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# AUTOMATED SYSTEMS HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 771)

## ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31ST DECEMBER 2020

### FINANCIAL HIGHLIGHTS

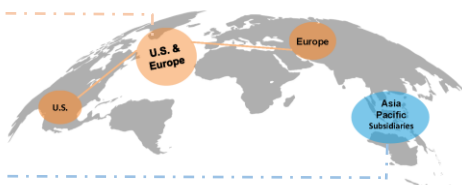
#### Group Financial Indicator

(In HK\$ million)	Year Ended 31 <sup>ST</sup> December		
	2020	2019	% Change
<b>Continuing operations</b>			
Orders Newly Secured	1,930.3	2,153.6*	-10.4
Revenue	1,988.8	1,903.2*	+4.5
Adjusted EBITDA <sup>Note 1</sup>	95.3	108.6*	-12.3
Adjusted Net Profit <sup>Note 2</sup>	60.6	73.4*	-17.4
Final Dividend (HK Cents)	3.0	3.0	-
<b>Continuing and discontinued operations</b>			
Net Profit	856.1	100.3	+753.5
Basic EPS (HK Cents)	103.37	11.55	+795.0

\*Restated

#### Group Performance Overview (In HK\$ million)

Region	Orders Newly Secured	% Change	Revenue	% Change	Adjusted EBITDA	% Change	Non-GAAP PAT	% Change
Hong Kong	1,828.1	-8.0%	1,846.0	+3.4%	92.3 <sup>Note 1</sup>	-12.5%		
Asia Pacific (other than Hong Kong)	102.2	-38.9%	142.8	+21.0%	3.0 <sup>Note 1</sup>	-3.2%		
<b>Asia Pacific</b>	<b>1,930.3</b>	<b>-10.4%</b>	<b>1,988.8</b>	<b>+4.5%</b>	<b>95.3</b>	<b>-12.3%</b>		
<b>U.S. &amp; Europe</b>								
- Associate Company (extracted from 2020 10-K) <sup>Notes 3 &amp; 6</sup>			862.4	-6.0%	97.3 <sup>Note 4</sup>	-47.0%	54.4 <sup>Note 5</sup>	-54.7%



Note 1: : Adjusted Earnings Before Interest, Taxes, Depreciation, and Amortisation (Adjusted EBITDA) is calculated based on profit for the year from continuing operations excluding interest income and expenses, tax, depreciation, amortisation, fair value change on revaluation of investment properties, equity-settled share-based payments expense, government grants, one-off rebate, share of results of associates, loss on deemed disposal of partial interests in associate, waiver of intercompany balances of Disposal Group and one-off professional fees.

Note 2: Adjusted Net Profit is calculated based on profit for the year of continuing operations excluding overseas withholding tax, interest income and expenses, fair value change on revaluation of investment properties, equity-settled share-based payments expense, government grants and one-off rebate, share of results of associates, loss on deemed disposal of partial interests in associate, waiver of intercompany balances of Disposal Group, one-off professional fees and tax impacts of these adjustments.

Note 3: Amounts stated were extracted from Form 10-K for the year ended 31 December 2020 ("Form 10-K") of Grid Dynamics Holdings, Inc. ("GDH") published on US Security and Exchange Commission website. The results of GDH were not consolidated in the Group's results, but after completion date of the disposal were accounted for using equity method and based on the Group's shareholding in GDH.

Note 4: According to Form 10-K of GDH, the Adjusted EBITDA is net income before interest income/expense, provision for income taxes and depreciation and amortization, and further adjusted for the impact of stock-based compensation expense, transaction-related costs (which include, when applicable, professional fees, staff retention bonuses, and consulting, legal and advisory costs related to merger and acquisition and capital-raising activities), impairment of goodwill, other income/expenses, net (which includes mainly interest income and expense, foreign currency transaction losses and gains, fair value adjustments and other miscellaneous expenses), and restructuring costs.

Note 5: According to Form 10-K of GDH, the Non-GAAP PAT is net income adjusted for the impact of stock-based compensation, impairment of goodwill, transaction-related costs, restructuring costs, other income/expenses, net, and the tax impacts of these adjustments.

Note 6: Figures in US\$ have been converted to HK\$ at the rate of US\$1 = HK\$7.75 for illustration purposes.

## RESULTS

The Board of Directors (the “Board”) 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 2020 together with comparative figures for the year ended 31st December 2019 as follows:

### Consolidated Statement of Profit or Loss

		<b>Audited</b>	
		<b>Year ended</b>	
		<b>31st December</b>	
		<b>2020</b>	<b>2019</b>
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			(restated)
<b>Continuing operations</b>			
<b>Revenue</b>	3	<b>1,988,849</b>	1,903,196
Cost of goods sold		<b>(924,392)</b>	(917,883)
Cost of services rendered		<b>(807,377)</b>	(775,048)
Other income	4	<b>5,341</b>	7,032
Other loss, net	5	<b>(3,362)</b>	(2,802)
Fair value (loss)/gain on investment properties		<b>(1,500)</b>	1,800
Selling expenses		<b>(75,182)</b>	(84,839)
Administrative expenses		<b>(57,347)</b>	(65,554)
Finance income	6	<b>359</b>	172
Finance costs		<b>(8,520)</b>	(23,683)
Share of results of associates		<b>(63,480)</b>	(8,287)
<b>Profit before income tax</b>	7	<b>53,389</b>	34,104
Income tax expense	8	<b>(28,053)</b>	(14,798)
<b>Profit for the year from continuing operations</b>		<b>25,336</b>	19,306
<b>Discontinued operations</b>			
Profit for the year from discontinued operations	9(a)	<b>830,806</b>	81,002
<b>Profit for the year</b>		<b>856,142</b>	100,308

# Consolidated Statement of Profit or Loss (Continued)

	<i>Notes</i>	Audited Year ended 31st December	
		2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i> (restated)
<b>Profit for the year attributable to equity holders of the Company:</b>			
- From continuing operations		25,336	19,306
- From discontinued operations		830,962	73,970
		<b>856,298</b>	93,276
<b>(Loss)/Profit for the year attributable to non-controlling interests:</b>			
- From continuing operations		-	-
- From discontinued operations		(156)	7,032
		<b>(156)</b>	7,032
<b>Profit for the year</b>		<b>856,142</b>	100,308
		<i>HK cents</i>	<i>HK cents</i> (restated)
<b>Earnings per share attributable to equity holders of the Company:</b>	11		
From continuing and discontinued operations			
- Basic		103.37	11.55
- Diluted		103.28	10.96
From continuing operations			
- Basic		3.06	2.39
- Diluted		3.06	2.39
From discontinued operations			
- Basic		100.31	9.16
- Diluted		100.22	8.57

## Consolidated Statement of Comprehensive Income

	Audited Year ended 31st December	
	2020 HK\$ '000	2019 HK\$ '000
<b>Profit for the year</b>	<b>856,142</b>	<b>100,308</b>
<b>Other comprehensive (loss)/income:</b>		
<i>Items that will not be reclassified subsequently to profit or loss:</i>		
Revaluation surplus of land and buildings	<b>2,149</b>	19,249
Deferred taxation arising from revaluation surplus of land and buildings	<b>(355)</b>	(3,176)
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of overseas operations	<b>(2,163)</b>	(4,087)
Release of translation reserve upon disposal of subsidiaries	<b>3,413</b>	-
Share of other comprehensive (loss)/income of associates	<b>(57)</b>	193
<b>Total comprehensive income for the year</b>	<b>859,129</b>	<b>112,487</b>
<b>Total comprehensive income attributable to:</b>		
Equity holders of the Company	<b>859,285</b>	105,754
Non-controlling interests	<b>(156)</b>	6,733
	<b>859,129</b>	<b>112,487</b>

## Consolidated Statement of Financial Position

		Audited 31st December	
		2020 HK\$'000	2019 HK\$'000
	<i>Notes</i>		
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	12	297,711	321,595
Investment properties	13	54,300	55,800
Intangible assets		-	107,243
Goodwill		-	766,816
Interests in associates	14	1,769,196	19,625
Equity investment		598	598
Finance lease receivables		4,208	4,946
Deferred income tax assets		513	16,341
		<u>2,126,526</u>	<u>1,292,964</u>
<b>CURRENT ASSETS</b>			
Inventories		212,725	267,938
Trade receivables	15	240,472	344,219
Finance lease receivables		2,779	2,729
Other receivables, deposits and prepayments	16	18,032	70,135
Contract assets		269,003	362,333
Tax recoverable		7,939	1,660
Restricted bank deposits	17	-	556
Bank balances and cash	17	370,521	456,058
		<u>1,121,471</u>	<u>1,505,628</u>
<b>TOTAL ASSETS</b>		<u><b>3,247,997</b></u>	<u><b>2,798,592</b></u>
<b>EQUITY</b>			
Share capital		83,031	82,731
Share premium		399,272	395,830
Reserves		1,711,490	926,711
<b>Equity attributable to equity holders of the Company</b>		<u><b>2,193,793</b></u>	<u><b>1,405,272</b></u>
<b>Non-controlling interests</b>		<u><b>-</b></u>	<u><b>47,510</b></u>
<b>TOTAL EQUITY</b>		<u><b>2,193,793</b></u>	<u><b>1,452,782</b></u>

# Consolidated Statement of Financial Position (Continued)

		Audited	
		31st December	
		2020	2019
	Notes	HK\$'000	HK\$'000
<b>NON-CURRENT LIABILITIES</b>			
Deferred income tax liabilities		203,886	78,299
Lease liabilities		1,175	3,236
		<u>205,061</u>	<u>81,535</u>
<b>CURRENT LIABILITIES</b>			
Trade payables	18	282,557	360,282
Other payables and accruals	19	171,511	184,612
Receipts in advance		239,629	176,533
Current income tax liabilities		4,247	25,352
Borrowings	20	145,938	439,770
Financial liabilities at fair value through profit or loss		-	75,017
Lease liabilities		5,261	2,709
		<u>849,143</u>	<u>1,264,275</u>
<b>TOTAL LIABILITIES</b>		<u>1,054,204</u>	<u>1,345,810</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>3,247,997</u>	<u>2,798,592</u>
<b>NET CURRENT ASSETS</b>		<u>272,328</u>	<u>241,353</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>2,398,854</u>	<u>1,534,317</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. Basis of Preparation

#### (i) 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 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 for land and buildings, investment properties, equity investment classified as financial assets at fair value through other comprehensive income and financial liabilities at fair value through profit or loss, which 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.

#### (ii) Restatements due to discontinued operations

The presentation of comparative information in respect of the consolidated statement of profit or loss for the year ended 31st December 2019 has been restated in order to disclose the discontinued operations separately from continuing operations.

As the restatements do not affect the consolidated statement of financial position, it is not necessary to disclose comparative information as at 1st January 2019.

### 2. Significant Accounting Policies

#### (i) Amended HKFRSs that are effective for annual periods beginning on 1st January 2020:

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 2020:

Amendments to HKFRS 3	<i>Definition of Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

The adoption of these amended HKFRSs has no material impact on how the results and financial position of the Group for the current and prior periods have been prepared and presented. The accounting policy for discontinued operations is stated in Note 2(iii).

## 2. Significant Accounting Policies (Continued)

### (ii) Issued but not yet effective HKFRSs:

At the date of authorization 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.

Amendments to HKFRS 16	<i>Covid-19 Related Rent Concessions</i> <sup>1</sup>
HKFRS 17	<i>Insurance Contracts and other related amendments</i> <sup>4</sup>
Amendments to HKFRS 3	<i>Reference to Conceptual Framework</i> <sup>6</sup>
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	<i>Interest Rate Benchmark Reform – Phase 2</i> <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> <sup>5</sup>
HKAS 1 (Amendments)	<i>Classification of Liabilities as Current or Non-current</i> <sup>4</sup>
Amendments to HKAS 16	<i>Property, Plant and Equipment – Proceeds before Intended Use</i> <sup>3</sup>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i> <sup>3</sup>
Amendments to HKFRSs	<i>Annual Improvements to HKFRS Standards 2018-2020</i> <sup>3</sup>
Accounting Guideline 5 (Revised)	<i>Merger Accounting for Common Control</i> <sup>6</sup>
Hong Kong Interpretation 5 (2020)	<i>Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause</i> <sup>4</sup>

1 Effective for annual periods beginning on or after 1st June 2020

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

3 Effective for annual periods beginning on or after 1st January 2022

4 Effective for annual periods beginning on or after 1st January 2023

5 Effective date not yet determined

6 Effective for business combination/common control combination for which the acquisition/combination date is on or after the beginning of the first annual period beginning on or after 1st January 2022

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. The new and amended HKFRSs are not expected to have a material impact on the Group's financial statements.

### (iii) Discontinued operations

A discontinued operation is a component of the Group that either has been disposed of, or is classified as held for sale. The component comprises operations and cash flows that can be clearly distinguished from the rest of the Group and represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale.

When an operation is classified as discontinued, a single amount in the consolidated statement of profit or loss comprising the total of: (i) the post-tax profit or loss of discontinued operations and (ii) the post-tax gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets or disposal groups constituting the discontinued operation.



### 3. Revenue and Segment Information

The Group's revenue is analysed as follows:

	Audited Year ended 31st December 2020 HK\$'000	2019 HK\$'000 (restated)
<b>Continuing operations</b>		
Sales of goods	1,035,415	1,026,082
Revenue from service contracts	<u>953,434</u>	<u>877,114</u>
	<u><b>1,988,849</b></u>	<u><b>1,903,196</b></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 currently organised into two (2019: two) operating divisions - Information Technology Products ("IT Products") and Information Technology Services ("IT Services").

These divisions are the basis on which the Group reports its primary segment information to the chief operating decision maker. The business nature of each segment is disclosed as follows:

#### IT Products

Being the business of information technology in supplying of information technology and associated products.

#### IT Services

Being the business of information technology in providing systems integration, software and consulting services, engineering support for products and solutions and managed services. The Group's IT services segment includes the Group's operations in the United States of America ("US") through its subsidiaries Grid Dynamics International, Inc. ("Grid Dynamics") and its subsidiaries ("Grid Dynamics Group"), prior to the disposal on 5th March 2020, which is a significant geographical component of the IT services segment and classified as discontinued operation during the year ended 31st December 2020 (Note 9).

The Group's revenue and results by operating segments for the year/period are presented below:

#### Audited Year ended 31st December 2020

	Continuing operations			Discontinued operations (Note)
	IT Products HK\$'000	IT Services HK\$'000	Total HK\$'000	IT Services HK\$'000
Revenue from external customers	1,035,415	953,434	1,988,849	166,610
Intersegment revenue	2,698	23,753	26,451	-
Segment revenue	1,038,113	977,187	2,015,300	166,610
Reportable segment profit	76,413	99,476	175,889	25,216
Segment depreciation	2,492	9,041	11,533	1,622
Segment amortisation	-	-	-	2,364
Additions to property, plant and equipment*	12	6,196	6,208	1,852
Additions to intangible assets	-	-	-	3,587

\* Additions to property, plant and equipment of HK\$8,136,000 were related to unallocated assets.

Note: For the period from 1st January 2020 to 5th March 2020.

### 3. Revenue and Segment Information (Continued)

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

Audited

Year ended 31st December 2019 (restated)

	Continuing operations			Discontinued operations
	IT Products HK\$'000	IT Services HK\$'000	Total HK\$'000	IT Services HK\$'000
Revenue from external customers	1,026,082	877,114	1,903,196	925,577
Intersegment revenue	6,530	23,312	29,842	545
Segment revenue	1,032,612	900,426	1,933,038	926,122
Reportable segment profit	70,194	56,828	127,022	281,917
Segment depreciation	2,463	7,945	10,408	9,949
Segment amortisation	-	-	-	15,623
Additions to property, plant and equipment*	3	3,370	3,373	11,759
Additions to intangible assets	-	-	-	5,372

\* Additions to property, plant and equipment of HK\$7,644,000 were related to unallocated assets.

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

Audited

As at 31st December 2020

	IT Products HK\$'000	IT Services HK\$'000	Total HK\$'000
<b>Reportable segment assets</b>	<b>368,092</b>	<b>368,137</b>	<b>736,229</b>
<b>Reportable segment liabilities</b>	<b>408,428</b>	<b>201,573</b>	<b>610,001</b>

Audited

As at 31st December 2019

	IT Products HK\$'000	IT Services HK\$'000	Total HK\$'000
Reportable segment assets	376,863	1,546,696	1,923,559
Reportable segment liabilities	386,229	328,911	715,140

#### (a) Segment accounting policies

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, share of results of associates, unallocated depreciation for property, plant and equipment that are used for all segments, fair value loss/gain on revaluation of investment properties, finance costs and unallocated corporate expenses (mainly include staff costs and other general administrative expenses) of the head office.

### 3. Revenue and Segment Information (Continued)

#### (a) Segment accounting policies (Continued)

Reportable segment assets exclude interests in associates, deferred income tax assets, tax recoverable, restricted bank deposits, bank balances 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 equity investment).

Reportable segment liabilities exclude current income tax liabilities, deferred income tax liabilities and unallocated corporate liabilities, which mainly include lease liabilities, accrued charges of the head office, borrowings and financial liabilities at fair value through profit or loss ("FVTPL").

#### (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:

	Audited Year ended 31st December	
	2020 HK\$'000	2019 HK\$'000 (restated)
<b>Continuing operations</b>		
<b>Revenue</b>		
Reportable segment revenue	2,015,300	1,933,038
Elimination of intersegment revenue	(26,451)	(29,842)
Revenue per consolidated statement of profit or loss	<u>1,988,849</u>	<u>1,903,196</u>
	Audited Year ended 31st December	
	2020 HK\$'000	2019 HK\$'000 (restated)
<b>Discontinued operations</b>		
<b>Revenue</b>		
Reportable segment revenue	166,610	926,122
Elimination of intersegment revenue	-	(545)
Revenue per analysis of results from discontinued operations (Note 9(a)(i))	<u>166,610</u>	<u>925,577</u>

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

### 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)

	Audited Year ended 31st December 2020 HK\$'000	2019 HK\$'000 (restated)
<b>Continuing operations</b>		
<b>Profit or loss</b>		
Reportable segment profit	175,889	127,022
Unallocated amounts:		
Unallocated other income	4,852	5,600
Unallocated other loss, net	(3,362)	(2,802)
Fair value (loss)/gain on investment properties	(1,500)	1,800
Unallocated depreciation	(10,135)	(9,492)
Share of results of associates	(63,480)	(8,287)
Finance costs	(8,520)	(23,683)
Unallocated corporate expenses	(40,355)	(56,054)
Profit before income tax per consolidated statement of profit or loss	<u>53,389</u>	<u>34,104</u>
	Audited Year ended 31st December 2020 HK\$'000	2019 HK\$'000 (restated)
<b>Discontinued operations</b>		
<b>Profit or loss</b>		
Reportable segment profit	25,216	281,917
Unallocated amounts:		
Unallocated other income	317	1,335
Unallocated other loss, net	(381)	(3,969)
Unallocated depreciation	(91)	(550)
Finance costs	(8)	(51)
Unallocated corporate expenses	(44,821)	(173,405)
(Loss)/Profit before income tax per analysis of results from discontinued operations (Note9 (a)(i))	<u>(19,768)</u>	<u>105,277</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)

	Audited 31st December	
	2020 HK\$'000	2019 HK\$'000
<b>Assets</b>		
Reportable segment assets	736,229	1,923,559
Unallocated assets:		
Interests in associates	1,769,196	19,625
Deferred income tax assets	513	16,341
Tax recoverable	7,939	1,660
Restricted bank deposits	-	556
Bank balances and cash	370,521	456,058
Unallocated corporate assets	363,599	380,793
	<u>3,247,997</u>	<u>2,798,592</u>
Total assets per consolidated statement of financial position	<u>3,247,997</u>	<u>2,798,592</u>
	Audited 31st December	
	2020 HK\$'000	2019 HK\$'000
<b>Liabilities</b>		
Reportable segment liabilities	610,001	715,140
Unallocated liabilities:		
Current income tax liabilities	4,247	25,352
Deferred income tax liabilities	203,886	78,299
Unallocated corporate liabilities	236,070	527,019
	<u>1,054,204</u>	<u>1,345,810</u>
Total liabilities per consolidated statement of financial position	<u>1,054,204</u>	<u>1,345,810</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. The geographical location of customers is based on the location at which the services were provided or the goods were delivered.

Place of domicile	Revenue from external customers			
	Audited			
	Year ended			
	31st December			
	Continuing operations		Discontinued operations	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(restated)		(restated)
Hong Kong	1,846,011	1,785,350	-	-
US	-	-	166,610	918,431
Mainland China	3,437	3,603	-	-
Macau	50,195	37,534	-	-
Thailand	73,947	58,779	-	-
Taiwan	15,259	17,930	-	-
Switzerland	-	-	-	7,146
	<b>1,988,849</b>	<b>1,903,196</b>	<b>166,610</b>	<b>925,577</b>

#### Information about major customers from continuing operations

The Group has one customer with whom transaction exceeded 10% of the Group's revenue from continuing operations amounted to approximately HK\$277,738,000 during the year ended 31st December 2020 (2019 (restated): HK\$208,155,000).

The following table sets out information about the geographical segment location of the Group's non-current assets (other than financial instruments and deferred income tax assets). 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 the case of interests in associates.

Place of domicile	Specified non-current assets	
	Audited	
	31st December	
	2020	2019
	HK\$'000	HK\$'000
Hong Kong	349,294	355,956
US	1,749,392	871,823
Russia	-	8,789
Ukraine	-	5,925
Poland	-	3,716
Singapore	19,055	18,881
Mainland China	805	330
Macau	1,797	2,488
Thailand	308	585
Taiwan	556	3
Serbia	-	2,583
	<b>2,121,207</b>	<b>1,271,079</b>

### 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 of time, details of the Group's timing of revenue recognition were as follows:

	Audited Year ended 31st December			
	Continuing operations		Discontinued operations	
	2020	2019	2020	2019
	HK\$'000	HK\$'000 (restated)	HK\$'000	HK\$'000 (restated)
<b>Timing of revenue recognition</b>				
At a point in time	1,212,679	1,156,014	-	-
Over time	776,170	747,182	166,610	925,577
Revenue from external customers	<b>1,988,849</b>	<b>1,903,196</b>	<b>166,610</b>	<b>925,577</b>

Revenue relates to performance obligation that are unsatisfied as at 31st December 2020 amounted to HK\$1,042,957,000 (2019 (restated): HK\$1,125,857,000) are expected to be recognised within one to five years.

### 4. Other Income

	Audited Year ended 31st December	
	2020	2019
	HK\$'000	HK\$'000 (restated)
<b>Continuing operations</b>		
Interest on bank deposits	522	567
Rental income from investment properties	3,886	3,911
Others	933	2,554
	<b>5,341</b>	<b>7,032</b>

### 5. Other Loss, Net

	Audited Year ended 31st December	
	2020	2019
	HK\$'000	HK\$'000 (restated)
<b>Continuing operations</b>		
Loss on disposal of property, plant and equipment	-	6
Fair value loss on contingent consideration payable	-	921
Exchange loss, net	1,621	1,875
Loss on deemed disposal of partial interests in associates	708	-
Waiver of intercompany balances from the Disposal group	1,033	-
	<b>3,362</b>	<b>2,802</b>

### 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

	Audited Year ended 31st December	
	2020	2019
	HK\$'000	HK\$'000 (restated)
<b>Continuing operations</b>		
Profit before income tax is arrived at after charging/(crediting):		
Auditors' remuneration:		
Audit services		
- Current year	2,553	1,715
- Over-provision in respect of prior year	-	(122)
Non-audit services	1,274	2,283
Depreciation:		
- Property, plant and equipment – owned assets	15,870	15,089
- Property, plant and equipment – right-of-use assets	5,799	4,811
Professional fee related to equity transactions	-	14,377
Lease charges:		
- Short term leases and leases with lease term shorter than 12 months as at initial application of HKFRS 16, 1st January 2019	-	1,242
- Short term leases	1,270	678
ECL allowance of trade receivables	6,141	296
Reversal of ECL allowance of trade receivables	(551)	(3,268)
Reversal of obsolete inventories, net	(265)	(67)
Write off of inventories	1,226	243



## 8. Income Tax Expense

	Audited Year ended 31st December	
	2020 HK\$'000	2019 HK\$'000 (restated)
<b>Continuing operations</b>		
Current taxation:		
Hong Kong profits tax (Note (i))	14,678	13,891
Overseas taxation	465	569
Overseas withholding tax (Note (ii))	13,117	-
Overprovision in respect of prior years:		
Hong Kong profits tax	(112)	(195)
Overseas taxation	(288)	-
	<u>27,860</u>	<u>14,265</u>
Deferred taxation:		
Current year	<u>193</u>	<u>533</u>
Income tax expense	<u><b>28,053</b></u>	<u><b>14,798</b></u>

### Notes:

- (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 years ended 31st December 2020 and 2019, Hong Kong profits tax of a subsidiary of the Company is calculated in accordance with the two-tiered profits tax rates regime.
- (ii) Pursuant to the US Foreign Account Tax Compliance Act, a tax law enacted in the US, a 30% withholding tax is levied on interest income received by a non-US resident from a US resident. The Group is liable to withholding tax on the interest income received in cash by an non-US subsidiary from a US subsidiary during the year ended 31st December 2020 (2019: Nil).

## 9. Discontinued Operations

On 13th November 2019, the Company, Grid Dynamics, ChaSerg Technology Acquisition Corp. (“ChaSerg”), CS Merger Sub 1 Inc. (“Merger Sub 1”) and CS Merger Sub 2 LLC (“Merger Sub 2”) entered into a conditional merger agreement (the “Merger Agreement”). The transactions contemplated under the Merger Agreement involve the acquisition of Grid Dynamics by ChaSerg, a special purpose acquisition company the shares of which are listed on National Association of Securities Dealers Automated Quotations (“NASDAQ”) through the two-step mergers between Grid Dynamics and the wholly-owned subsidiaries of ChaSerg, Merger Sub 1 and Merger Sub 2 (the “Mergers”). The Mergers are effectively an injection of Grid Dynamics in exchange for cash and equity interests in ChaSerg and thereby effecting the separate listing of Grid Dynamics on NASDAQ.

On 5th March 2020, all the conditions precedent set out in the Merger Agreement have been fulfilled in accordance with the terms of the Merger Agreement (the “Completion”). Upon Completion, Grid Dynamics and its subsidiaries (the “Disposal Group”) become wholly-owned subsidiaries of Grid Dynamics Holdings, Inc. (“GDH”, formerly ChaSerg) (ticker symbol: GDYN). In connection with the Mergers, the Company through its wholly-owned subsidiary, GDD International Holding Company (“GDD”) received cash consideration of approximately US\$93,820,000 (equivalent to approximately HK\$727,507,000) and 19,490,295 consideration shares of GDH, which represents approximately 38.34% of the issued share capital of GDH as at the date of Completion (the “Completion Date”). Accordingly, Grid Dynamics ceased to be a subsidiary of the Group (the “Disposal”) and the Group’s interest in GDH is treated as interests in an associate and accounted for using equity method.

Details of the Merger are set out in the circular of the Company dated 31st December 2019 and the announcement of the Company dated 8th March 2020.

The Disposal Group represents a significant geographical component of the Group’s IT services segment, the results of the Disposal Group for the period from 1st January 2020 to the Completion Date are presented as discontinued operations in the consolidated statement of profit or loss for the year ended 31st December 2020. The comparative figures in the consolidated statement of profit or loss has been restated. Details of the assets and liabilities disposed of and calculation of gain on disposal are disclosed in Note 22.

## 9. Discontinued Operations (Continued)

### (a) Analysis of results and cash flows from discontinued operations

The results of the discontinued operations included in the consolidated statement of profit or loss and the cash flows are set out below.

#### (i) Profit for the period/year from discontinued operations:

	<b>Audited</b>	
	<b>Period from 1st January 2020 to 5th March 2020 HK\$'000</b>	<b>Year ended 31st December 2019 HK\$'000</b>
Revenue	166,610	925,577
Cost of services rendered	(121,503)	(571,692)
Other income	615	1,456
Other loss, net	(381)	(3,969)
Selling expenses	(20,185)	(72,090)
Administrative expenses	(44,916)	(173,954)
Finance costs	(8)	(51)
	<b>(19,768)</b>	105,277
Income tax credit/(expense)	<b>18,147</b>	<b>(24,275)</b>
(Loss)/Profit for the period/year of the Disposal Group	<b>(1,621)</b>	81,002
	<b>Year ended 31st December 2020 HK\$'000</b>	<b>2019 HK\$'000</b>
(Loss)/Profit for the period/year of the Disposal Group	(1,621)	81,002
Gain on disposal of the Disposal Group (Note 22)	1,109,585	-
Current income tax expense arising from the Disposal (Note (a))	(130,041)	-
Deferred tax expense arising from the Disposal (Note (b))	(147,117)	-
Profit for the year from discontinued operations	<b>830,806</b>	81,002

#### Notes:

- (a) Current income tax expense arising from the Disposal of HK\$130,041,000 relates to US tax on assessable profit of GDD for the year ended 31st December 2020, which mainly contributed by the cash consideration received from the Disposal of HK\$727,507,000. Such tax is calculated based on US federal tax rate at 21% and the applicable US states tax rate.
- (b) Deferred tax expense arising from the Disposal of approximately HK\$147,117,000 relates to the deferred capital gain on the consideration shares received from the Disposal. Such tax is calculated based on US federal tax rate at 21% and the applicable US states tax rate.

**9. Discontinued operations (Continued)**

**(a) Analysis of results and cash flows from discontinued operations (Continued)**

**(ii) Cash flows for the period/year from discontinued operations:**

	<b>Audited</b>	
	<b>Period from</b>	<b>Year ended</b>
	<b>1st January</b>	<b>31st</b>
	<b>2020 to 5th</b>	<b>December</b>
	<b>March 2020</b>	<b>2019</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Net cash inflow from operating activities	<b>2,562</b>	74,449
Net cash outflow from investing activities	<b>(5,122)</b>	(17,130)
Net cash (outflow)/inflow from financing activities	<b>(99)</b>	133,658
	<hr/>	<hr/>
Net cash (outflow)/inflow	<b>(2,659)</b>	190,977
	<hr/>	<hr/>

**(b) (Loss)/Profit before income tax from discontinued operations**

	<b>Audited</b>	
	<b>Period from</b>	<b>Year ended</b>
	<b>1st January</b>	<b>31st</b>
	<b>2020 to 5th</b>	<b>December</b>
	<b>March 2020</b>	<b>2019</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
(Loss)/Profit before income tax is arrived at after charging:		
Auditors' remuneration:		
Audit services		
- Current year	-	1,911
- Over-provision in respect of prior year	<b>(410)</b>	-
Depreciation and amortisation:		
Property, plant and equipment – owned assets	<b>1,622</b>	9,949
Property, plant and equipment – right-of-use assets	<b>91</b>	550
Intangible assets (included in cost of services rendered)	<b>2,364</b>	15,623
Employee benefit expenses (excluding Directors' emoluments)		
- Staff salaries and other benefits	<b>117,255</b>	540,270
- Equity-settled share-based payment expenses	<b>10,486</b>	23,189
- Staff retention bonus	<b>26,073</b>	19,505
Lease charges:		
- Leases with lease term shorter than 12 months		
as at initial application of HKFRS 16, 1st January 2019	-	14,929
- Short term leases	<b>7,434</b>	16,805
	<hr/>	<hr/>

## 10. Dividends

	Audited Year ended 31st December 2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Dividend approved and paid:		
Final dividend in respect of the year ended 31st December 2019 of 3.0 HK cents per share	24,819	-
Special dividend of 7.3 HK cents per share	60,394	-
	<u>85,213</u>	<u>-</u>
	Year ended 31st December 2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Dividend proposed:		
Final dividend in respect of the year ended 31st December 2020 of 3.0 HK cents (2019: 3.0 HK cents) per share (Note (i))	24,909	24,819
Special dividend of 7.3 HK cents per share (Note (ii))	-	60,394
	<u>24,909</u>	<u>85,213</u>

The Directors have resolved to recommend the payment of a final dividend in respect of the year ended 31st December 2020 of 3.0 HK cents (2019: 3.0 HK cents) per share. Subject to the approval of shareholders at the forthcoming annual general meeting, the proposed final dividend is expected to be paid on or before 21st June 2021 to shareholders whose names appear on the register of members of the Company on 7th June 2021.

### Notes:

- (i) The proposed final dividend for the year ended 31st December 2020, as referred to above, is calculated on the basis of 830,307,964 (2019: 827,314,061) ordinary shares in issue as at 31st December 2020 and at a final dividend of 3.0 HK cents (2019: 3.0 HK cents) per share.
- (ii) The proposed special dividend, as referred to above, is calculated on the basis of 827,314,061 ordinary shares in issue as at 31st December 2019 and at a special dividend of 7.3 HK cents per share.

# 11. 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:

	Audited Year ended 31st December	
	2020 HK\$'000	2019 HK\$'000 (restated)
Profit attributable to equity holders of the Company from continuing operations for basic and diluted earnings per share	<b>25,336</b>	19,306
Profit attributable to equity holders of the Company from discontinued operations for basic earnings per share	<b>830,962</b>	73,970
Effect of dilutive potential ordinary shares from discontinued operation		
- Adjustment on the effect of dilution in the result of the Disposal Group (Note (d))	-	(4,737)
Profit attributable to equity holders of the Company from discontinued operations for diluted earnings per share	<b>830,962</b>	69,233
	Number of shares	
	2020 '000	2019 '000 (restated)
Weighted average number of ordinary shares for basic earnings per share (Note (a))	<b>828,369</b>	807,809
Effect of dilutive potential ordinary shares		
- Share options (Note (b))	<b>765</b>	370
Weighted average number of ordinary shares for diluted earnings per share	<b>829,134</b>	808,179
	Audited Year ended 31st December	
	2020 HK cents	2019 HK cents (restated)
Earnings per share from continuing and discontinued operations		
- Basic	<b>103.37</b>	11.55
- Diluted	<b>103.28</b>	10.96
Earnings per share from continuing operations		
- Basic	<b>3.06</b>	2.39
- Diluted	<b>3.06</b>	2.39
Earnings per share from discontinued operations		
- Basic	<b>100.31</b>	9.16
- Diluted	<b>100.22</b>	8.57

## 11. Earnings Per Share Attributable to Equity Holders of the Company (Continued)

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

Notes:

- (a) The 828,369,000 ordinary shares are derived from the weighted average number of ordinary shares in issue during the year ended 31st December 2020.

The 807,809,000 ordinary shares are derived from the weighted average number of ordinary shares in issue during the year ended 31st December 2019.

- (b) The calculation of the diluted earnings per share from continuing operations for the year ended 31st December 2020 assumed the exercise of the share options of the Company granted in 2012 and 2017.

The calculation of the diluted earnings per share from continuing operations for the year ended 31st December 2019 assumed the exercise of the share options of the Company granted in 2012 and 2017, except for the share options granted in March 2017, 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.

- (c) The calculation of the diluted earnings per share from continuing operations for the years ended 31st December 2019 and 2020 have not taken into account the effect of the conversion of convertible bonds issued by the Company as they are considered as anti-dilutive. The convertible bonds have been redeemed by the Company on 23rd March 2020 (Note 20(ii)).

- (d) The calculation of the diluted earnings per share from discontinued operations for the year ended 31st December 2020 have not taken into account the effect of share options and the convertible preferred shares granted by the Disposal Group as they are considered as anti-dilutive.

The calculation of the diluted earnings per share from discontinued operations for the year ended 31st December 2019 have taken into account the dilutive effect in the results of the discontinued operations for the year ended 31st December 2019 in relations to the share options and the convertible preferred shares granted by the Disposal Group.

## 12. Property, Plant and Equipment

During the year ended 31st December 2020, additions to property, plant and equipment was approximately HK\$16,196,000 (2019: HK\$22,776,000), mainly for computer, office equipment, furniture and fixtures and right-of-use assets - office premises. Addition to right-of-use assets of approximately HK\$7,330,000 during the year ended 31st December 2020 mainly included office premises (2019: HK\$5,741,000, of which approximately HK\$3,951,000 and HK\$1,790,000 are related to office premises and office equipment, respectively).

During the year ended 31st December 2019, the Group disposed certain property, plant and equipment at the carrying amount of approximately HK\$7,000, resulting in a loss on disposal of approximately HK\$6,000.

The Group's land and buildings were stated at valuations made at 31st December 2020 and 2019. The land and buildings were last revalued by an independent professional valuer, at 31st December 2020 and 2019, at market value basis which is determined by reference to market evidence of recent transactions for similar properties. The revaluation gave rise to a revaluation surplus net of applicable deferred income taxes of approximately HK\$1,794,000 (2019: HK\$16,073,000) which has been credited to the property revaluation reserve.

As at 31st December 2020, 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\$33,904,000 (2019: HK\$35,969,000).

As at 31st December 2020, the Group had pledged land and buildings with carrying amount of HK\$166,700,000 (2019: HK\$171,200,000) to secure banking facilities granted to the Group as disclosed in Note 20.

### 13. Investment Properties

The investment properties of the Group were last revalued by an independent professional valuer at 31st December 2020 and 2019 at market value basis, which is determined by reference to market evidence of recent transactions for similar properties.

As at 31st December 2020, the Group had pledged investment properties with carrying amount of HK\$54,300,000 (2019: HK\$55,800,000) to secure banking facilities granted to the Group as disclosed in Note 20.

### 14. Interests in Associates

	<b>Audited</b>	
	<b>31st December</b>	
	<b>2020</b>	<b>2019</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
At 1st January	19,625	27,662
Acquisition of an associate (Note 22)	1,813,591	-
Deemed disposal of partial interests in associates	(708)	-
Share of results of associates	(63,480)	(8,287)
Share of other comprehensive (loss)/income of associates	(57)	193
Dividends received	-	(154)
Exchange realignment	225	211
At 31st December	<b>1,769,196</b>	<b>19,625</b>

### 15. Trade Receivables

	<b>Audited</b>	
	<b>31st December</b>	
	<b>2020</b>	<b>2019</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Trade receivables – gross	248,118	346,377
Less: ECL allowance	(7,646)	(2,158)
Trade receivables – net	<b>240,472</b>	<b>344,219</b>

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 ageing analysis of the gross trade receivables is as follows:

	<b>Audited</b>	
	<b>31st December</b>	
	<b>2020</b>	<b>2019</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
0 - 30 days	117,368	160,655
31 - 60 days	59,886	79,678
61 - 90 days	27,643	69,664
Over 90 days	43,221	36,380
	<b>248,118</b>	<b>346,377</b>



## 16. Other Receivables, Deposits and Prepayments

	<b>Audited</b>	
	<b>31st December</b>	
	<b>2020</b>	<b>2019</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Other receivables	2,538	9,234
Deposits	5,948	5,715
Prepayments	8,313	44,157
Amount due from ultimate holding company	832	832
Amount due from immediate holding company	1,084	1,836
Amount due from an associate	149	9,193
	<hr/>	<hr/>
Other receivables, deposits and prepayments – gross	18,864	70,967
Less: ECL allowance	(832)	(832)
	<hr/>	<hr/>
Other receivables, deposits and prepayments – net	<b>18,032</b>	<b>70,135</b>
	<hr/>	<hr/>

## 17. Bank Balances and Cash and Restricted Bank Deposits

As at 31st December 2020, bank balances carry interest at market rates with an average interest rate of 0.06% (2019: 0.51%) per annum.

As at 31st December 2019, restricted bank deposit of HK\$556,000 were pledged to secure the performance bonds of the Group.

## 18. Trade Payables

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

	<b>Audited</b>	
	<b>31st December</b>	
	<b>2020</b>	<b>2019</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Current	192,406	228,233
Within 30 days	67,950	74,101
31 - 60 days	6,938	21,428
61 - 90 days	2,199	8,978
Over 90 days	13,064	27,542
	<hr/>	<hr/>
	<b>282,557</b>	<b>360,282</b>
	<hr/>	<hr/>

## 19. Other Payables and Accruals

	<b>Audited</b>	
	<b>31st December</b>	
	<b>2020</b>	<b>2019</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Other payables	7,595	15,765
Accruals	162,258	167,232
Amount due to ultimate holding company	1,250	1,189
Amounts due to associates	408	426
	<hr/>	<hr/>
	<b>171,511</b>	<b>184,612</b>
	<hr/>	<hr/>

## 20. Borrowings

	Audited 31st December 2020 HK\$'000	2019 HK\$'000
<b>Current</b>		
Bank borrowings, secured (Note (i))	145,938	191,113
Convertible bonds (Note (ii))	-	248,657
	<u>145,938</u>	<u>439,770</u>

### Notes:

#### (i) Bank borrowings, secured

The Group's bank borrowings are repayable as follows:

	Audited 31st December 2020 HK\$'000	2019 HK\$'000
Within one year or on demand	<u>145,938</u>	<u>191,113</u>

The bank borrowings are repayable by 60 equal monthly instalments commencing from 29th March 2019 and bears interest at floating interest rate. As at 31st December 2020, the bank borrowings bears interest at floating interest rate and are denominated in Hong Kong Dollar with an effective interest rate of 4.11% (2019: 4.82%) per annum.

As at 31st December 2020, the bank borrowings are secured by:

- (1) the legal charges over the Group's land and buildings with carrying amount of approximately HK\$166,700,000 (2019: HK\$171,200,000) (Note 12);
- (2) the legal charges over the Group's investment properties with carrying amount of HK\$54,300,000 (2019: HK\$55,800,000) (Note 13);
- (3) the guarantee given by the Company and certain subsidiaries of the Group up to a limit of HK\$330,000,000 (2019: HK\$250,000,000);
- (4) assignment of rental and sales proceeds from the Group's land and 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 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 2020 and 2019.

## 20. Borrowings (Continued)

### Notes: (Continued)

#### (ii) Convertible bonds

As at 1st January 2019, the Group's convertible bonds with aggregate outstanding principal of HK\$250,000,000 (the "Convertible Bonds") is convertible to 274,725,274 ordinary shares at conversion price of HK\$0.91 per share.

On 20th November 2019, one of the bondholders, exercised the conversion right attaching to the Convertible Bonds in the principal amount of HK\$20,000,000 at conversion price of HK\$0.91 per share. A total of 21,978,022 ordinary shares were allotted and issued to the bondholder and the aggregate outstanding principal amount of the Convertible Bonds has been reduced to HK\$230,000,000.

Upon the conversion, the Group derecognised the liability component of approximately HK\$19,861,000 and transferred this amount with equity component (convertible bond reserve) of approximately HK\$888,000 into share capital and share premium with the amount of HK\$2,198,000 and approximately HK\$18,551,000 respectively, using the method in consistency with that used initially to allocate the net proceeds on the Convertible Bonds issuance date.

On 23rd March 2020, the Company has fully redeemed the outstanding principal amount of the Convertible Bonds of HK\$230,000,000 and total accrued interests of HK\$20,700,000.

The movement of the liability component of the Convertible Bonds recognised in the consolidated statement of financial position is calculated as follows:

	<b>Audited</b>	
	<b>2020</b>	<b>2019</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
At 1st January	<b>248,657</b>	257,425
Imputed interest expense	<b>2,043</b>	11,093
Conversion of Convertible Bonds	-	(19,861)
Payment for redemption	<b>(250,700)</b>	-
<b>At 31st December</b>	<b>-</b>	<b>248,657</b>

## 21. Pledge of Assets

As at 31st December 2020, the Group's land and buildings with carrying amount of HK\$166,700,000 (2019: HK\$171,200,000) (Note 12) and investment properties with carrying amount of HK\$54,300,000 (2019: HK\$55,800,000) (Note 13) were pledged to secure the Group's bank borrowings.

As at 31st December 2020, the Group had no restricted bank deposit (2019: HK\$556,000) pledged to secure the performance bonds of the Group (Note 17).

## 22. Disposal of subsidiaries

Following the Completion as set out in Note 9, Grid Dynamics Group ceased to be subsidiaries of the Group. The following summarises the net assets of the Disposal Group at Completion Date and gain on disposal of subsidiaries:

	<b>Audited HK\$'000</b>
Property, plant and equipment	18,820
Intangible assets	107,963
Goodwill	763,394
Deferred income tax assets	36,959
Trade receivables	157,916
Other receivables, deposits and prepayments	44,351
Contract assets	6,974
Tax recoverable	2,561
Bank balances and cash	324,658
Lease liabilities	(967)
Financial liabilities at FVTPL	(61,471)
Other payables and accruals	(93,120)
Current income tax liabilities	(6,554)
Deferred income tax liabilities	(21,954)
	<hr/>
Net assets disposed of	1,279,530
	<hr/>
	<b>HK\$'000</b>
Consideration:	
Cash consideration	727,507
Share consideration (Note)	1,813,591
	<hr/>
	2,541,098
	<hr/>
Net assets of the Disposal Group	(1,279,530)
Non-controlling interests	47,354
Release of translation reserve of the Disposal Group	(3,413)
Derecognition of financial liabilities at FVTPL	10,865
Transaction costs directly attributable to the Disposal	(206,789)
	<hr/>
Gain on disposal of the Disposal Group	1,109,585
	<hr/>

Note:

The share consideration represents 19,490,295 shares in GDH. The amount was determined with reference to the share price quote of US\$12 as at 5th March 2020.

The gain on disposal of the Disposal Group is included in the profit for the year from discontinued operations in the consolidated statement of profit or loss as set out in Note 9.

	<b>HK\$'000</b>
<b>Analysis of the cash flows in respect of the Disposal is as follows:</b>	
Cash consideration	727,507
Cash and cash equivalents disposed of	(324,658)
Transaction costs directly attributable to the Disposal (Note)	(170,231)
	<hr/>
Net cash inflow in respect of the Disposal	232,618
	<hr/>

Note:

As at 31st December 2020, transaction costs directly attributable to the Disposal amounted to HK\$36,558,000 remains unsettled and included in accruals under other payables and accruals.

## **DIVIDEND**

The Directors have resolved to recommend the payment of a final dividend of 3.0 HK cents per share for the year ended 31st December 2020. Subject to the approval of shareholders at the forthcoming annual general meeting, the proposed final dividend is expected to be paid on or before 21st June 2021 to shareholders whose names appear on the register of members of the Company on 7th June 2021. (2019: 3.0 HK cents).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Financial Results**

For the year ended 31st December 2020, total revenue from the Group's continuing operation was HK\$1,988.8 million, representing a 4.5% increase from the last year, in which product sales was increased by 0.9% to HK\$1,035.4 million and service revenue was increased by 8.7% to HK\$953.4 million. In addition, product sales and service revenue contributed 52.1% and 47.9% to total revenue from continuing operation respectively, compared to 53.9% and 46.1% last year.

For the year ended 31st December 2020, commercial and public sector sales contributed 43.1% and 56.9% to total revenue from continuing operation respectively, compared to 46.9% and 53.1% last year.

During the year under review, the Group recorded a profit attributable to the Company's equity holders of HK\$856.3 million, an increase of 8.2 times compared to last year of HK\$93.3 million. The increase was mainly due to the gain of disposal of Grid Dynamics International, Inc. ("Grid Dynamics") and its subsidiaries. The one-off gain was approximately HK\$832.4 million after deducting transaction costs and related current and deferred income tax.

For the year ended 31st December 2020, orders newly secured by the Group's continuing operation amounted to approximately HK\$1,930.3 million. As at 31st December 2020, the Group's order book balance of continuing operation was approximately HK\$1,043.0 million. The Group's bank balances and cash stood at approximately HK\$370.5 million with a working capital ratio of 1.32:1. The Group maintained a healthy financial position. As at 31st December 2020, the outstanding borrowings amounted to HK\$145.9 million.

### **Business Review**

The Group has operated under a two-business-lines layout, with its focus on the business development in the Asia Pacific region as main business line, and the U.S. and Europe business as its auxiliary business line. The COVID-19 epidemic has lasted for more than one year, which devastated the global economy, and all industries across the world were affected to varying degrees. Although the economic environment has been severe and difficult, yet, the Group's Asia Pacific business and the U.S. and Europe business performed better than the Group's expectation, with steady performance and strong resilience.

The Group's profit attributable to the Company's equity holders for the year was HK\$856.3 million, representing an increase of 8.2 times compared with the corresponding period of last year. The increase in profit for the period was due to a one-off gain of approximately HK\$832.4 million arising from the disposal of Grid Dynamics, which was subsequently listed on NASDAQ under Grid Dynamics Holdings, Inc. ("GDH").

### **Business in Hong Kong and Asia Pacific**

Impacted by the COVID-19 epidemic, the revenue, and adjusted EBITDA of the Group's core business in the Asia Pacific region (including its Asia Pacific subsidiaries in and outside of Hong Kong) were HK\$1,988.8 million, and HK\$95.3 million respectively. Among them, revenue increased 4.5% when compared with the corresponding period of last year.

Although the "new normal" under the epidemic has brought new business opportunities for the Group, the volatile market conditions have caused some private companies to become cautious when procuring IT services that can improve their businesses in the long run, and the demands for traditional maintenance have weakened or fell back, thus these factors affected the Group's performance for the period. However, leveraging on its continuous deepening of transformation, rapid adjustment of strategies and operation methods, as well as the industry's competitive advantages, the Group's three core businesses in the Asia Pacific region (see the detailed description below) were roughly stable compared with the corresponding period of last year. During the year, orders newly secured, including major projects, amounted to over HK\$1,541.2 million, which maintained at a steady level as in the same period of last year. Under the market downturn, the Group was still able to maintain customer loyalty, proving the Group's solid strengths.

### **Innovative Solutions Business**

Innovative Solutions Business delivered the most outstanding performance when compared with the other two core businesses, with service orders newly secured recording a double-digit growth during the year. Service revenue was HK\$303.6 million, with a significant increase of 25.1% compared with the corresponding period of last year.

By enhancing its large-scale team capabilities, continuing to receive staunch support from suppliers in various IT fields, as well as keeping updated on market needs, the Group was able to acquire several major project orders during the year. Moreover, benefitting from digital transformation and anti-epidemic needs, the Group has performed exceptionally in both the government and healthcare sectors. The Group provided pertinent development and IT services for the Hong Kong Government's mobile app "iAM Smart", assisting the government in building smart city. In addition, the Group continued to rank first in the service categories under the Standing Offer Agreement for Quality Professional Services 4. It also secured orders from two major healthcare institutions of the Hong Kong Government, succeeded in instantly supporting the government's epidemic-monitoring system within a short time and working together to fight the epidemic. In the private healthcare sector, the Group also succeeded in developing mobile apps for various well-known private hospitals.

### **Intelligent Cybersecurity Services Business**

Service orders newly secured in this business performed steadily as last year, service revenue recorded HK\$148.9 million during the year, with a significant increase of 17.6% compared with last year.

The business mainly assisted customers overcome the "new normal" trend of remote offices, the network needs in various complex application scenarios, as well as new cybersecurity threats. The Group ranked among the top three security service providers in Hong Kong, receiving market recognition for its services and industry know-how. During the year, the Group secured an order from an investment banking firm (one of the top five China-based banks) to enhance the security of its software-defined network, demonstrating the Group's ability to handle large-scale complex cybersecurity technology. In the second half of 2020, the Group's SOC service improved significantly, with the revenue from orders increased by 38.9% year-on-year. In August 2020, the Group extended its SOC business to Macau, and jointly launched the Security Operation Center (SOC<sup>2</sup>) for the regional market with CTM, so as to meet the needs of Macau customers to comply with cybersecurity, in particular, the Macau Cybersecurity Law.

### **Integrated Managed Services Business**

During the year, the service orders newly secured in this business was roughly the same as the corresponding period of last year, with service revenue recorded HK\$430.7 million.

The epidemic was rampant throughout 2020, various industries have been severely impacted. However, leveraging on its large-scale professional delivery team, technical advantages and strong customer relationships, the Group was able to continue displaying its industry advantages while securing various orders from both new and existing major customers. For the public sector, the Group provided prompt IT support to the government's anti-epidemic work. For the banking and finance industry, the Group secured numerous orders, including the use of ITSM to provide IT managed support service for a local bank, and covered such bank's needs from frontend to backend. In addition, the new customers also included a property developer, which required the Group to provide IT operation services for over 2,000 of its users across the entire city. During the year, the Group continued to heighten its competitiveness, which included supporting emerging technology – cloud-native application automation, so as to rapidly respond to the market's ardent demands for access to cloud and management of multi-cloud environment.

### **New Business, New Market Positioning – The Launch of "as-a-Service" through DevSecOps, Assisting in Digital Transformation**

With the emergence of cloud computing and mobile internet, the Group noticed that, whether it is in traditional IT operations or in the process of digital transformation, there has been increasing interaction among the three areas: Application Development, Cybersecurity and Managed Services, and the connection of application scenarios within has become more and more complex. Customers need IT service providers with industry expertise to assist with continuous integration of all kinds of technology and products, so as to accommodate the needs of customer application scenarios.

Moreover, in order to launch the application services in the market in a faster and more stable manner with lower costs, companies seek for cloud-service-oriented business model, such as cloud-native application development and Software as a Service (SaaS). In view of this, the Group has developed, designed and deployed "as-a-Service" using cloud-native application. "As-a-Service" comprises of several individual services, and each individual service introduces lateral maintenance and expansion capabilities. Meanwhile, applications are used to implement automated services through the agile DevSecOps in cloud infrastructure, thereby achieving continuous integration and continuous

deployment (CI/CD), and proper comprehensive testing will be conducted to ensure that service interruption would not occur during the rapid deployment cycle. Such system structure responds to customer needs in a swift and safe manner, thus reduces costs, saves resources and speeds up investment returns.

In the foreseeable future, the “as-a-Service” business model not only is a cloud delivery model that is cost-effective, able to increase productivity and strengthens the agility of an enterprise’s system, but also capable of protecting company’s resources. In order to meet the needs of companies in agile development of applications and in security – demands for DevSecOps assistance has been escalating.

In order to cater to this new economic model and respond to the challenges from traditional businesses, the Group has integrated industry know-how, used technology integration capabilities and given full play to industry advantages (industries including the government, healthcare, aviation, finance and property). Also, during the year, the Group launched innovative business service models, proposing that IT services could be consumed on demand, and formulated corresponding strategies and roadmaps. For the Group, the “as-a-Service” business model increases customer loyalty, and while existing customers continue to expand, it is expected to bring about recurring revenue for the Group with considerable long-term benefits.

### **Inauguration of a Unified Operation Center (UOC)**

In the first half of 2020, the Group launched the Unified Operation Center (UOC) to promote the new business model of “as-a-Service”. Such cloud-based service platform provided customers with integrated, one-stop IT managed operation. This platform unifies the Company’s three core businesses and industry advantages, as well as provides enterprises with holistic development (Dev), cybersecurity (Sec) and managed services (Ops). It allows customers to flexibly use services on demand through the network, or to adopt one-stop managed services, and flexibly customizes to meet customers’ business needs throughout the entire IT lifecycle, thus facilitating digital transformation, thereby achieving “IT Operation as-a-Service”.

In the second half of the year, the optimized UOC functions and the continuous improvement in competitiveness enable customers to achieve asset-light status, more effective cost management and business enhancement. The market has positive response to this new service, the orders secured during the year included those from a multi-channel B2B trading platform company and an international non-profit aid agency.

### **Setting Up of Security Operation Center (SOC<sup>2</sup>)**

Following the establishment of UOC, the Group launched its second “as-a-Service” platform – the Security Operation Center (SOC<sup>2</sup>) during the year. This cybersecurity platform is jointly rolled out by the Group and CTM, supporting the dual technology of SIEM and situation awareness, and also providing “Sec as-a-Service” to enterprises.

### **Business in the U.S. and Europe**

With respect to regional layout, in 2020, the Group successfully completed the spin-off of its business in U.S. and Europe – Grid Dynamics as well as Grid Dynamics’s listing on NASDAQ as GDH (ticker symbol: GDYN). Through the spin-off and listing of Grid Dynamics, the Group not only obtained a considerable amount of investment return, but also timely reduced the geopolitical risks faced by the Group. GDH is currently an associate of the Group, the results of GDH are included in the results of the Group as interests as an associate and accounted for using equity method.

Despite the impact of the epidemic, the “new normal” has led to a significant increase in the demand for cloud technology in the market, driving the continued recovery of GDH’s business, with its revenue in the fourth quarter having returned to the pre-COVID-19 level. According to Form 10-K of GDH, the annual total revenue reached US\$111.3 million, and the annual adjusted EBITDA was US\$12.5 million. The revenue of GDH’s non-retail industry accounted for 69.5% of the revenue for the year, in which the IT, media and telecommunications industries accounted for 40.8% of GDH’s annual revenue, representing a year-on-year growth of 40.3%, and is the largest industry sector of GDH.

It is worth mentioning that, GDH has been listed in the U.S. Equity Russell 2000 Index in the second half of the year, which serves as a recognition of GDH’s technological capabilities and long-term development. In December 2020, through the acquisition of Daxx Web Industries BV, a software development and technology consulting company in Netherlands, GDH rapidly expanded its business coverage to Western Europe.

## Outlook and Prospects

The outlook of post-epidemic era is unpredictable, while the COVID-19 epidemic and geopolitics are still full of uncertainties. The Group will continue to monitor the progress of economic recovery and the impact of geopolitics on customers across industries, and it will strive to assist companies to conduct businesses as usual. Moreover, the Group will also take appropriate contingency measures during the epidemic, so as to ensure the normal operations of the Group and to mitigate the impact brought by the epidemic, while actively capturing the business opportunities arisen from the new business model under the epidemic.

Overall, the Group will continue to adopt a two-business-lines layout with its focus on the business development in the Asia Pacific region as main business line, and the U.S. and Europe business as its auxiliary business line. As the largest shareholder of GDH, the Group believes that, GDH will provide complementary advantages in terms of technology and talents, creates breakthroughs for the business in the Asia Pacific region, thus enhances the high-value and professional innovative aspects of IT integrated services.

With respect to the Asia Pacific region, the Group commenced its new development phase, and established its new market position. As enterprises have shifted demands to areas such as the emphasis on instant market access, agile operation and scalability, more and more enterprises adopt the cloud to cope with operational challenges. In 2020, the Group had a major breakthrough in business development, it first launched the new IT managed services platform which focuses on a high degree of automation, adopts DevSecOps culture and smart services, supports cloud-based resources and container environment, thereby laying a basic foundation for the development of the diversified “as-a-Service”. In terms of the new IT managed services platform, the Group successively set up the UOC and SOC<sup>2</sup>, intended to meet customer demands for digital transformation of their businesses in the long run.

At the beginning of 2021, the Group completed the setting up of a UOC multi-cloud management environment and will continue to invest in UOC in terms of technology and human resources for enhancing the Group’s DevSecOps capabilities. Following last year’s partnership with Equinix, a global interconnection and world-class data center company, to enhance UOC’s strengths, in order to integrate the Group’s advantageous business and to achieve breakthroughs in new business realms. The Group has set up a solution center and continued to cooperate with the world’s leading technology manufacturers, while focusing on scientific research to facilitate and improve the provision of “as-a-Service” under on-premises and multi-cloud environments to enterprises, as well as gradually launching individual service brand solutions around “Dev as-a-Service”, “Sec as-a-Service” and “Ops as-a-Service”. Through cooperation with partners to form a cloud-native service ecosystem in the long run, the Group has promoted the new business “as-a-Service”, satisfied customers’ new needs under the trends of cloud computing, smart city, 5G and others, and assisted customers in improving businesses in an efficient and automated way. On the other hand, the Group also considered increasing its investment in the cybersecurity business or expanding its services to the Greater Bay Area so as to meet the needs of regional enterprises to comply with relevant regulations.

Besides, the Company will also actively invest in and introduce new business lines, set up new “tracks” and explore new growth points, with the goal to further satisfy customer needs under the cloud computing environment.

With respect to regional layout, GDH’s business for the first two months in 2021 continued to improve, and it is optimistic about its continuous growth in 2021. As the largest shareholder of GDH, the Group believes that it will continue to obtain good returns due to GDH’s rapid development.

Looking ahead, the Group will continue to uphold the notion of industrialization, integration and regionalization – to integrate various technologies and products using our rich industry domain knowledge so as to fit customer application scenarios; to use regional layout for market expansion adhering to the footsteps of customer’s business growth. The Group believes that this new market positioning can assist the Group in continuous development amidst the global wave of digital transformation as well as in becoming a professional and reliable unified technology service partner among our customers.

## Financial Resources and Liquidity

As at 31st December 2020, the Group’s total assets of HK\$3,248.0 million were financed by current liabilities of HK\$849.1 million, non-current liabilities of HK\$205.1 million and equity attributable to equity holders of the Company of HK\$2,193.8 million. The Group had a working capital ratio of approximately 1.32:1.

As at 31st December 2020, the Group had an aggregate composite banking facility from banks of approximately HK\$386.6 million (2019: HK\$363.4 million). The Group had pledged land and buildings in an aggregate amount of HK\$166.7 million (2019: HK\$171.2 million) and investment properties with a carrying amount of HK\$54.3 million (2019: HK\$55.8 million) to secure the Group’s bank borrowings. The Group had no restricted bank deposit (2019:



HK\$0.6 million) pledged to secure the performance bonds of the Group. The performance bonds issued by the Group to customers as security of contracts were approximately HK\$84.8 million as at 31st December 2020 (2019: HK\$85.9 million). The Group's gearing ratio (total borrowings over equity attributable to equity holders of the Company) was 6.7% as at 31st December 2020 (2019: 31.3%).

### **Material Acquisition and Disposal**

Reference is made to the announcement of the Company dated 13th November 2019, the circular of the Company dated 31st December 2019 and the announcement of the Company dated 8th March 2020, respectively, in relation to, among other matters, very substantial disposal and very substantial acquisition in relation to the mergers and proposed spin-off and separate listing of Grid Dynamics and completion of disposal and spin-off of Grid Dynamics.

On 13th November 2019, the Company, Grid Dynamics, ChaSerg Technology Acquisition Corp. ("ChaSerg"), CS Merger Sub 1 Inc. ("Merger Sub 1") and CS Merger Sub 2 LLC ("Merger Sub 2") entered into the conditional merger agreement (the "Merger Agreement"). The transactions contemplated under the Merger Agreement involving the acquisition of Grid Dynamics by ChaSerg, a special purpose acquisition company the shares of which are listed on NASDAQ through the two-step mergers (the "Mergers") between Grid Dynamics and the wholly-owned subsidiaries of ChaSerg, Merger Sub 1 and Merger Sub 2, are effectively an injection of Grid Dynamics in exchange for cash and equity interests in ChaSerg and thereby effecting the separate listing of Grid Dynamics on NASDAQ.

The shareholders of the Company approved the Mergers and proposed spin-off in the special general meeting held on 22nd January 2020.

On 5th March 2020, all the conditions precedent set out in the Merger Agreement have been fulfilled in accordance with the terms of the Merger Agreement (the "Completion"). Upon Completion, Grid Dynamics has effectively become a wholly owned subsidiary of Grid Dynamics Holdings, Inc. ("GDH", formerly known as ChaSerg) and Grid Dynamics is effectively listed on NASDAQ (ticker symbol of GDH: GDYN). In connection with the Mergers, the Company received cash consideration of approximately USD93.8 million (equivalent to approximately HK\$727.5 million) which will predominantly be used to repay the relevant liabilities. Immediately upon Completion, the Company was interested in approximately 38.3% of the issued share capital of GDH as at the date of Completion, being the single largest shareholder of GDH, and was entitled to appoint up to two directors to the board of GDH. As Grid Dynamics is no longer a subsidiary of the Company, the Company will account for the results of GDH as an associate in the results of the Group.

Save as disclosed above, during the year ended 31st December 2020, neither the Company nor any of its subsidiaries had other material acquisition or disposal.

### **Fund Raising Activities**

#### ***Redemption of Convertible Bonds***

Reference is made to the announcement of the Company dated 23rd March 2020 in relation to the full redemption of convertible bonds.

On 23rd March 2020, the maturity date of the convertible bonds, the Company has made full redemption of outstanding principal amount of the convertible bonds of HK\$230,000,000 with accrued interests. Subsequently, no convertible bonds were outstanding, and all redeemed convertible bonds were cancelled.

Save as disclosed above, during the year ended 31st December 2020, there was no other conversion or redemption of the convertible bonds.

### **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 year ended 31st December 2019 and 2020.

### **Contingent Liabilities**

As at 31st December 2020, the Group had no restricted bank deposit held as security for performance bonds (2019: HK\$0.6 million). As at 31st December 2020, performance bonds of approximately HK\$84.8 million (2019: HK\$85.9 million) had been issued by the bank on behalf of the Group to customers as security of contracts.

### **Capital Commitments**

As at 31st December 2020, the Group had contracted capital commitment in respect of property, plant and equipment and investment in equity investment of approximately HK\$12.3 million (2019: HK\$10.8 million).

### **Major Customers and Suppliers**

During the year ended 31st December 2020, the five largest customers and single largest customer of the Group accounted for approximately 28.3% and 14.0%, respectively, of the Group's revenue from continuing operations. The five largest suppliers and single largest supplier of the Group accounted for approximately 38.3% and 10.3%, respectively, of the Group's purchases.

At no time during the year ended 31st December 2020 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 2020, the Group, excluding its associates, employed 1,072 permanent and contract staff in Hong Kong, Mainland China, Taiwan, Macau and Thailand. The Group remunerates its employees based on their performance, working experience and the prevailing market conditions. Bonuses are granted on a discretionary basis. Other employee benefits include mandatory provident fund, insurance, medical coverage and share option scheme.

### **CLOSURE OF REGISTER OF MEMBERS FOR 2021 ANNUAL GENERAL MEETING**

The Company will convene the forthcoming annual general meeting on Wednesday, 26th May 2021. 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, 21st May 2021 to Wednesday, 26th May 2021, 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 20th May 2021.

### **CLOSURE OF REGISTER OF MEMBERS FOR PROPOSED FINAL DIVIDEND**

The proposed final dividend is subject to the approval of the Shareholders at the forthcoming annual general meeting. The record date for entitlement to the proposed final dividend is Monday, 7th June 2021. For determining the entitlement of the final dividend, the register of members of the Company will be closed from Wednesday, 2nd June 2021 to Monday, 7th June 2021, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the final dividend, 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 1st June 2021. The final dividend warrants are expected to be despatched to the qualifying shareholders of the Company on or before Monday, 21st June 2021.

### **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

During the year ended 31st December 2020, 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 2020 have been agreed by the Company’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 to 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 2020, 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 2020 except as noted below:

with respect to Code provision A.6.7, (i) a Non-Executive Director and an Independent Non-Executive Director were unable to attend the annual general meeting of the Company held on 27th May 2020 due to other commitments; (ii) two Non-Executive Directors and two Independent Non-Executive Directors were unable to attend the special general meeting of the Company held on 22nd January 2020 due to other commitments; and (iii) a Non-Executive Director was unable to attend the special general meeting of the Company held on 23th April 2020 due to other commitments.

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

Hong Kong, 31st March 2021

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