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AUTOMATED SYSTEMS HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

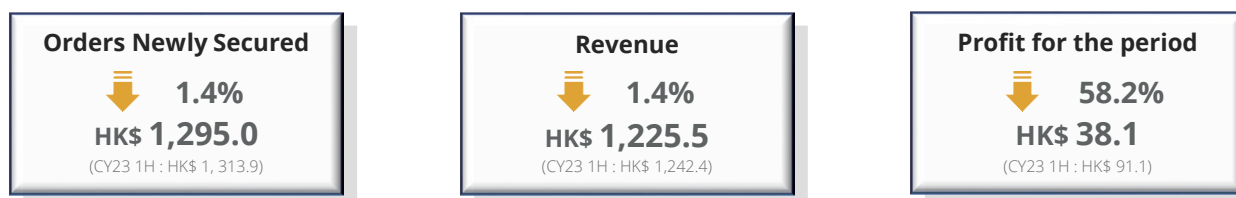
(Stock Code: 771)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30TH JUNE 2024

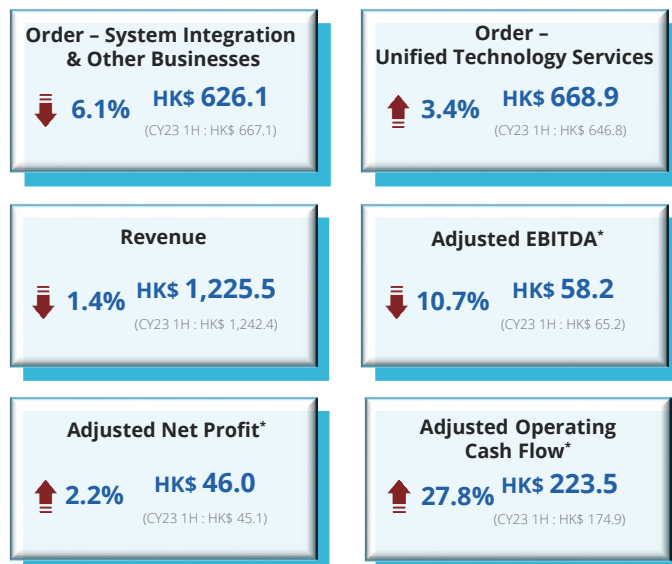
GROUP PERFORMANCE OVERVIEW

(HK\$ million)

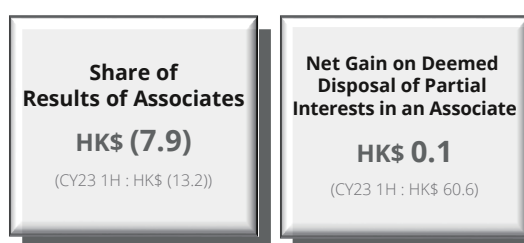
Group Consolidated Financial Result



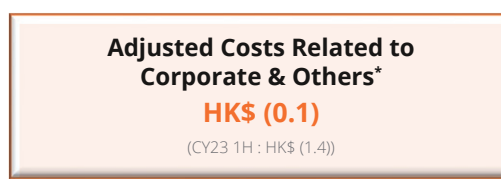
Core Business



Interest in Associates



Non-Operating Items



Adjusted EBITDA:

Adjusted Earnings Before Interest, Taxes, Depreciation, and Amortisation (Adjusted EBITDA) is calculated based on profit for the period excluding interest income and expenses, tax, depreciation and amortisation, equity-settled share-based payments expense, share of results of associates and net gain on deemed disposal of partial interest in an associate.

Adjusted Net Profit:

Adjusted Net Profit is calculated based on Adjusted EBITDA adding back finance costs (except for interest expenses on bank borrowings arising from acquisition activities), interest income, depreciation and amortisation and income tax expense.

Adjusted Operating Cash Flow:

Operating cash flow of core business is calculated based on net cash from operating activities of the Group including prepayments in relation to property, plant and equipment. Mainly represent the equity-settled share-based payments expense and interest expenses on bank borrowings arising from acquisition activities.

Adjusted Incomes Related to Corporate and Others:

System Integration & Other Businesses:

Being the business of information technology in supplying of information technology and associated products carried out by the Group, and Professional Service carried out by subsidiaries, other than Automated Systems (H.K.) Limited.

Unified Technology Service:

Being the business of information technology in providing systems integration, software and consulting services, engineering support for products and solutions and managed services carried out by a subsidiary, Automated Systems (H.K.) Limited.

CY23 1H:

Representing the first six months of calendar year 2023.

*:

The information is not a measure required by or presented in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The use of this non-HKFRS measure has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for analysis of, our results or operations or financial condition as reported under HKFRS.

RESULTS

The Board of Directors (the “Board”) of Automated Systems Holdings Limited (the “Company”) are pleased to announce the unaudited results of the Company and its subsidiaries (the “Group” or “ASL”) for the six months ended 30th June 2024. The interim financial information has been reviewed by the Company’s Audit Committee and the Company’s auditor.

Condensed Consolidated Statement of Profit or Loss

		Unaudited	
		Six months ended	
		30th June	
		2024	2023
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	3	1,225,462	1,242,379
Cost of goods sold		(522,218)	(583,290)
Cost of services rendered		(580,053)	(534,589)
Other income	4	13,332	5,038
Other (loss)/gain, net	5	(921)	59,491
Selling expenses		(47,403)	(43,573)
Administrative expenses		(31,895)	(30,152)
Finance income	6	85	136
Finance costs		(563)	(1,477)
Share of results of associates		(7,867)	(13,161)
		<hr/>	<hr/>
Profit before income tax	7	47,959	100,802
Income tax expense	8	(9,858)	(9,711)
		<hr/>	<hr/>
Profit for the period attributable to equity holders of the Company		38,101	91,091
		<hr/>	<hr/>
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share attributable to equity holders of the Company:	10		
– Basic		4.57	10.93
– Diluted		4.57	10.93
		<hr/>	<hr/>

Condensed Consolidated Statement of Comprehensive Income

	Unaudited	
	Six months ended	
	30th June	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the period	38,101	91,091
Other comprehensive (loss)/income		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of overseas operations	(4,638)	4,484
Share of other comprehensive (loss)/income of associates	(1,508)	3,994
Total comprehensive income for the period attributable to equity holders of the Company	<u>31,955</u>	<u>99,569</u>

Condensed Consolidated Statement of Financial Position

		Unaudited 30th June 2024 <i>HK\$'000</i>	Audited 31st December 2023 <i>HK\$'000</i>
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment	<i>11</i>	330,111	337,048
Investment properties	<i>12</i>	50,800	50,800
Intangible assets		–	–
Interests in associates	<i>13</i>	1,247,512	1,258,056
Prepayments	<i>15</i>	6,837	2,350
Financial asset at fair value through other comprehensive income		3,904	3,906
Finance lease receivables		1,801	2,499
Deferred income tax assets		861	781
		<u>1,641,826</u>	<u>1,655,440</u>
CURRENT ASSETS			
Inventories		322,454	295,890
Trade receivables	<i>14</i>	194,489	228,692
Finance lease receivables		1,284	1,726
Other receivables, deposits and prepayments	<i>15</i>	57,086	41,900
Contract assets		286,440	344,583
Tax recoverable		5,039	3,044
Time deposits		336,447	287,218
Bank balances and cash		382,300	252,401
		<u>1,585,539</u>	<u>1,455,454</u>
TOTAL ASSETS		<u>3,227,365</u>	<u>3,110,894</u>
EQUITY			
Share capital		83,370	83,370
Share premium		403,164	403,164
Reserves		1,697,726	1,690,782
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		<u>2,184,260</u>	<u>2,177,316</u>

Condensed Consolidated Statement of Financial Position (Continued)

		Unaudited	Audited
		30th June	31st December
		2024	2023
	<i>Notes</i>	HK\$'000	HK\$'000
NON-CURRENT LIABILITIES			
Deferred income tax liabilities		170,499	170,229
Lease liabilities		4,968	5,969
		<u>175,467</u>	<u>176,198</u>
CURRENT LIABILITIES			
Trade payables	<i>16</i>	341,067	302,821
Other payables and accruals	<i>17</i>	140,298	179,245
Receipts in advance	<i>18</i>	369,534	253,535
Current income tax liabilities		10,496	5,331
Bank borrowings	<i>19</i>	–	11,259
Lease liabilities		6,243	5,189
		<u>867,638</u>	<u>757,380</u>
TOTAL LIABILITIES		<u>1,043,105</u>	<u>933,578</u>
TOTAL EQUITY AND LIABILITIES		<u>3,227,365</u>	<u>3,110,894</u>
NET CURRENT ASSETS		<u>717,901</u>	<u>698,074</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,359,727</u>	<u>2,353,514</u>

NOTES TO THE INTERIM FINANCIAL INFORMATION

1. BASIS OF PREPARATION

The interim financial information for the six months ended 30th June 2024 has been prepared in accordance with 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”) and Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The interim financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31st December 2023, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

2. ADOPTION OF AMENDED HKFRSs

(i) Amended HKFRSs that are effective for annual periods beginning from 1st January 2024

The interim financial information for the six months ended 30th June 2024 have been prepared in accordance with the accounting policies adopted in the consolidated financial statements for the year ended 31st December 2023, except for the adoption of the following new or amended HKFRSs which are effective as of 1st January 2024.

Amendments to HKFRS 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-Current and related amendments to Hong Kong Interpretation 5 (2020)</i>
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants</i>
Amendments to HKAS 7 and HKFRS 7	<i>Supplier Finance Arrangements</i>

The adoption of these amended HKFRSs had no material impact on how the results and financial position of the Group for the current and prior periods have been prepared and presented. The Group has not early adopted any other standards, interpretation or amendment that has been issued but are not yet effective.

3. REVENUE AND SEGMENT INFORMATION

The Group's revenue is analysed as follows:

	Unaudited	
	Six months ended	
	30th June	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Sales of goods	611,325	664,085
Revenue from service contracts	614,137	578,294
	<u>1,225,462</u>	<u>1,242,379</u>

The executive directors have been identified as the chief operating decision maker. The executive directors have reviewed the Group's internal reporting in order to assess the performance and allocate resources. The executive directors have determined the operating segments based on the Group's internal reporting.

The Group is organised into two (six months ended 30th June 2023: 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.

Segment information about these businesses is presented below:

Unaudited

Six months ended 30th June 2024

	IT Products	IT Services	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue from external customers	611,325	614,137	1,225,462
Intersegment revenue	2,296	9,625	11,921
Segment revenue	613,621	623,762	1,237,383
Reportable segment profit	67,276	8,087	75,363
Segment depreciation	1,500	6,061	7,561
Additions to property, plant and equipment*	18	2,359	2,377

* Additions to property, plant and equipment of HK\$5,298,000 were related to unallocated assets.

3. REVENUE AND SEGMENT INFORMATION (Continued)

Segment information about these businesses is presented below: (Continued)

Unaudited

Six months ended 30th June 2023

	IT Products HK\$'000	IT Services HK\$'000	Total HK\$'000
Revenue from external customers	664,085	578,294	1,242,379
Intersegment revenue	1,238	10,814	12,052
Segment revenue	665,323	589,108	1,254,431
Reportable segment profit	59,746	20,417	80,163
Segment depreciation	1,726	6,909	8,635
Additions to property, plant and equipment*	26	670	696

* Additions to property, plant and equipment of HK\$663,000 were related to unallocated assets.

The Group's assets and liabilities by reportable segments as at reporting dates are presented below:

Unaudited

As at 30th June 2024

	IT Products HK\$'000	IT Services HK\$'000	Total HK\$'000
Reportable segment assets	459,234	387,661	846,895
Reportable segment liabilities	441,117	320,427	761,544

Audited

As at 31st December 2023

	IT Products HK\$'000	IT Services HK\$'000	Total HK\$'000
Reportable segment assets	506,343	395,947	902,290
Reportable segment liabilities	344,080	263,683	607,763

(a) Segment accounting policies

The accounting policies of the reportable segments are the same as the Group's accounting policies disclosed in the annual consolidated financial statements of the Group for the year ended 31st December 2023.

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

(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:

	Unaudited	
	Six months ended	
	30th June	
	2024	2023
	HK\$'000	HK\$'000
Revenue		
Reportable segment revenue	1,237,383	1,254,431
Elimination of intersegment revenue	<u>(11,921)</u>	<u>(12,052)</u>
Revenue per condensed consolidated statement of profit or loss	<u>1,225,462</u>	<u>1,242,379</u>

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

	Unaudited	
	Six months ended	
	30th June	
	2024	2023
	HK\$'000	HK\$'000
Profit or loss		
Reportable segment profit	75,363	80,163
Unallocated amounts:		
Unallocated other income	12,967	4,979
Unallocated other (loss)/gain, net	(921)	59,491
Unallocated depreciation	(5,584)	(3,690)
Share of results of associates	(7,867)	(13,161)
Finance costs	(563)	(1,477)
Unallocated corporate expenses	<u>(25,436)</u>	<u>(25,503)</u>
Profit before income tax per condensed consolidated statement of profit or loss	<u>47,959</u>	<u>100,802</u>

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

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

Reportable segment revenue, profit or loss, assets and liabilities are reconciled to results and total assets and total liabilities of the Group as follows: *(Continued)*

	Unaudited 30th June 2024 HK\$'000	Audited 31st December 2023 HK\$'000
Assets		
Reportable segment assets	846,895	902,290
Unallocated assets:		
Interests in associates	1,247,512	1,258,056
Deferred income tax assets	861	781
Tax recoverable	5,039	3,044
Bank balances and cash	382,300	252,401
Time deposits	336,447	287,218
Unallocated corporate assets	408,311	407,104
	<hr/>	<hr/>
Total assets per condensed consolidated statement of financial position	3,227,365	3,110,894
	<hr/>	<hr/>
	Unaudited 30th June 2024 HK\$'000	Audited 31st December 2023 HK\$'000
Liabilities		
Reportable segment liabilities	761,544	607,763
Unallocated liabilities:		
Current income tax liabilities	10,496	5,331
Deferred income tax liabilities	170,499	170,229
Unallocated corporate liabilities	100,566	150,255
	<hr/>	<hr/>
Total liabilities per condensed consolidated statement of financial position	1,043,105	933,578
	<hr/>	<hr/>

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 intangible assets and prepayments and the location of operations in case of interests in associates.

	Revenue from external customers		Specific non-current assets	
	Unaudited		Unaudited	Audited
	Six months ended		30th	31st
	30th June		June	December
	2024	2023	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Place of domicile				
Hong Kong	1,161,779	1,184,572	333,809	333,437
United States of America ("U.S.")	–	–	1,219,685	1,232,932
Singapore	–	–	27,827	25,124
Mainland China	978	3,302	51,221	53,902
Macau	27,972	25,705	1,258	1,816
Thailand	22,966	22,144	778	973
Taiwan	11,767	6,656	682	70
	<u>1,225,462</u>	<u>1,242,379</u>	<u>1,635,260</u>	<u>1,648,254</u>

3. REVENUE AND SEGMENT INFORMATION (Continued)

(c) Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services over time and at a point in time, details of the Group's timing of revenue recognition were as follows:

	Unaudited	
	Six months ended	
	30th June	
	2024	2023
	HK\$'000	HK\$'000
Timing of revenue recognition		
At a point in time	705,211	745,929
Over time	520,251	496,450
Revenue from external customers	1,225,462	1,242,379

Revenue relates to performance obligation that are unsatisfied as at 30th June 2024 amounted to approximately HK\$1,569,328,000 (As at 31st December 2023: HK\$1,508,621,000) are expected to be recognised within one to five years.

4. OTHER INCOME

	Unaudited	
	Six months ended	
	30th June	
	2024	2023
	HK\$'000	HK\$'000
Interest on bank deposits	11,237	1,976
Rental income from investment properties	1,403	1,403
Others	692	1,659
	13,332	5,038

5. OTHER (LOSS)/GAIN, NET

	Unaudited	
	Six months ended	
	30th June	
	2024	2023
	HK\$'000	HK\$'000
Net gain on deemed disposal of partial interest in an associate	58	60,553
Exchange loss, net	(975)	(1,034)
Others	(4)	(28)
	<u>(921)</u>	<u>59,491</u>

6. FINANCE INCOME

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

7. PROFIT BEFORE INCOME TAX

	Unaudited	
	Six months ended	
	30th June	
	2024	2023
	HK\$'000	HK\$'000
Profit before income tax is arrived at after charging/(crediting):		
Depreciation:		
Property, plant and equipment – owned assets	9,879	8,725
Property, plant and equipment – right-of-use assets	3,266	3,599
ECL allowance of trade receivables	–	490
Reversal of ECL allowance of trade receivables	(136)	(86)
ECL allowance of contract assets	–	1,254
Employee benefit expenses (excluding directors' emoluments)	340,358	317,835

8. INCOME TAX EXPENSE

	Unaudited	
	Six months ended	
	30th June	
	2024	2023
	HK\$'000	HK\$'000
Current taxation:		
Hong Kong profits tax (<i>Note (i)</i>)	7,663	8,624
Overseas taxation	1,959	566
	<u>9,622</u>	<u>9,190</u>
Deferred taxation:		
Current period	236	521
	<u>9,858</u>	<u>9,711</u>

Note:

- (i) Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of qualifying entities will be taxed at 8.25%, and the profits above HK\$2 million will be taxed at 16.5%. The profits of entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at 16.5%. For the six months ended 30th June 2024 and 2023, Hong Kong profits tax of a subsidiary of the Company is calculated in accordance with the two-tiered profits tax rates regime.

9. DIVIDENDS

	Unaudited	
	Six months ended	
	30th June	
	2024	2023
	HK\$'000	HK\$'000
Dividend approved and paid during the period:		
Final dividend in respect of the year ended 31st December 2023 of 3.0 HK cents per share (six months ended 30th June 2023: in respect of the year ended 31st December 2022 of 3.0 HK cents per share)	<u>25,011</u>	<u>25,011</u>

The Board does not recommend any payment of interim dividend for the six months ended 30th June 2024 (six months ended 30th June 2023: Nil).

10. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of the basic and diluted earnings per share attributable to equity holders of the Company is based on the following data:

	Unaudited	
	Six months ended	
	30th June	
	2024	2023
	HK\$'000	HK\$'000
Profit attributable to equity holders of the Company	38,101	91,091
	Number of shares	
	30th June	30th June
	2024	2023
	'000	'000
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share (<i>Note (a)</i>)	833,696	833,696
	Unaudited	
	Six months ended	
	30th June	
	2024	2023
	HK cents	HK cents
Earnings per share		
– Basic	4.57	10.93
– Diluted	4.57	10.93

Notes:

- (a) The 833,696,000 (six months ended 30th June 2023: 833,696,000) ordinary shares are derived from the weighted average number of ordinary shares in issue during the six months ended 30th June 2024.
- (b) The calculation of the diluted earnings per share for the six months ended 30th June 2024 and 2023 has not taken into account the exercise of the share options of the Company granted in 2017 and the effect of the dilutive instruments issued by the Group's associates as they are considered as anti-dilutive.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30th June 2024, additions to property, plant and equipment, mainly for computer equipment, was approximately HK\$4,331,000 (six months ended 30th June 2023: HK\$1,292,000). During the six months ended 30th June 2024, addition to right-of-use assets, right-of-use assets with reassessment of lease term and lease modification included in property, plant and equipment amounting to HK\$714,000 (six months ended 30th June 2023: HK\$67,000) and HK\$2,630,000 (six months ended 30th June 2023: nil) respectively, which are related to office premises.

The Group's land and buildings were stated at valuations made at 31st December 2023 less depreciation. The land and buildings were last revalued by an independent professional valuer at 31st December 2023 on market value basis which was determined by reference to market evidence of recent transactions for similar properties. As at 30th June 2024, the directors of the Company considered that the carrying amount of the Group's land and buildings did not differ significantly from their fair values.

As at 30th June 2024, if the land and buildings had not been revalued, they would have been included in the interim financial information at historical cost, less accumulated depreciation with carrying amount of approximately HK\$74,110,000 (31st December 2023: HK\$76,013,000).

As at 31st December 2023, the Group had pledged land and buildings with carrying amount of approximately HK\$156,000,000 to secure Group's bank borrowings as disclosed in Note 19.

12. INVESTMENT PROPERTIES

The investment properties of the Group were last revalued at 31st December 2023 by an independent professional valuer on market value basis which was determined by reference to market evidence of recent transactions for similar properties.

As at 30th June 2024, the directors of the Company considered that the carrying amount of the Group's investment properties which are carried at revalued amounts did not differ significantly from their fair values.

As at 31st December 2023, the Group had pledged investment properties with carrying amount of HK\$50,800,000 to secure the Group's bank borrowing as disclosed in Note 19.

13. INTERESTS IN ASSOCIATES

	Unaudited 30th June 2024 HK\$'000	Audited 31st December 2023 HK\$'000
Listed	1,219,685	1,232,932
Unlisted	27,827	25,124
	<u>1,247,512</u>	<u>1,258,056</u>

Notes:

The Group's interest in listed securities represents the Group's interest in Grid Dynamics Holdings, Inc. ("GDH"), of which its shares are listed on NASDAQ. As at 30th June 2024, the fair value of the Group's interest in GDH was USD155,575,000 (equivalent to approximately HK\$1,215,807,000) (31st December 2023: USD197,318,000 (equivalent to approximately HK\$1,541,401,000)), which is based on the quoted stock price of GDH on NASDAQ of USD10.51 (31st December 2023: USD13.33) per share as at 30th June 2024 and is within Level 1 of the fair value hierarchy.

	Unaudited 30th June 2024 HK\$'000	Audited 31st December 2023 HK\$'000
At beginning of the period/year	1,258,056	1,192,897
Deemed disposal of partial interest in an associate (<i>Note (i)</i>)	58	60,394
Disposal of interest in an associate (<i>Note (ii)</i>)	–	(324)
Dividend received	–	(699)
Share of results of associates	(7,867)	(1,685)
Share of other comprehensive (loss)/income of associates	(1,508)	5,059
Exchange realignment	(1,227)	2,414
	<u>1,247,512</u>	<u>1,258,056</u>
At end of the period/year	<u>1,247,512</u>	<u>1,258,056</u>

Note:

- (i) During the six months ended 30th June 2024 and the year ended 31st December 2023, certain restricted stock units and performance stock units granted by Grid Dynamics Holdings, Inc. ("GDH") to its employees were vested and certain employees had exercised the vested stock options of GDH. As a result, the Group's interest in GDH was diluted from 19.51% as at 31st December 2023 to 19.31% as at 30th June 2024, and a net gain on deemed disposal of interest in an associate of HK\$58,000 (six months ended 30 June 2023: HK\$60,553,000) was recognised (Note 5).
- (ii) On 4th August, 2023, the Group completed the disposal of its entire interest in an associate, iN Systems (Macao) Limited, at a consideration of approximately MOP1,060,000 (equivalent to approximately HK\$1,029,000).

13. INTERESTS IN ASSOCIATES *(Continued)*

The Group had 19.31% interest in the listed associate, GDH as at 30th June 2024 (31st December 2023: 19.51%) and had significant influence through its representation on the Board of Directors of GDH and participates in all significant financial and operating decision. Therefore, the Group equity accounted for its share of GDH's results.

14. TRADE RECEIVABLES

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

	Unaudited 30th June 2024 HK\$'000	Audited 31st December 2023 HK\$'000
Trade receivables – gross	203,865	238,204
Less: ECL allowance	(9,376)	(9,512)
Trade receivables – net	<u>194,489</u>	<u>228,692</u>

An ageing analysis of the gross trade receivables as at the reporting date, based on the invoice dates, is as follows:

	Unaudited 30th June 2024 HK\$'000	Audited 31st December 2023 HK\$'000
0 – 30 days	92,430	131,852
31 – 60 days	28,875	55,324
61 – 90 days	34,150	19,190
Over 90 days	48,410	31,838
	<u>203,865</u>	<u>238,204</u>

15. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

		Unaudited	Audited
		30th June	31st December
		2024	2023
	<i>Notes</i>	HK\$'000	HK\$'000
Other receivables	<i>(a)</i>	12,488	2,104
Deposits		5,926	5,975
Prepayments	<i>(b)</i>	42,620	28,689
Amount due from ultimate holding company		832	832
Amounts due from associates		2,889	7,482
		<hr/>	<hr/>
Other receivables, deposits and prepayments – gross		64,755	45,082
Less: ECL allowance		(832)	(832)
		<hr/>	<hr/>
Other receivables, deposits and prepayments – net		63,923	44,250
		<hr/>	<hr/>
Representing:			
Non-current assets		6,837	2,350
Current assets		57,086	41,900
		<hr/>	<hr/>
		63,923	44,250
		<hr/>	<hr/>

(a) As at 30th June 2024, the other receivables mainly included interest receivables of HK\$9,990,000 (31st December 2023: HK\$259,000), the increase was mainly attributable to time deposits increased during the period.

(b) As at 30th June 2024, prepayments mainly consisted of prepayment for purchase amounted to HK\$19,686,000 (31st December 2023: HK\$12,383,000), prepayment for insurance amounted to HK\$4,600,000 (31st December 2023: HK\$1,606,000) and prepayment for maintenance amounted to HK\$14,671,000 (31st December 2023: HK\$9,846,000).

16. TRADE PAYABLES

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

	Unaudited 30th June 2024 <i>HK\$'000</i>	Audited 31st December 2023 <i>HK\$'000</i>
Current	202,601	222,681
Within 30 days	91,399	51,376
31 – 60 days	24,730	6,132
61 – 90 days	4,655	3,313
Over 90 days	17,682	19,319
	<u>341,067</u>	<u>302,821</u>

17. OTHER PAYABLES AND ACCRUALS

	Unaudited 30th June 2024 <i>HK\$'000</i>	Audited 31st December 2023 <i>HK\$'000</i>
Other payables	8,022	6,313
Accruals	129,959	169,198
Amount due to ultimate holding company	1,973	1,460
Amount due to a fellow subsidiary	21	22
Amount due to an associate	323	2,252
	<u>140,298</u>	<u>179,245</u>

18. RECEIPTS IN ADVANCE

The increase (31st December 2023: increase) of receipts in advance as at 30th June 2024 is mainly due to increase (31st December 2023: increase) in billings in advance and deposit received from customers during the period.

19. BANK BORROWINGS

	Unaudited 30th June 2024 HK\$'000	Audited 31st December 2023 HK\$'000
Current		
Secured bank borrowings		
– repayable within one year or on demand	–	11,259

The bank borrowings are repayable by 60 equal monthly instalments commencing from 29th March 2019 and bear interest at floating interest rate. As at 31st December 2023, the bank borrowings are denominated in HKD with an effective interest rate 6.78% per annum. All bank borrowings are fully repaid during six months ended 30th June 2024.

As at 31st December 2023, the bank borrowings are secured by the followings:

- (1) the legal charges over the Group's land and buildings with carrying amount of approximately HK\$156,000,000 (Note 11);
- (2) the legal charges over the Group's investment properties with carrying amount of HK\$50,800,000 (Note 12);
- (3) the guarantee given by the Company and certain subsidiaries of the Group up to a limit of HK\$330,000,000;
- (4) assignment of rental and sales proceeds from the Group's land and buildings and investment properties;
- (5) assignment of insurance of all insurance policies (other than third party liabilities and public liabilities) over the Group's land and 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, which 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 2023.

DIVIDEND

The Board does not recommend any payment of interim dividend for the six months ended 30th June 2024 (six months ended 30th June 2023: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

For the six months ended 30th June 2024, total revenue and gross profit of the Group were HK\$1,225.5 million and HK\$123.2 million respectively, representing a similar result as compared to corresponding period last year. During the period, product sales was decreased by 7.9% to HK\$611.3 million while service revenue was increased by 6.2% to HK\$614.1 million. In addition, product sales and service revenue contributed 49.9% and 50.1% to total revenue respectively, compared to 53.5% and 46.5% for the corresponding period last year.

For the six months ended 30th June 2024, commercial and public sector sales contributed 43.5% and 56.5% to total revenue respectively, compared to 43.0% and 57.0% for the corresponding period last year.

During the period under review, the Group recorded a profit attributable to the Company's equity holders of HK\$38.1 million, a decrease of 58.2% compared to last period of HK\$91.1 million. The decrease was mainly due to a reduction in the net gain from the deemed disposal of partial interests in an associate recorded during this period.

For the six months ended 30th June 2024, orders newly secured by the Group amounted to approximately HK\$1,295.0 million, representing a similar result as compared to corresponding period last year. As at 30th June 2024, the Group's order book balance was approximately HK\$1,569.3 million. The Group's bank balances and cash and time deposits in total stood at approximately HK\$718.7 million with a working capital ratio of 1.83:1. The Group maintained a healthy financial position. As at 30th June 2024, the Group has no outstanding borrowings.

“Adjusted EBITDA” for the six months ended 30th June 2024 was HK\$58.2 million, a decrease of 10.7% compared to last period. The “Adjusted EBITDA” excludes certain items that are non-cash or non-recurring in nature. It is a non-HKFRS financial measures used by the Company’s management to evaluate the operating performance and trends of the Group’s core business, to make strategic decisions regarding the allocation of capital and investments. “Adjusted EBITDA” is not a measure required by or presented in accordance with Hong Kong Financial Reporting Standards (“HKFRS”). The use of it has limitations as an analytical tool, and should not be considered in isolation from, or as a substitute for analysis of, our results or operations or financial condition as reported under HKFRS.

The reconciliations from “Profit for the period” to “Adjusted EBITDA” for six months ended 30th June 2024 and 2023 are as follows:

	Unaudited	
	Six months ended	
	30th June	
	2024	2023
	<i>HK\$’000</i>	<i>HK\$’000</i>
Profit for the period HKFRS measure	38,101	91,091
Interest expenses	563	1,477
Interest income	(11,237)	(1,976)
Income tax expenses	9,858	9,711
	<hr/>	<hr/>
Profit before interest and tax	37,285	100,303
Adjustments for non-cash items:		
Depreciation and amortisation	13,145	12,324
Equity-settled share-based payments expense	–	11
Share of results of associates	7,867	13,161
Adjustments for non-recurring items:		
Net gain on deemed disposal of partial interest in an associate	(58)	(60,553)
	<hr/>	<hr/>
Adjusted EBITDA non-HKFRS measure	58,239	65,246
	<hr/>	<hr/>

Core Business Review

The orders newly secured and the revenue of the Group recorded HK\$1,295.0 million and HK\$1,225.5 million respectively, similar to the same period last year. The adjusted profit of the Group increased by 2.2% to HK\$46.0 million.

Innovative Solutions Business

(Application Development – Enhance customer experience with innovative applications; Dev)

Innovative Solutions Business saw an increase in service orders newly secured for the period as compared to last year. The increase was mainly attributable to higher order volumes for application development and the provision of IT outsourcing services. During the period, its service revenue recorded HK\$249.8 million.

For sector performance, the Group was keen to promote the brand and technological application of Information Technology Application Innovation (ITAI) and participate in the establishment of “iAM Smart+” platform, supporting the government to develop Hong Kong as a smart city covering people’s livelihood, such as transportation and healthcare. In addition, the Group launched an inter-institutional academic platform using blockchain technology and enhanced its technical support and application of APP. The Group also supported an enterprise engaging in electronic payment system through our offshore delivery excellence center, providing cross-border payment services in the Greater Bay area and Southeast Asia.

Intelligent Cybersecurity Services Business

(Cybersecurity – Protect your assets with intelligent security technology; Sec)

In regard to the Intelligent Cybersecurity Services business, the service orders newly secured recorded a growth as compared to corresponding period last year. During the period, service revenue amounted to HK\$105.4 million. The main business growth was due to the ongoing demand from cybersecurity, Security Operation Center and security managed services.

For sector performance, the Group performed well in various sectors. In the aviation sector, the Group implemented a large-scale network installation and data center revamp project during the period. In banking and retail industry, numerous customers adopted our Security Operation Center (SOC) and security managed services. In the first half of 2024, we have been using artificial intelligence (AI) technologies to improve SOC platform for responding and addressing ever-changing network threats and unexpected security incidents in a timely manner.

Integrated Managed Services Business

(Omni-channel Managed Services – Simplify your IT operations to increase efficiency; Ops)

During the period, service orders newly secured in the Integrated Managed Services Business presented growth compared to the corresponding period last year. The service revenue recorded HK\$244.6 million, fueled by market demand for IT Service Management (ITSM) projects, DevSecOps and managed services.

For sector performance, the Group has undertaken large-scale data migration and provided day-to-day information technology operations services in certain sectors. This included migrating a mission-critical system for an entertainment organization, which was a project of significant scale and complexity. This showcased the Group's services integration capabilities and deep understanding of customer's business operations. In the first half of 2024, the Group has been implementing a private cloud services expansion project, providing Infrastructure as-a-Service.

Established “Center of Excellence ” and Promoting ITAI Products

In view of the Chinese government's strategy to promote ITAI, the Group has established a “Center of Excellence”. This center aims at promoting the integration and innovative application of IT products from mainland China and the rest of the world, in order to better serve customers in Hong Kong and the Greater Bay area. The Group currently has the support of over 70 world-class IT vendors and over 30 ITAI vendors. The scale of this center is industry leading.

Sector-focus Strategies and Expansion in the Greater Bay Area

The Group has kept meeting the demands of various sectors and providing better applications to its customers. During the period, the Group has actively participate in activities within our competitive sectors with an aim to enhance brand awareness of the Group and keep its customers abreast of the latest technology trend of the sectors, for instance, promoting digital finance across the Greater Bay area to financial sector and introducing innovative applications and integrated practices of technologies in China, such as Large Language Model (LLM) to governmental departments.

Business of Associates

Grid Dynamics Holdings, Inc. (“GDH,” NASDAQ ticker symbol: GDYN), an associate with business in Europe and the U.S., has significantly enhanced its artificial intelligence capabilities, and now have approximately 30 customized solutions and service offerings targeting Fortune 500 companies across various industries.

According to Form 10-Q for the six months ended 30th June 2024 of GDH published on the U.S. Securities and Exchange Commission website, the total revenue of GDH for the first half reached US\$162.9 million (equivalent to approximately HK\$1,271.6 million), while non-GAAP EBITDA of US\$22.0 million (equivalent to approximately HK\$172.0 million). As of 30th June 2024, GDH's revenue from the retail, technology, media, and telecommunications sectors accounted for nearly 60.6% of its total revenue.

i-Sprint Holdings Limited and its subsidiaries (collectively “i-Sprint”), one of the major associates in Asia Pacific, implemented various initiatives such as optimizing management, deepening relationships with key customers, replicating successful cases, which drove revenue and EBITDA to reach HK\$68.7 million and HK\$15.8 million respectively. In addition, besides the patented cloud product technology of AccessReal being recognized in Singapore, U.S., China, Japan and other places, i-Sprint’s Universal Authentication Server (UAS) has obtained FIDO2 certification, an important standard that ensures online security. Also, i-Sprint received numerous awards for its achievement in cybersecurity, further elevating the position of i-Sprint in the industry.

Outlook and Prospects

In the second half of 2024, Hong Kong is facing multiple challenges, such as talent drain, geopolitical risks and cautious corporate spending. In the IT industry, the group also faces challenges such as foreign divestment and capital deluge from China. In addition to these challenges, the Group will closely monitor the impact of the 2024 United States presidential election on the U.S.-China relationship and the global economy, and actively explore new opportunities to overcome such challenges.

Facing the influx of Chinese vendors into the market, the Group has accelerated the building of a Chinese brand ecosystem, establishing cooperative partnership with them to jointly develop the market. In the first half of 2024, the Group established a Center of Excellence which has obtained professional certification from mainland ITAI companies, ensuring compatibility and performance reliability of ITAI's software and hardware, minimizing operational issues and offering the optimized product portfolio. Customers no longer need to build their own testing environment, which can accelerate technological applications, reduce costs, and speed up project progress. In the second half of the year, the Group has received benchmark project from the disciplinary forces, which is related to the provision of large-scale human resources management system by utilizing a China technological product portfolio, demonstrating a successful example and experience.

In addition, the Group is planning to set up an offshore development center at the west bank of the Pearl River Estuary to undertake software development tasks from Hong Kong, Macau and overseas. The center is equipped with a remote, omni-channel, 7x24 managed services support system and is expected to open in the third quarter of this year. The managed services of the center forms a new generation service platform with AI-powered functions, providing smarter, automatic, instant, 7x24 and cross-border professional IT support services. Indeed, the Group's omni-channel managed services adopt the Information Technology Infrastructure Library (ITIL) standard, which belongs to the Artificial Intelligence for IT Operations (AIOps). It is equipped with the latest artificial intelligence technologies, which can help identify and solve problems more swiftly.

Looking forward, the Group will continue to elevate its DevSecOps integration capabilities, expand its talent pool through, among others, attracting Mainland talents, and promote its managed services based on the DevSecOps Maturity Model. By leveraging our sector knowledge and familiarity with customer business environments to capitalize on our strengths in customer applications. The Group will focus on developing those sectors with advantages, such as government and banking sectors, and further enhance our capability of pre-sales and after-sales services for such specific sectors, in order to meet the market demands. The Group is committed to becoming a leading Unified Technology Services Partner in the region. We will work hand in hand with customers to build a brighter future. Together, we are Unified for Success!

Financial Resources and Liquidity

As at 30th June 2024, the Group's total assets of HK\$3,227.4 million were financed by current liabilities of HK\$867.6 million, non-current liabilities of HK\$175.5 million and equity attributable to equity holders of the Company of HK\$2,184.3 million. The Group had a working capital ratio of approximately 1.83:1.

As at 30th June 2024, the Group had an aggregate composite banking facility from banks of approximately HK\$215.3 million (31st December 2023: HK\$226.6 million). All bank borrowings are fully repaid during the six months ended 30th June 2024. As at 31st December 2023, the Group had pledged land and buildings with carrying amount of approximately HK\$156.0 million and pledged investment properties with carrying amount of HK\$50.8 million to secure Group's bank borrowings. The performance bonds issued by the Group to customers as security of contracts were approximately HK\$106.0 million as at 30th June 2024 (31st December 2023: HK\$126.8 million). The Group's gearing ratio (total borrowings over equity attributable to equity holders of the Company) was 0.0% as at 30th June 2024 (31st December 2023: 0.5%).

Material Acquisition and Disposal

During the six months ended 30th June 2024, neither the Company nor any of its subsidiaries had material acquisition or disposal.

Treasury Policies

The Group generally financed its operations with internally generated resources and credit facilities provided by banks. Bank facilities available for the Group include trust receipt loans, clean import loans, overdrafts and term loans. The interest rates of most of them are fixed by reference to the respective countries' Interbank Offer Rate. The bank deposits are mainly denominated in Hong Kong dollars ("HKD") and United States dollars ("USD"). The bank borrowings are denominated in HKD.

Foreign Exchange Exposure

The Group mainly earns revenue and incurs costs in HKD and USD. Foreign exchange exposure to USD of the Group will continue to be minimal as long as the policy of the Government of the Hong Kong Special Administrative Region to link HKD to USD remains in effect. There was no material exposure to fluctuations in exchange rates and therefore no related hedging financial instrument was applied during the six months ended 30th June 2024 (six months ended 30th June 2023: same).

Contingent Liabilities

As at 30th June 2024, performance bonds of approximately HK\$106.0 million (31st December 2023: HK\$126.8 million) have been issued by the bank on behalf of the Group to customers as security of contracts.

Capital Commitments

As at 30th June 2024, the Group had contracted capital commitment in respect of property, plant and equipment of approximately HK\$0.7 million (31st December 2023: HK\$0.4 million).

Employee and Remuneration Policies

As at 30th June 2024, the Group, excluding its associates, employed 1,458 permanent and contract staff (30th June 2023: 1,499 employees) in Hong Kong, Mainland China, Taiwan, Macau and Thailand. The Group remunerates its employees based on their performance, working experience and the prevailing market conditions. Bonuses are granted on a discretionary basis. Other employee benefits include mandatory provident fund, insurance, medical coverage and share options scheme.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30th June 2024, 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 unaudited interim results.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix C3 to the Listing Rules. The Company has made specific enquiry of all Directors regarding any non-compliance with the Model Code during the six months ended 30th June 2024, and they all confirmed that they have fully complied with the required standards set out in the Model Code.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has complied with the Corporate Governance Code set out in Appendix C1 to the Listing Rules throughout the six months ended 30th June 2024.

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

Hong Kong, 21st August 2024

As at the date of this announcement, the Board comprises Mr. Wang Weihang and Mr. Wang Yueou being Executive Directors; Ms. Zhang Bingxia being Non-Executive Director; and Mr. Pan Xinrong, Mr. Deng Jianxin and Ms. Or Siu Ching Rerina being Independent Non-Executive Directors.