecognised the liability component of approximately HK\$95,123,000 and transferred this amount with equity component (convertible bond reserve) of approximately HK\$4,439,000 into share capital and share premium with the amount of HK\$9,174,000 and approximately HK\$90,388,000 (net of issuance costs of approximately HK\$438,000) respectively, using the method in consistency with that used initially to allocate the net proceeds on the Convertible Bond issuance date.

20. Share Option Schemes

The Company’s share option scheme which was adopted on 8th August 2002 (the “2002 Share Option Scheme”) was expired and a new share option scheme was adopted by an ordinary resolution passed at the special general meeting of the Company held on 13th March 2017 (the “2017 Share Option Scheme”).

Upon the expiry of the 2002 Share Option Scheme, no further option can be offered thereunder but any options granted prior to such expiry but not yet exercised shall continue to be valid and exercisable.

(a) 2002 Share Option Scheme

Under the 2002 Share Option Scheme, the Directors may grant options to eligible employees, including Directors and its subsidiaries, to subscribe for shares in the Company. The total number of shares in respect of which options may be granted under the 2002 Share Option Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time. The total number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time.

Options granted must be taken up within 28 days of the date of offer, upon payment of HK\$1 as consideration per grant. There is no general requirement that an option must be held for any minimum period before it can be exercised but the Directors are empowered to impose at its discretion any such minimum period at the time of grant of any particular option. The period during which an option may be exercised will be determined by the Directors at its absolute discretion, save that no option may be exercised more than 10 years after it has been granted.

The exercise price is determined by the Directors, and will not be less than the higher of (a) the closing price of the shares on the Stock Exchange on the date of grant of the options; (b) the average of the closing prices of the shares on the Stock Exchange for

the five trading days immediately preceding the date of grant of the options; and (c) the nominal value of a share. The 2002 Share Option Scheme expired on 7th August 2012.

20. Share Option Schemes (Continued)

(a) 2002 Share Option Scheme (Continued)

The following table discloses details of the share options held by employees under the 2002 Share Option Scheme and movements in such holdings during the year ended 31st December 2017:

Grant date	Exercise price per share (Note)	Number of Options					At 31st December 2017
		At 1st January 2017	Granted during the year	Lapsed during the year	Exercised during the year	Adjusted during the year (Note)	
19th March 2012	HK\$0.845	396,000	-	-	-	68,253	464,253
2nd May 2012	HK\$0.873	121,000	-	-	-	20,857	141,857
		517,000	-	-	-	89,110	606,110
Weighted average exercise price per share							HK\$0.852
Number of options exercisable at 31st December 2017							606,110
Weighted average exercise price per share of options exercisable at 31st December 2017							HK\$0.852
Weighted average remaining contractual life							4.2 years

Note: The number of outstanding share options and exercise price per share have been adjusted as a result of the rights issue of the Company on 27th February 2017 and were further adjusted as a result of the bonus issue of the Company on 8th June 2017, the details of the adjustments are disclosed in the Company's announcements dated 24th February 2017 and 8th June 2017, respectively.

The options granted on 19th March 2012 and 2nd May 2012 were vested equally on each of the first, second and third anniversaries of the grant date.

During the year ended 31st December 2017 and 2016, no expenses were recognised in relation to equity-settled share-based payment transactions under the 2002 Share Option Scheme as the outstanding share options are fully vested during the year ended 31st December 2015.

(b) 2017 Share Option Scheme

2017 Share Option Scheme was adopted by the Company on 13th March 2017 and is valid and effective for a period of ten years from 13th March 2017.

The purpose of the 2017 Share Option Scheme is to enable the Company to grant options to the eligible participants as incentives or rewards for their contribution to the Company and/or its subsidiaries. The Board may, at its discretion, grant options to any eligible employee, executive or officer including Directors of the Company or its subsidiaries, to subscribe for shares of the Company. The total number of shares which may be issued upon exercise of all options to be granted under the 2017 Share Option Scheme shall not in aggregate exceed 10% of the total number of shares of the Company in issue as at 13th March 2017, the date of approval of the adoption of the 2017 Share Option Scheme. Unless approved by the shareholders of the Company, the total number of shares issued and to be issued upon exercise of the options granted to each eligible participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the total number of shares of the Company in issue.

Options granted must be taken up within 28 days of the date of offer, upon payment of HK\$1 as consideration per grant. The Board may at its absolute discretion impose any minimum period for which an option must be held before it can be exercised and/or any performance targets which must be achieved before the option can be exercised. The period during which an option may be exercised will be determined by the Directors of the Company at its absolute discretion, save that no option may be exercised more than 10 years after it has been granted.

The exercise price is determined by the Board, and shall be at least the higher of (a) the closing price of the shares of the Company on the Stock Exchange's daily quotation sheets on the date of grant of the options; (b) the average of the closing prices of the shares of the Company on the Stock Exchange for the five business days immediately preceding the date of grant of the options; and (c) the nominal value of a share of the Company.

20. Share Option Schemes (Continued)

(b) 2017 Share Option Scheme (Continued)

Details of specific categories of options are as follows:

Grant date	Exercise period	Outstanding at 31st December 2017
31st March 2017		
- Tranche 1	31st March 2017 - 30th March 2027	2,604,250
	1st April 2018 - 30th March 2027	1,302,135
	1st April 2019 - 30th March 2027	1,302,115
- Tranche 2	28th March 2018 - 30th March 2027	2,604,250
	1st April 2019 - 30th March 2027	1,302,135
	1st April 2020 - 30th March 2027	1,302,115
- Tranche 3	Date of 2018 Annual Results Announcement - 30th March 2027	2,604,250
	1st April 2020 - 30th March 2027	1,302,135
	1st April 2021 - 30th March 2027	1,302,115
- Tranche 4	Date of 2019 Annual Results Announcement - 30th March 2027	2,604,250
	1st April 2021 - 30th March 2027	1,302,135
	1st April 2022 - 30th March 2027	1,302,115

20,834,000

Grant date	Exercise period	Outstanding at 31st December 2017
28th April 2017		
- Tranche 1	1st June 2018 - 27th April 2027	756,250
	1st June 2019 - 27th April 2027	378,125
	1st June 2020 - 27th April 2027	378,125
- Tranche 2	1st June 2019 - 27th April 2027	756,250
	1st June 2020 - 27th April 2027	378,125
	1st June 2021 - 27th April 2027	378,125
- Tranche 3	1st June 2020 - 27th April 2027	756,250
	1st June 2021 - 27th April 2027	378,125
	1st June 2022 - 27th April 2027	378,125
- Tranche 4	1st June 2021 - 27th April 2027	756,250
	1st June 2022 - 27th April 2027	378,125
	1st June 2023 - 27th April 2027	378,125

6,050,000

Grant date	Exercise period	Outstanding at 31st December 2017
13th December 2017		
- Tranche 1	1st April 2019 - 12th December 2027	173,500
	1st April 2020 - 12th December 2027	86,750
	1st April 2021 - 12th December 2027	86,750
- Tranche 2	1st April 2020 - 12th December 2027	173,500
	1st April 2021 - 12th December 2027	86,750
	1st April 2022 - 12th December 2027	86,750
- Tranche 3	1st April 2021 - 12th December 2027	173,500
	1st April 2022 - 12th December 2027	86,750
	1st April 2023 - 12th December 2027	86,750
- Tranche 4	1st April 2022 - 12th December 2027	173,500
	1st April 2023 - 12th December 2027	86,750
	1st April 2024 - 12th December 2027	86,750

1,388,000

20. Share Option Schemes (Continued)

(b) 2017 Share Option Scheme (Continued)

The following table discloses details of the share options held by employees (including Directors) under the 2017 Share Option Scheme and movements in such holdings during the year ended 31st December 2017:

Grant date	Exercise price per share	Number of Options					
		At 1st January 2017	Granted during the year	Lapsed during the year	Exercised during the year	Adjusted during the year	At 31st December 2017
31st March 2017	HK\$1.164 ^{(Note(i))}	-	19,140,000	(220,000)	-	1,914,000 ^{(Note(ii))}	20,834,000
28th April 2017	HK\$1.091 ^{(Note(i))}	-	5,500,000 ^{(Note(ii))}	-	-	550,000 ^{(Note(ii))}	6,050,000
13th December 2017	HK\$1.040	-	1,388,000	-	-	-	1,388,000
		-	26,028,000	(220,000)	-	2,464,000	28,272,000
Weighted average exercise price per share							HK\$1.142
Number of options exercisable at 31st December 2017							2,604,250
Weighted average exercise price per share of options exercisable at 31st December 2017							HK\$1.164
Weighted average remaining contractual life							9.30 years

Notes:

- (i) The number of outstanding share options and exercise price per share have been adjusted as a result of the bonus issue of the Company on 8th June 2017, details of the adjustments are disclosed in the Company's announcement dated 8th June 2017.
- (ii) The total number of options is 6,500,000, in which 1,000,000 options were not accepted by an eligible participant, pursuant to 2017 Share Option Scheme, the offer of these options was automatically lapse and became null and void.

In respect of the share options granted during the year, the estimated fair values of the options on the dates of grant were calculated using the binomial lattice model. The estimated fair values were ranging from HK\$0.286 to HK\$0.450 per share. The inputs into the model were as follows:

	Granted on 31st March 2017	Granted on 28th April 2017	Granted on 13th December 2017
Share price at grant date	HK\$1.25	HK\$1.08	HK\$0.90
Exercise price at grant date	HK\$1.28	HK\$1.20	HK\$1.04
Expected volatility	50%	50%	50%
Option life	10 years	10 years	10 years
Risk-free rate	1.49%	1.41%	1.76%
Expected dividend	5.0%	5.0%	5.0%

The expected volatility was determined by using the historical volatility of the Company for the closing share price for the period of 7 to 8 years before the date of grant.

During the year ended 31st December 2017, the Group recognised total expense of approximately HK\$4,299,000 (2016: Nil) in relation to equity-settled share-based payment transactions and included in the consolidated statement of profit or loss with a corresponding credit to the share-based payment reserve.

The total consideration received during the year ended 31st December 2017 from grantees for taking up the shares under the options amounted to HK\$72 (2016: Nil).

21. Acquisition of Subsidiaries

On 16th December 2016, the Company, GDD International Holding Company and GDD International Merger Company, indirect wholly-owned subsidiaries of the Company, entered into an agreement and plan of merger (“Merger Agreement”) with Grid Dynamics and BGV II, LP, the representative of the holders of the shares or vested options of Grid Dynamics (the “Securityholders Representative”), pursuant to which the Group agreed to acquire the entire share capital of Grid Dynamics Group (the “Acquisition”). Details of the Acquisition are set out in the Company’s circular dated 6th March 2017 and the Acquisition was completed on 7th April 2017 (the “Completion Date”).

The transaction was made as part of the Group’s strategy to provide third platform technologies, including cloud, mobile, big data and analytics and social business and to expand the Group’s geographical coverage beyond Asia Pacific.

Pursuant to the terms of the Merger Agreement, the total consideration for the Acquisition (the “Purchase Consideration”) are as follows:

(a) Cash consideration

A purchase price of approximately US\$100,000,000 plus certain adjustments based on the net asset value on the Completion Date, to be paid by the Company in cash, US\$2,000,000 of which will be paid on or before the first anniversary of the Completion Date; and

(b) Contingent Consideration

An earnout payment in the sum of up to US\$18,000,000 to be paid by the Company in cash and in two instalments with each instalment to be paid no later than 10 business days following the date upon which the determination of the earnout payment for each earnout period becomes final and binding upon the Company and the Securityholders Representative, subject to Grid Dynamics Group meet with the agreed revenue target and profit before tax target in respect of each relevant earnout period.

The fair value of the identifiable assets and liabilities of Grid Dynamics Group acquired at the Completion Date is as follows:

	<i>HK\$'000</i>
Property, plant and equipment	6,882
Intangible assets	125,150
Deferred income tax assets	9,145
Trade receivables	73,300
Other receivables, deposits and prepayments	6,694
Amount due from customers for contract work	10,433
Tax recoverable	36,679
Bank balances and cash	48,651
Other payables and accruals	(34,057)
Receipts in advance	(1,088)
Income tax liabilities	(934)
Deferred income tax liabilities	(44,354)
	<hr/>
Net identifiable assets acquired	236,501
Goodwill	764,920
	<hr/>
	1,001,421
	<hr/> <hr/>
Purchase Consideration satisfied by	
- Cash (including cash acquired at Completion Date)	868,751
- Contingent consideration payable, at fair value	132,670
	<hr/>
	1,001,421
	<hr/> <hr/>

21. Acquisition of Subsidiaries (Continued)

An analysis of the cash flows in respect of the acquisition of Grid Dynamics Group is as follows:

	<i>HK\$'000</i>
Cash consideration paid	819,985
Cash and cash equivalents acquired	(48,651)
	<hr/>
Cash outflow in respect of the acquisition of Grid Dynamics Group	<u>771,334</u>

Goodwill arose in the above business combination as the cost of combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. None of the goodwill arising on the Acquisition is expected to be deductible for tax purposes.

The Group incurred transaction costs of approximately HK\$14,600,000 for the Acquisition. The transaction costs of approximately HK\$9,025,000 have been expensed and are included in administrative expenses in the consolidated statement of profit or loss for the year ended 31st December 2017, and the remaining portion of approximately HK\$5,575,000 are included in administrative expenses in the consolidated statement of profit or loss for the year ended 31st December 2016.

Since the Acquisition, Grid Dynamics Group contributed to the Group's revenue and profit before income tax of approximately HK\$411,446,000 and HK\$74,130,000 was included in the Group's results for the year ended 31st December 2017, respectively.

Had the Acquisition been effected at the beginning of the year, the total amount of revenue of the Group for the year ended 31st December 2017 would have been approximately HK\$2,052,922,000, and the amount of profit before income tax for the year would have been approximately HK\$93,971,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of the operations of the Group that actually would have been achieved had the acquisition been completed at the beginning of the year, nor is it intended to be a projection of future results.

Depending on the upcoming financial performance of the Grid Dynamics Group, the contingent consideration payable for the Acquisition may range from nil to US\$18,000,000. The potential undiscounted amount of all future payments that the Group could be required to make under this arrangement can be up to US\$18,000,000. The fair value of the amount payable of approximately US\$17,075,000 (equivalent to approximately HK\$132,670,000) was recognised as contingent consideration payable on Completion Date. The amount was estimated based on an assumed probability weighting in fulfilling the performance requirements, using a discount rate of 3.18%. During the year ended 31st December 2017, fair value change of approximately US\$413,000 (equivalent to approximately HK\$3,221,000) was recognised in the consolidated statement of profit or loss for the contingent consideration.

As at 31st December 2017, the purchase consideration for cash and contingent components of approximately USD6,276,000 (equivalent to approximately HK\$49,057,000) and approximately USD17,488,000 (equivalent to approximately HK\$136,691,000) remained unpaid, of which HK\$49,057,000 was included in other payables and accruals and HK\$69,429,000 and HK\$67,262,000 was included in current and non-current portion of contingent consideration payable, respectively.

22. Pledge of Assets

As at 31st December 2017, land and buildings with carrying amount of HK\$271,950,000 (2016: HK\$107,250,000) and investment properties with carrying amount of HK\$52,300,000 (2016: Nil) were pledged to secure the banking facilities granted to the Group.

As at 31st December 2017, the Group has restricted bank deposits of approximately HK\$772,000 (2016: HK\$487,000) pledged to secure the performance bonds of the Group.

23. Events After the Reporting Date

(a) Bonus issue

On 28th March 2018, the Directors recommended a bonus issue ("Bonus Issue") of shares of par value HK\$0.1 each in the capital of the Company ("Bonus Share(s)") on the basis of two (2) Bonus Shares, credited as fully paid, for every ten (10) existing shares held by the Shareholders whose names appear on the register of members on Tuesday, 29th May, 2018. The Bonus Issue is conditional upon the passing of an ordinary resolution by the Shareholders at the forthcoming annual general meeting, the Listing Committee of The Stock Exchange granting listing of, and permission to deal in, the Bonus Shares and compliance with the relevant legal procedures and requirements (if any) under the applicable laws of Bermuda and the Bye-laws of the Company.

(b) Proposed declaration of final dividend

Subsequent to the end of the reporting period, the Directors proposed to declare a final dividend of 1.0 HK cent per share for the year ended 31st December 2017.

DIVIDEND

The Directors have resolved to recommend the payment of a final dividend 1.0 HK cent per share for the year ended 31st December 2017. Subject to the approval of shareholders at the forthcoming annual general meeting, the proposed dividend will be paid on or before Friday, 8th June 2018 to shareholders whose names appear on the register of members of the Company on Tuesday, 29th May 2018 (2016: Nil).

PROPOSED BONUS ISSUE OF SHARES

The Directors had resolved to recommend a bonus issue (“Bonus Issue”) of shares of par value HK\$0.1 each in the capital of the Company (“Bonus Shares”) on the basis of two (2) Bonus Shares, credited as fully paid, for every ten (10) existing shares held by the shareholders of the Company whose names appeared on the register of members on Tuesday, 29th May 2018. The Bonus Issue is conditional upon shareholders’ approval at the forthcoming annual general meeting, the Listing Committee of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) granting listing of, and permission to deal in, the Bonus Shares and compliance with the relevant legal procedures and requirements (if any) under the applicable laws of Bermuda and the Bye-laws of the Company to effect the Bonus Issue. Subject to the aforementioned conditions, the share certificates for the Bonus Shares are expected to be despatched to the qualifying Shareholders by ordinary post at their own risk on or before Friday, 8th June 2018. A circular containing further details of the Bonus Issue will be sent to the Shareholders in due course.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

For the year ended 31st December 2017, total revenue of the Group was HK\$1,917.5 million, representing a 26.0% increase from last year, which was contributed by the increase in service revenue. As compared with last year, product sales were decreased by 11.5% to HK\$743.4 million while service revenue was increased by 72.2% to HK\$1,174.1 million. For the year ended 31st December 2017, product sales and service revenue contributed 38.8% and 61.2% to total revenue respectively.

For the year ended 31st December 2017, commercial and public sector sales contributed 59.1% and 40.9% to total revenue respectively, compared to 48.4% and 51.6% last year.

Gross profit for the year ended 31st December 2017 was HK\$344.2 million, an increase of HK\$177.5 million or 106.5% compared with last year. Gross profit margin for the year also increased from 11.0% to 17.9%. The increase in gross profit and gross profit margin was mainly attributable to the gross profit contribution from Grid Dynamics International, Inc. (“Grid Dynamics”), which was acquired on 7th April 2017.

Even though there were one-off professional fees for the amount of approximately \$9.0 million and finance costs for the amount of approximately \$16.9 million incurred for the acquisition of Grid Dynamics during the year ended 31st December 2017, the Group recorded a profit attributable to the Company’s equity holders of HK\$52.6 million, a rise of 82.6% compared to last year of HK\$28.8 million.

For the year ended 31st December 2017, orders newly secured by the Group amounted to approximately HK\$1,976.5 million. As at 31st December 2017, the order book balance was approximately HK\$1,120.4 million, an increase of 16.2% from HK\$963.4 million of last year. The Group’s cash stood at approximately HK\$286.8 million with a working capital ratio of 1.25:1. The Group maintained a healthy financial position during the year. As at 31st December 2017, the outstanding borrowings amounted to HK\$493.0 million.

Following the Company’s announcements dated 19th March 2014 and 21st May 2014 with regard to the termination of a business contract entered into between Automated Systems (H.K.) Limited (“AHK”), a wholly-owned subsidiary of the Company and a customer, AHK has reached a settlement with the customer during the year under review. Such settlement brings no significant adverse impact on the Group’s results as provision and settlement have been made properly during the year ended 31st December 2017.

Business Review

In 2017, the Group’s local core business grew stably and its business expanded to Europe and the United States. The Group completed the acquisition of Grid Dynamics, a company located at Silicon Valley, California, the United States, on 7th April 2017 at a total consideration of US\$118.0 million (equivalent to approximately HK\$916.8 million) plus certain adjustments. Grid Dynamics is now a wholly-owned subsidiary of the Group, and its revenue, gross profit and profit for the period from 7th April 2017 to 31st December 2017 were consolidated into the consolidated financial statements of the Group for the year ended 31st December 2017, immediately leading to a significant increase in revenue, gross profit and profit of the Group, representing an increase of more than 26.0%, 106.5% and 82.6% respectively as compared with those for last year.

The Board recommended the payment of a final dividend of 1.0 HK cent per share and bonus issue (“Bonus Issue”) of shares of par value HK\$0.1 each in the capital of the Company on the basis of two (2) bonus shares (“Bonus Shares”), credited as fully paid, for every ten (10) existing shares held by the shareholders of the Company whose names appear on the register of members on Tuesday, 29th May 2018 for the year ended 31st December 2017.

In respect of the public sector sales, the Group has always won the trust and support of government bureaux and departments. It was contracted a number of Information Technology (“IT”) professional services projects included in the Standing Offer Agreement for Quality Professional Services 3 during the year under review, ranking among the top in the industry in terms of total contract amount which was a strong track record. In the second half of the year, building on its success, the Group was entrusted as one of the contractors for “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 bureaux and departments. In addition, the Group continued to benefit from the government's policy of actively promoting innovation and utilizing IT to improve public services, and adopted a new delivery model DevOps in various government projects in the second half of this year to enhance the flexibility and effectiveness of delivery services.

In respect of the commercial sector sales, the sales of professional services during the year increased significantly by virtue of the Group's quality, innovative and one-stop IT services as well as market reputation established, which achieved an encouraging result. With more than 40-year experience in its focused-industries in the area of systems integration and bringing in new capability, the Group not only provided industry-specific professional infrastructure support services to a telecom operator, but also won a number of projects from different industries through the understanding of various industries and continuing to successfully keep up with the trend of big data and analytics, thus further consolidated the Group's positioning of one-stop IT services provider.

With regard to expanding its managed service business, the Group, as a one-stop Information Technology Service Management (“ITSM”) company, continued to leverage its advantages during the year, received a new long-term managed service order from a renowned bank client. The Group enhances the level and expands the coverage of support services for this bank client, as well as provides consultancy services to meet customers' buoyant demand on ITSM and fully meets the needs of customers for IT in a flexible way so that they can focus on their own business development.

In addition, the Group strived to improve its service level and technology in the information network security business and achieved good results during the year. Along with the cyberattacks attracted wide public concern in 2017 and the new "Cyber Resilience Assessment Framework" for banks issued by the Hong Kong Monetary Authority, the Group has successfully seized business opportunities to obtain relevant IT security projects in different industries, among which include the landmark project, the signing of a three-year security managed service project contract with a large Hong Kong transport operator, which successfully launched the Security Operation Center *Plus* (“SOC+”) of its own managed security services together with managed services and service desk services to the market . It has also successfully entered the IT security market in the financial industry. Through the Group's SOC+ Security Information and Event Management (SIEM) platform, an advanced platform that helps integrating and detecting associated security information/events, we provide two-year one-stop security managed service to a well-known bank to assist the bank in meeting statutory cyber security level and effectively detect abnormal network activities for clients at any time.

Outlook and Prospects

2017 is the Group's 20th listing anniversary in Hong Kong, the Group successfully acquired Grid Dynamics, a provider of scalable, next-generation e-commerce digital technology solutions in the United States. As a result, the Group becomes Hong Kong's first local IT company which grows beyond Asia and expands its business to global markets, laying a solid foundation for the future development of the Group and marking the Group's innovation journey of development.

Benefiting from customers' demand for third platform technologies such as cloud computing and big data analytics, Grid Dynamics expanded its business rapidly, and its number of employees grew from about 600 in early 2017 to over 800 currently to support its business growth. In 2018, Grid Dynamics is also planning to open its sixth research and development center in Serbia, Europe, which provides a highly skilled talent pool and high-quality communications network, to further strengthen the Group's local support and global delivery capabilities to meet different customer needs in various regions.

In order to cope with the challenge of anticipated gradual reduction in demand for IT infrastructure due to cloud computing and to consolidate our market position as a reliable and professional IT partner, the Group was committed to improving its strategy and further promoting the digital transformation of professional services in the second half of 2017. The major businesses of the Group will be divided into the next generation one-stop Integrated Managed Services; providing customers with leading-edge Innovative Solutions; and Intimate Tech Hub.

In respect of the next-generation one-stop Integrated Managed Services, the Group will continue to ensure the quality of IT services through service level agreement (SLA) and upgrade service platform (i.e. to connect customers with our SOC+ through our well-equipped and advanced service centre, a service hub, by utilising omni-channels including phones, emails, websites, instant messages, on-site services, applications on smart phones, etc. and to launch one-stop IT services which better meet customers' needs with innovative Online to Offline (O2O) model and integrated conceptual model) while achieving efficient synergy of management processes to enhance customer's IT operation and management level and capability and thus drives business growth and, through provision of high quality customer experience, strengthens the Group's position as a next-generation one-stop ITSM provider .

In respect of Innovative Solutions, the world is entering a new era of cloud, big data analytics and mobile Internet. Technological changes will bring about major changes in the industry model and competition pattern. Industry vertical integration and convergence of IT products and services are increasingly noticeable. Therefore, it is particularly important for professional service providers to capitalize on their exceptional skills and accumulated experience in their specialized areas. Focusing on industries with competitive edges (namely, government, banking and finance, public healthcare, transportation, real estate and education), the Group further strengthens its innovative ability with regard to Innovative Solutions. With considerable insight into the changes in customers' needs in various industries, the Group provides leading and high value-added solutions based on the integration and reconstruction of their business procedures and by using technologies that meet the core business needs of customers.

In respect of Intimate Tech Hub, the Group will focus on strengthening the integration of industry-specific knowledge, comprehensive skills and cross-platform technologies in the industry, and deepen cooperation with strategic partners on the new technologies such as artificial intelligence, robotics, machine learning, smart city and grasp business opportunities brought by related application trends. The Group will also provide one-stop innovative IT solutions and services to customers in Hong Kong and around the world through active cooperation with tier-one providers with technology advantages or industry-leading suppliers.

Looking forward, the Group will continue to seek opportunities in Hong Kong and the Mainland China arising from "Belt and Road" to provide leading IT services with higher value for our global customers, so as to speed up the globalization of the Group and consolidate the Group's position as a professional and reliable IT service partner in the Asia-Pacific region and around the globe.

Financial Resources and Liquidity

As at 31st December 2017, the Group's total assets of HK\$2,264.9 million were financed by current liabilities of HK\$779.9 million, non-current liabilities of HK\$387.2 million and shareholders' equity of HK\$1,097.8 million. The Group had a working capital ratio of approximately 1.25:1.

As at 31st December 2017, the Group had an aggregate composite banking facility from banks of approximately HK\$371.0 million (2016: HK\$170.0 million). The Group had pledged land and buildings of HK\$272.0 million (2016: HK\$107.3 million), investment properties of HK\$52.3 million (2016: Nil) and restricted bank deposits HK\$0.8 million (2016: HK\$0.5 million) for banking facility and performance bonds granted to the Group respectively. The performance bonds issued by the Group to customers as security of contracts were approximately HK\$63.3 million as at 31st December 2017 (2016: HK\$62.6 million). The Group's gearing ratio (total borrowings over total equity) was 44.9% as at 31st December 2017 (2016: 1.4%).

Material Acquisition

Reference is made to the announcements of the Company dated 19th December 2016 and 7th April 2017 and the circular of the Company dated 6th March 2017, respectively, in relation to, among other matters, the acquisition of Grid Dynamics. On 19th December 2016, the Board announced that the Company and Grid Dynamics entered into an agreement and plan of merger (the "Merger Agreement"). The Company agreed to acquire Grid Dynamics with a total cash consideration of up to approximately US\$118.0 million (equivalent to approximately HK\$916.8 million) plus certain adjustments, by the way of merger, which is subject to the terms and conditions set out in the Merger Agreement. On 7th April 2017, all the conditions to the closing of the Acquisition (the "Closing") as set out in the Merger Agreement had been fulfilled and the Closing took place on the same date. Upon the Closing, Grid Dynamics has become an indirect wholly-owned subsidiary of the Company and the financial results, assets and liabilities of Grid Dynamics and its subsidiaries are consolidated into the consolidated financial statements of the Group with effect from 7th April 2017.

Fund Raising Activities

(i) Rights Issue

Reference is made to the announcements of the Company dated 12th January 2017 and 24th February 2017, respectively and the prospectus of the Company dated 3th February 2017, in relation to, among other matters, the issue of rights shares (the “Rights Shares”) of the Company (the “Rights Issue”). On 12th January 2017, the Board announced that the Company proposed to raise gross proceeds of approximately HK\$192.9 million to approximately HK\$193.2 million by issuing not less than 175,394,450 Rights Shares and not more than 175,652,950 Rights Shares at the subscription price of HK\$1.10 per Rights Share on the basis of one (1) Rights Share for every two (2) existing shares held on the record date (i.e. 27th January 2017). The Rights Issue was completed on 27th February 2017 and 175,394,450 Rights Shares were issued.

For the actual net proceeds of approximately HK\$189.1 million from the Rights Issue, approximately HK\$170.2 million has been used for financing the Acquisition and approximately HK\$18.9 million has been used for repaying bank borrowings and improving the liquidity for the operations of the Group in Hong Kong. The uses are consistent with the intended use of proceeds as disclosed in the prospectus of the Company dated 3rd February 2017.

(ii) Placing of Convertible Bonds

Reference is made to the announcements of the Company dated 12th January 2017, 23rd February 2017, 8th March 2017, 21st March 2017 and 8th June 2017 and the circular of the Company dated 24th February 2017 respectively, in relation to, among other matters, the placing (the “Placing”) of the convertible bonds (the “Convertible Bonds”). On 12th January 2017, the Company and GF Securities (Hong Kong) Brokerage Limited (the “Placing Agent”) entered into the placing agreement (the “Placing Agreement”). The Placing Agent has conditionally agreed to procure, on a best efforts basis, placee(s) to subscribe for the Convertible Bonds in an aggregate principal amount of up to HK\$350.0 million at the issue price equal to 100% of the principal amount of the Convertible Bonds due on the third anniversary of the date of issue at zero interest rate, with the conversion rights to convert the principal amount thereof into 291,666,666 conversion shares at the initial conversion price of HK\$1.20 per conversion share.

All conditions set out in the Placing Agreement have been fulfilled and the completion of the Placing took place on 21st March 2017 in accordance with the terms and conditions of the Placing Agreement. The Convertible Bonds with an aggregate principal amount of HK\$350.0 million, convertible into 291,666,666 conversion shares, have been successfully placed to two placees, namely Viewforth Limited and China Fortune Rich Private Equity Fund Limited (“China Fortune”). The conversion price of the Convertible Bonds and the number of conversion shares falling to be allotted and issued upon conversion of the Convertible Bonds were adjusted to HK\$1.09 (the “Adjusted Conversion Price”) and 321,100,917 conversion shares respectively with effect from 30th May 2017 as a result of bonus issue of the Company approved at the annual general meeting of the Company held on 17th May 2017.

On 25th August 2017, China Fortune has exercised the conversion rights to convert the principal amount of HK\$100,000,000 at the adjusted conversion price of HK1.09 per share into 91,743,119 Shares (the “Conversion”). The aggregate outstanding principal amount of the Convertible Bonds will be reduced to HK\$250,000,000 immediately after the Conversion. Save as disclosed above, there was no conversion or redemption of the Convertible Bonds for the year ended 31st December 2017.

For the actual net proceeds of approximately HK\$345.9 million from the Placing of Convertible Bonds, approximately HK\$311.3 million has been used for financing the Acquisition and approximately HK\$34.6 million has been used for staff incentive and remuneration payment and improvement in the liquidity for the operations of the Group as enlarged upon completion of the Acquisition. The uses are consistent with the intended use of proceeds as disclosed in the circular of the Company dated 24th February 2017.

Treasury Policies

The Group generally financed its operations with internally generated resources and credit facilities provided by banks, as well as proceeds raised from issuance of bonds and equity financing exercises. 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 year ended 31st December 2017 (2016: same).

Contingent Liabilities

As at 31st December 2017, the Group had HK\$0.8 million restricted bank deposits held as security for performance bonds (2016: HK\$0.5 million). As at 31st December 2017, performance bonds of approximately HK\$63.3 million (2016: HK\$62.6 million) had been issued by the bank on behalf of the Group to customers as security of contracts.

Capital Commitments

As at 31st December 2017, the Group had contracted capital commitments amounting to approximately HK\$11.6 million (2016: HK\$0.1 million).

Major Customers and Suppliers

During the year ended 31st December 2017, the five largest customers and single largest customer of the Group accounted for approximately 25.5% and 6.9%, respectively, of the Group's revenue. The five largest suppliers and single largest supplier of the Group accounted for approximately 35.9% and 9.4%, respectively, of the Group's purchases.

At no time during the year ended 31st December 2017 did a Director, their close associate or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the number of the Company's issued shares) has an interest in any of the Group's five largest customers or suppliers.

Employee and Remuneration Policies

As at 31st December 2017, the Group, excluding its associates, employed 2,056 permanent and contract staff in Hong Kong, Mainland China, Taiwan, Macau, Thailand, the United States, Russia, Poland and Ukraine. 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 option scheme.

CLOSURE OF REGISTER OF MEMBERS FOR 2018 ANNUAL GENERAL MEETING

The Company will convene the forthcoming annual general meeting on Wednesday, 16th May 2018. For determining the entitlement to attend and vote at the forthcoming annual general meeting, the register of members of the Company will be closed from Friday, 11th May 2018 to Wednesday, 16th May 2018, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to determine the entitlement to attend and vote at the forthcoming annual general meeting, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 10th May 2018.

CLOSURE OF REGISTER OF MEMBERS FOR PROPOSED FINAL DIVIDEND AND PROPOSED BONUS ISSUE

The proposed final dividend and the proposed Bonus Issue is subject to the approval of the Shareholders at the forthcoming annual general meeting. The record date for entitlement to the proposed final dividend and the proposed Bonus Issue is Tuesday, 29th May 2018. For determining the entitlement of the final dividend and the Bonus Shares, the register of members of the Company will be closed from Thursday, 24th May 2018 to Tuesday, 29th May 2018, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the final dividend and the Bonus Shares, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 23rd May 2018. The final dividend warrants and the share certificates for the Bonus Shares are expected to be despatched to the qualifying shareholders of the Company on or before Friday, 8th June 2018.

Dealings in shares of the Company are on a cum-entitlement basis with respect to the final dividend and the Bonus Issue up to Friday, 18th May 2018. From Monday, 21st May 2018, dealings in shares of the Company will be on an ex-entitlement basis with respect to the final dividend and the Bonus Issue. The Bonus Issue is subject to fulfillment of the conditions precedent of the Bonus Issue.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31st December 2017, 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, risk management and internal control systems and financial reporting matters including the review of the audited annual results.

SCOPE OF WORK OF GRANT THORNTON HONG KONG LIMITED (“GRANT THORNTON HONG KONG”)

The figures in respect of the preliminary announcement of the Group's results for the year ended 31st December 2017 have been agreed by the Group's auditor, Grant Thornton Hong Kong, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Grant Thornton Hong Kong in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by HKICPA and consequently no assurance has been expressed by Grant Thornton Hong Kong on the preliminary announcement.

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 year ended 31st December 2017, 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 year ended 31st December 2017 except as noted below:

- with respect to Code provision A.6.7, (i) all Non-Executive Directors and Independent Non-Executive Directors did not attend two special general meetings of the Company held on 13th March 2017 due to other commitments; and (ii) one Non-Executive Director and one Independent Non-Executive Director did not attend a special general meeting of the Company held on 22nd March 2017 due to other commitments.

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

Hong Kong, 28th March 2018

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. Or Siu Ching, Rerina being Independent Non-Executive Directors.