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# AUTOMATED

## AUTOMATED SYSTEMS HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 771)

### ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31ST DECEMBER 2021

#### GROUP PERFORMANCE OVERVIEW

(HK\$ million)

Core Business		Interest in Associates	Non-Operating Items
<b>Order – DevSecOps System Integration</b> ▲ 27.6% HK\$ 883.4 (2020: HK\$692.4)	<b>Order – DevSecOps Professional Service</b> ▲ 15.1% HK\$ 1,063.5 (2020: HK\$923.7)	<b>Share of Results of Associates</b> HK\$ (30.4) (2020: HK\$(63.5))	<b>Adjusted Investment Activities*</b> HK\$ 142.7 (2020: HK\$819.3)
<b>Revenue</b> <sup>Note 1</sup> ▲ 3.1% HK\$ 2,049.6 (2020: HK\$1,988.8)	<b>Adjusted EBITDA*</b> <sup>Note 1</sup> ▲ 16.1% HK\$ 110.6 (2020: HK\$95.3)	<b>Loss on Deemed Disposal of Partial Interest in an Associate</b> HK\$ (176.5) (2020: HK\$(0.7))	<b>Adjusted (Costs)/Incomes Related to Corporate &amp; Others*</b> HK\$ (4.5) (2020: HK\$42.0)
<b>Adjusted Net Profit*</b> <sup>Note 1</sup> ▲ 20.1% HK\$ 72.8 (2020: HK\$60.6)	<b>Adjusted Operating Cash Flow*</b> <sup>Note 2</sup> ▼ 58.9% HK\$ 75.1 (2020: HK\$182.9)		

#### Group Consolidated Financial Result

<b>Revenue</b> <sup>Note 1</sup> ▲ 3.1% HK\$ 2,049.6 (2020: HK\$1,988.8)	<b>Profit for the year</b> <sup>Note 2</sup> ▼ 99.5% HK\$ 4.1 (2020: HK\$856.1)	<b>Basic Earnings Per Share</b> <sup>Note 2</sup> (HK Cents) 0.50 (2020: 103.37)	<b>Final Dividend</b> (HK Cents) 3.0 (2020: 3.0)
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**Adjusted EBITDA:**

Adjusted Earnings Before Interest, Taxes, Depreciation, and Amortisation (Adjusted EBITDA) is calculated based on profit for the year from operations in Asia Pacific 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, gain on disposal of the Disposal Group, gain on disposal of partial interest in an associate, gain on additional interest in an associate, loss on deemed disposal of partial interest in an associate, waiver of intercompany balances from Disposal Group and one-off professional fees.

**Adjusted Net Profit:**

Adjusted Net Profit is calculated based on Adjusted EBITDA and added back depreciation, amortisation and Hong Kong profits tax.

**Adjusted Operating Cash Flow:**

Operating cash flow of core business is calculated based on net cash from operating activities of the Group excluding tax paid in relation to disposal of the Disposal Group and partial interest in an associate, overseas withholding tax, government grants and one-off rebate.

**Adjusted Investment Activities:**

Mainly represent the gain on disposal of the Disposal Group, gain on disposal of partial interest in an associate, gain on additional interest in an associate, related professional fees, tax impact related to investment and overseas withholding tax.

**Adjusted (Costs)/Income Related to Corporate and Others:**

Mainly represent the fair value change on revaluation of investment properties, equity-settled share-based payments expense, government grants, finance costs, one-off rebate, waiver of intercompany balances from Disposal Group and one-off professional fees.

**System Integration:**

Being the business of information technology in supplying of information technology and associated products carried out by a subsidiary, Automated Systems (H.K.) Limited.

**Professional 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.

**Note 1:**

Represent the revenue from continuing operations only.

**Note 2:**

Represent the results from both continuing and discontinued operations.

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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 audited consolidated results of the Company and its subsidiaries (the “Group” or “ASL”) for the year ended 31st December 2021 together with comparative figures for the year ended 31st December 2020 as follows:

### Consolidated Statement of Profit or Loss

		Audited Year ended 31st December	
	Notes	2021 HK\$'000	2020 HK\$'000
<b>Continuing operations</b>			
<b>Revenue</b>	3	<b>2,049,620</b>	1,988,849
Cost of goods sold		(923,434)	(924,392)
Cost of services rendered		(894,996)	(807,377)
Other income	4	3,584	5,341
Other loss, net	5	(20,838)	(3,362)
Fair value loss on investment properties		—	(1,500)
Selling expenses		(87,409)	(75,182)
Administrative expenses		(62,506)	(57,347)
Finance income	6	271	359
Finance costs		(3,956)	(8,520)
Share of results of associates		(30,427)	(63,480)
		<hr/>	<hr/>
<b>Profit before income tax</b>	7	<b>29,909</b>	53,389
Income tax expense	8	(25,777)	(28,053)
		<hr/>	<hr/>
<b>Profit for the year from continuing operations</b>		<b>4,132</b>	25,336
<b>Discontinued operations</b>			
Profit for the year from discontinued operations	9(a)	—	830,806
		<hr/>	<hr/>
<b>Profit for the year</b>		<b>4,132</b>	856,142
		<hr/> <hr/>	<hr/> <hr/>

**Consolidated Statement of Profit or Loss (Continued)**

		<b>Audited</b>	
		<b>Year ended</b>	
		<b>31st December</b>	
	<i>Notes</i>	<b>2021</b>	<b>2020</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Profit for the year attributable to equity holders of the Company:</b>			
— From continuing operations		4,132	25,336
— From discontinued operations		—	830,962
		<u>4,132</u>	<u>856,298</u>
<b>Loss for the year attributable to non-controlling interests:</b>			
— From discontinued operations		—	(156)
		<u>—</u>	<u>(156)</u>
<b>Profit for the year</b>		<u><b>4,132</b></u>	<u><b>856,142</b></u>
		<i>HK cents</i>	<i>HK cents</i>
<b>Earnings per share attributable to equity holders of the Company:</b>			
	<i>11</i>		
From continuing and discontinued operations			
— Basic		0.50	103.37
— Diluted		0.49	103.28
		<u>0.50</u>	<u>103.28</u>
From continuing operations			
— Basic		0.50	3.06
— Diluted		0.49	3.06
		<u>0.50</u>	<u>3.06</u>
From discontinued operations			
— Basic		—	100.31
— Diluted		—	100.22
		<u>—</u>	<u>100.22</u>

## Consolidated Statement of Comprehensive Income

	<b>Audited</b>	
	<b>Year ended</b>	
	<b>31st December</b>	
	<b>2021</b>	<b>2020</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Profit for the year</b>	<b>4,132</b>	856,142
<b>Other comprehensive income/(loss):</b>		
<i>Items that will not be reclassified subsequently to profit or loss:</i>		
Revaluation surplus of land and buildings	<b>10,630</b>	2,149
Deferred taxation arising from revaluation surplus of land and buildings	<b>(1,754)</b>	(355)
Fair value loss on equity investment	<b>(598)</b>	—
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of overseas operations	<b>6,651</b>	(2,163)
Release of translation reserve upon disposal of subsidiaries	—	3,413
Share of other comprehensive loss of associates	<b>(924)</b>	(57)
<b>Total comprehensive income for the year</b>	<b><u>18,137</u></b>	<b><u>859,129</u></b>
<b>Total comprehensive income attributable to:</b>		
Equity holders of the Company	<b>18,137</b>	859,285
Non-controlling interests	—	(156)
	<b><u>18,137</u></b>	<b><u>859,129</u></b>

## Consolidated Statement of Financial Position

		<b>Audited</b>	
		<b>31st December</b>	
		<b>2021</b>	<b>2020</b>
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	<i>12</i>	<b>306,419</b>	297,711
Investment properties	<i>13</i>	<b>54,300</b>	54,300
Goodwill and intangible assets		—	—
Interests in associates	<i>14</i>	<b>1,191,768</b>	1,769,196
Equity investment		—	598
Finance lease receivables		<b>2,044</b>	4,208
Deferred income tax assets		<b>1,293</b>	513
		<u><b>1,555,824</b></u>	<u>2,126,526</u>
<b>CURRENT ASSETS</b>			
Inventories		<b>234,017</b>	212,725
Trade receivables	<i>15</i>	<b>171,478</b>	240,472
Finance lease receivables		<b>2,244</b>	2,779
Other receivables, deposits and prepayments	<i>16</i>	<b>21,872</b>	18,032
Contract assets		<b>284,880</b>	269,003
Tax recoverable		<b>12,415</b>	7,939
Bank balances and cash	<i>17</i>	<b>603,947</b>	370,521
		<u><b>1,330,853</b></u>	<u>1,121,471</u>
<b>TOTAL ASSETS</b>		<u><b>2,886,677</b></u>	<u><b>3,247,997</b></u>
<b>EQUITY</b>			
Share capital		<b>83,358</b>	83,031
Share premium		<b>403,043</b>	399,272
Reserves		<b>1,503,924</b>	1,711,490
		<u><b>1,990,325</b></u>	<u>2,193,793</u>
<b>Equity attributable to equity holders of the Company</b>		<u><b>1,990,325</b></u>	<u>2,193,793</u>

**Consolidated Statement of Financial Position (Continued)**

		<b>Audited</b>	
		<b>31st December</b>	
		<b>2021</b>	<b>2020</b>
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>NON-CURRENT LIABILITIES</b>			
Deferred income tax liabilities		<b>169,209</b>	203,886
Lease liabilities		<b>6,176</b>	1,175
		<u><b>175,385</b></u>	<u>205,061</u>
<b>CURRENT LIABILITIES</b>			
Trade payables	<i>18</i>	<b>258,508</b>	282,557
Other payables and accruals	<i>19</i>	<b>156,738</b>	171,511
Receipts in advance		<b>195,898</b>	239,629
Current income tax liabilities		<b>2,768</b>	4,247
Bank borrowings	<i>20</i>	<b>101,099</b>	145,938
Lease liabilities		<b>5,956</b>	5,261
		<u><b>720,967</b></u>	<u>849,143</u>
<b>TOTAL LIABILITIES</b>		<u><b>896,352</b></u>	<u>1,054,204</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>2,886,677</b></u>	<u>3,247,997</u>
<b>NET CURRENT ASSETS</b>		<u><b>609,886</b></u>	<u>272,328</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u><b>2,165,710</b></u>	<u>2,398,854</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 and equity investment classified as financial assets at fair value through other comprehensive income, 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.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### (i) Amended HKFRSs that are effective for annual periods beginning on 1st January 2021:

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 2021:

Amendments to HKFRS 16	<i>Covid-19-Related Rent Concessions</i>
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	<i>Interest Rate Benchmark Reform — Phase 2</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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

HKFRS 17	<i>Insurance Contracts and other related amendments<sup>2</sup></i>
Amendments to HKFRS 3	<i>Reference to the Conceptual Framework<sup>4</sup></i>
Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture<sup>3</sup></i>
Amendments to HKFRS 16	<i>Covid-19-Related Rent Concessions beyond 30th June 2021<sup>5</sup></i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5<sup>2</sup></i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies<sup>2</sup></i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates<sup>2</sup></i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction<sup>2</sup></i>
Amendments to HKAS 16	<i>Property, Plant and Equipment — Proceeds before Intended Use<sup>1</sup></i>
Amendments to HKAS 37	<i>Onerous Contracts — Cost of Fulfilling a Contract<sup>1</sup></i>
Amendments to HKFRSs	<i>Annual Improvements to HKFRS Standards 2018-2020<sup>1</sup></i>
Accounting Guideline 5 (Revised)	<i>Merger Accounting for Common Control<sup>4</sup></i>

<sup>1</sup> Effective for annual periods beginning on or after 1st January 2022

<sup>2</sup> Effective for annual periods beginning on or after 1st January 2023

<sup>3</sup> Effective date not yet determined

<sup>4</sup> 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

<sup>5</sup> Effective for annual periods beginning on or after 1st April 2021

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.



### 3. REVENUE AND SEGMENT INFORMATION

The Group's revenue is analysed as follows:

	<b>Audited</b>	
	<b>Year ended</b>	
	<b>31st December</b>	
	<b>2021</b>	<b>2020</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Continuing operations</b>		
Sales of goods	<b>1,051,860</b>	1,035,415
Revenue from service contracts	<b>997,760</b>	953,434
	<b><u>2,049,620</u></b>	<b><u>1,988,849</u></b>

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 (2020: 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 (the "US") through its previous subsidiaries, Grid Dynamics International, Inc. ("Grid Dynamics") and its subsidiaries ("Grid Dynamics Group"), 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 2021

	<b>Continuing operations</b>			<b>Discontinued</b>
	<b>IT Products</b>	<b>IT Services</b>	<b>Total</b>	<b>operations</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>IT Services</b>
				<b>HK\$'000</b>
<b>Revenue from external customers</b>	<b>1,051,860</b>	<b>997,760</b>	<b>2,049,620</b>	—
<b>Intersegment revenue</b>	<b>2,474</b>	<b>18,875</b>	<b>21,349</b>	—
<b>Segment revenue</b>	<b>1,054,334</b>	<b>1,016,635</b>	<b>2,070,969</b>	—
<b>Reportable segment profit</b>	<b>91,782</b>	<b>45,838</b>	<b>137,620</b>	—
<b>Segment depreciation</b>	<b>2,514</b>	<b>10,059</b>	<b>12,573</b>	—
<b>Additions to property, plant and equipment*</b>	<b>135</b>	<b>6,811</b>	<b>6,946</b>	—

\* Additions to property, plant and equipment of HK\$14,542,000 were related to unallocated assets.

### 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 2020

	Continuing operations			Discontinued operations
	IT Products HK\$'000	IT Services HK\$'000	Total HK\$'000	(Note) 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.

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

Audited

As at 31st December 2021

	IT Products HK\$'000	IT Services HK\$'000	Total HK\$'000
Reportable segment assets	376,687	329,333	706,020
Reportable segment liabilities	306,208	194,421	500,629

Audited

As at 31st December 2020

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

#### (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 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, 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 and bank borrowings.

#### (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	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Continuing operations</b>		
<b>Revenue</b>		
Reportable segment revenue	2,070,969	2,015,300
Elimination of intersegment revenue	<u>(21,349)</u>	<u>(26,451)</u>
Revenue per consolidated statement of profit or loss	<u><u>2,049,620</u></u>	<u><u>1,988,849</u></u>

	Audited Year ended 31st December	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Discontinued operations</b>		
<b>Revenue</b>		
Reportable segment revenue	—	166,610
Elimination of intersegment revenue	<u>—</u>	<u>—</u>
Revenue per analysis of results from discontinued operations (Note 9(a)(i))	<u><u>—</u></u>	<u><u>166,610</u></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	
	2021 HK\$'000	2020 HK\$'000
<b>Continuing operations</b>		
<b>Profit or loss</b>		
Reportable segment profit	137,620	175,889
Unallocated amounts:		
Unallocated other income	3,337	4,852
Unallocated other loss, net	(20,838)	(3,362)
Fair value loss on investment properties	—	(1,500)
Unallocated depreciation	(10,940)	(10,135)
Share of results of associates	(30,427)	(63,480)
Finance costs	(3,956)	(8,520)
Unallocated corporate expenses	(44,887)	(40,355)
	<u>29,909</u>	<u>53,389</u>
Profit before income tax per consolidated statement of profit or loss	<u>29,909</u>	<u>53,389</u>
	Audited Year ended 31st December	
	2021 HK\$'000	2020 HK\$'000
<b>Discontinued operations</b>		
<b>Profit or loss</b>		
Reportable segment profit	—	25,216
Unallocated amounts:		
Unallocated other income	—	317
Unallocated other loss, net	—	(381)
Unallocated depreciation	—	(91)
Finance costs	—	(8)
Unallocated corporate expenses	—	(44,821)
	<u>—</u>	<u>(19,768)</u>
Loss before income tax per analysis of results from discontinued operations (Note 9 (a)(i))	<u>—</u>	<u>(19,768)</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)*

	<b>Audited</b>	
	<b>31st December</b>	
<b>Assets</b>	<b>2021</b>	2020
	<b>HK\$'000</b>	<b>HK\$'000</b>
Reportable segment assets	706,020	736,229
Unallocated assets:		
Interests in associates	1,191,768	1,769,196
Deferred income tax assets	1,293	513
Tax recoverable	12,415	7,939
Bank balances and cash	603,947	370,521
Unallocated corporate assets	371,234	363,599
	<u>2,886,677</u>	<u>3,247,997</u>
Total assets per consolidated statement of financial position	<u><u>2,886,677</u></u>	<u><u>3,247,997</u></u>
	<b>Audited</b>	
	<b>31st December</b>	
<b>Liabilities</b>	<b>2021</b>	2020
	<b>HK\$'000</b>	<b>HK\$'000</b>
Reportable segment liabilities	500,629	610,001
Unallocated liabilities:		
Current income tax liabilities	2,768	4,247
Deferred income tax liabilities	169,209	203,886
Unallocated corporate liabilities	223,746	236,070
	<u>896,352</u>	<u>1,054,204</u>
Total liabilities per consolidated statement of financial position	<u><u>896,352</u></u>	<u><u>1,054,204</u></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	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	1,948,100	1,846,011	—	—
US	—	—	—	166,610
Mainland China	3,531	3,437	—	—
Macau	37,841	50,195	—	—
Thailand	42,948	73,947	—	—
Taiwan	17,200	15,259	—	—
	<u>2,049,620</u>	<u>1,988,849</u>	<u>—</u>	<u>166,610</u>

#### 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\$294,697,000 during the year ended 31st December 2021 (2020: HK\$277,738,000).

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

Place of domicile	Specified non-current assets	
	Audited	
	31st December	
	2021	2020
	HK\$'000	HK\$'000
Hong Kong	355,246	349,294
US	1,172,303	1,749,392
Singapore	18,736	19,055
Mainland China	4,816	805
Macau	1,183	1,797
Thailand	124	308
Taiwan	79	556
	<u>1,552,487</u>	<u>2,121,207</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 of time, details of the Group's timing of revenue recognition were as follows:

	<b>Audited</b>			
	<b>Year ended</b>			
	<b>31st December</b>			
	<b>Continuing operations</b>		<b>Discontinued operations</b>	
	<b>2021</b>	2020	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000
<b>Timing of revenue recognition</b>				
At a point in time	<b>1,196,861</b>	1,212,679	—	—
Over time	<b>852,759</b>	776,170	—	166,610
Revenue from external customers	<b><u>2,049,620</u></b>	<u>1,988,849</u>	<u>—</u>	<u>166,610</u>

Revenue relates to performance obligation that are unsatisfied as at 31st December 2021 amounted to HK\$1,214,337,000 (2020: HK\$1,042,957,000) are expected to be recognised within one to five years.

### 4. OTHER INCOME

	<b>Audited</b>	
	<b>Year ended</b>	
	<b>31st December</b>	
	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
<b>Continuing operations</b>		
Interest on bank deposits	<b>43</b>	522
Rental income from investment properties	<b>2,425</b>	3,886
Others	<b>1,116</b>	933
	<b><u>3,584</u></b>	<u>5,341</u>

### 5. OTHER LOSS, NET

	<b>Audited</b>	
	<b>Year ended</b>	
	<b>31st December</b>	
	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
<b>Continuing operations</b>		
Gain on disposal of property, plant and equipment	<b>98</b>	—
Gain on additional interest in an associate	<b>25,909</b>	—
Gain on disposal of partial interest in an associate	<b>129,617</b>	—
Exchange gain/(loss), net	<b>9</b>	(1,621)
Loss on deemed disposal of partial interest in an associate	<b>(176,471)</b>	(708)
Waiver of intercompany balances from the Disposal Group	—	(1,033)
	<b><u>(20,838)</u></b>	<u>(3,362)</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

	Audited Year ended 31st December	
	2021	2020
	HK\$'000	HK\$'000
<b>Continuing operations</b>		
Profit before income tax is arrived at after charging/(crediting):		
Auditors' remuneration:		
Audit services		
— Current year	2,172	2,553
— Over-provision in respect of prior year	(32)	—
Non-audit services	1,601	1,274
Depreciation:		
— Property, plant and equipment — owned assets	16,708	15,870
— Property, plant and equipment — right-of-use assets	6,805	5,799
Professional fee related to partial disposal of an associate	1,640	—
Lease charges:		
— Short term leases	1,236	1,270
ECL allowance of trade receivables	3,768	6,141
Reversal of ECL allowance of trade receivables	(2,934)	(551)
ECL allowance of contract assets	847	—
Provision for/(Reversal of provision for) obsolete inventories, net	63	(265)
Write off of inventories	74	1,226
	<u>74</u>	<u>1,226</u>

## 8. INCOME TAX EXPENSE

	Audited Year ended 31st December	
	2021	2020
	HK\$'000	HK\$'000
<b>Continuing operations</b>		
Current taxation:		
Hong Kong profits tax ( <i>Note (i)</i> )	14,814	14,698
Overseas taxation	11,879	465
Overseas withholding tax ( <i>Note (ii)</i> )	1,745	13,117
Overprovision in respect of prior years:		
Hong Kong profits tax	(196)	(132)
Overseas taxation	(126)	(288)
	<u>28,116</u>	<u>27,860</u>
Deferred taxation:		
Current year	(2,339)	193
Income tax expense	<u>25,777</u>	<u>28,053</u>



## 8. INCOME TAX EXPENSE (Continued)

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 2021 and 2020, 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 non-US subsidiaries from an US subsidiary during the years ended 31st December 2020 and 2021.

## 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. 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 year ended 31st December 2020 from discontinued operations:

	<b>Audited</b> Period from 1st January 2020 to 5th March 2020 <i>HK\$'000</i>
Revenue	166,610
Cost of services rendered	(121,503)
Other income	615
Other loss, net	(381)
Selling expenses	(20,185)
Administrative expenses	(44,916)
Finance costs	(8)
	<hr/>
Loss before income tax	(19,768)
Income tax credit	18,147
	<hr/>
Loss for the period of the Disposal Group	(1,621)
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)
	<hr/>
Profit for the period from discontinued operations	<u>830,806</u>

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 year ended 31st December 2020 from discontinued operations:

	<b>Audited</b> Period from 1st January 2020 to 5th March 2020 <i>HK\$ '000</i>
Net cash inflow from operating activities	2,562
Net cash outflow from investing activities	(5,122)
Net cash outflow from financing activities	(99)
	<hr/>
Net cash outflow	<b>(2,659)</b>

(b) Loss before income tax from discontinued operations

	<b>Audited</b> Period from 1st January 2020 to 5th March 2020 <i>HK\$ '000</i>
Loss before income tax is arrived at after charging/(crediting):	
Auditors' remuneration:	
Audit services	
— Over-provision in respect of prior year	(410)
Depreciation and amortisation:	
Property, plant and equipment — owned assets	1,622
Property, plant and equipment — right-of-use assets	91
Intangible assets (included in cost of services rendered)	2,364
Employee benefit expenses (excluding Directors' emoluments):	
— Staff salaries and other benefits	117,255
— Performance related incentive bonus	10,644
— Equity-settled share-based payment expenses	10,486
— Staff retention bonus	26,073
Lease charges:	
— Short term leases	7,434

## 10. DIVIDENDS

	<b>Audited</b>	
	<b>Year ended</b>	
	<b>31st December</b>	
	<b>2021</b>	<b>2020</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Dividend approved and paid:		
Final dividend in respect of the year ended 31st December 2020 of 3.0 HK cents (2020: in respect of the year ended 31st December 2019 of 3.0 HK cents) per share	<b>24,973</b>	24,819
Special dividend of 24.0 HK cents (2020: 7.3 HK cents) per share	<b>200,006</b>	60,394
	<b>224,979</b>	<b>85,213</b>

	<b>Year ended</b>	
	<b>31st December</b>	
	<b>2021</b>	<b>2020</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Dividend proposed:		
Final dividend in respect of the year ended 31st December 2021 of 3.0 HK cents (2020: in respect of the year ended 31st December 2020 of 3.0 HK cents) per share ( <i>Note</i> )	<b>25,008</b>	24,909

The Directors have resolved to recommend the payment of a final dividend in respect of the year ended 31st December 2021 of 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 24th June 2022 to shareholders whose names appear on the register of members of the Company on 10th June 2022.

*Note:*

The proposed final dividend for the year ended 31st December 2021, as referred to above, is calculated on the basis of 833,584,192 (2020: 830,307,964) ordinary shares in issue as at 31st December 2021 and at a final dividend of 3.0 HK cents (2020: 3.0 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:

	<b>Audited</b>	
	<b>Year ended</b>	
	<b>31st December</b>	
	<b>2021</b>	<b>2020</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Profit attributable to equity holders of the Company for basic and diluted earnings per share		
— From continuing operation	4,132	25,336
— From discontinued operation	—	830,962
	<u>4,132</u>	<u>856,298</u>
	<b>Number of shares</b>	
	<b>2021</b>	<b>2020</b>
	<b>'000</b>	<b>'000</b>
Weighted average number of ordinary shares for basic earnings per share <i>(Note (a))</i>	832,673	828,369
Effect of dilutive potential ordinary shares		
— Share options <i>(Note (b))</i>	6,238	765
	<u>838,911</u>	<u>829,134</u>
	<b>Audited</b>	
	<b>Year ended</b>	
	<b>31st December</b>	
	<b>2021</b>	<b>2020</b>
	<b>HK cents</b>	<b>HK cents</b>
Earnings per share from continuing and discontinued operations		
— Basic	0.50	103.37
— Diluted	0.49	103.28
	<u>0.50</u>	<u>103.37</u>
	<u>0.49</u>	<u>103.28</u>
Earnings per share from continuing operations		
— Basic	0.50	3.06
— Diluted	0.49	3.06
	<u>0.50</u>	<u>3.06</u>
	<u>0.49</u>	<u>3.06</u>
Earnings per share from discontinued operations		
— Basic	—	100.31
— Diluted	—	100.22
	<u>—</u>	<u>100.31</u>
	<u>—</u>	<u>100.22</u>

## **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 832,673,000 ordinary shares are derived from the weighted average number of ordinary shares in issue during the year ended 31st December 2021.

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.

- (b) The calculation of the diluted earnings per share from continuing operations for the years ended 31st December 2020 and 2021 assumed the exercise of the share options of the Company granted in 2012 and 2017 but has not taken into account the effect of the dilutive instruments issued by the Group's associates as they are considered as anti-dilutive.
- (c) The calculation of the diluted earnings per share from discontinued operations for the years 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.

## **12. PROPERTY, PLANT AND EQUIPMENT**

During the year ended 31st December 2021, additions to property, plant and equipment was approximately HK\$21,488,000 (2020: HK\$16,196,000), mainly for computer, office equipment, furniture and fixtures and right-of-use assets — office premises. Total addition to right-of-use assets and right-of-use assets with reassessment of lease term of approximately HK\$5,739,000 (2020: HK\$7,330,000) and HK\$6,406,000 (2020: nil) respectively during the year ended 31st December 2021, of which all are related to office premises.

During the year ended 31st December 2021, the Group disposed certain property, plant and equipment at the carrying amount of approximately HK\$3,000, resulting in a gain on disposal of approximately HK\$98,000.

The Group's land and buildings were stated at valuations made at 31st December 2021 and 2020. The land and buildings were last revalued by an independent professional valuer, at 31st December 2021 and 2020, 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\$8,876,000 (2020: HK\$1,794,000) which has been credited to the property revaluation reserve.

As at 31st December 2021, 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\$31,840,000 (2020: HK\$33,904,000).

As at 31st December 2021, the Group had pledged land and buildings with carrying amount of HK\$166,700,000 (2020: HK\$166,700,000) 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 2021 and 2020 at market value basis, which is determined by reference to market evidence of recent transactions for similar properties.

As at 31st December 2021, the Group had pledged investment properties with carrying amount of HK\$54,300,000 (2020: HK\$54,300,000) to secure banking facilities granted to the Group as disclosed in Note 20.

#### 14. INTERESTS IN ASSOCIATES

	Audited	
	31st December	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1st January	1,769,196	19,625
Acquisition of an associate ( <i>Note 22</i> )	—	1,813,591
Additional interest in an associate	25,909	—
Disposal of partial interest in an associate	(403,147)	—
Deemed disposal of partial interest in an associate	(176,471)	(708)
Share of results of associates	(30,427)	(63,480)
Share of other comprehensive loss of associates	(924)	(57)
Exchange realignment	7,632	225
	<u>1,191,768</u>	<u>1,769,196</u>
At 31st December	<u>1,191,768</u>	<u>1,769,196</u>

#### 15. TRADE RECEIVABLES

	Audited	
	31st December	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables — gross	179,961	248,118
Less: ECL allowance	(8,483)	(7,646)
	<u>171,478</u>	<u>240,472</u>
Trade receivables — net	<u>171,478</u>	<u>240,472</u>

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:

	Audited	
	31st December	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 — 30 days	87,954	117,368
31 — 60 days	47,096	59,886
61 — 90 days	19,663	27,643
Over 90 days	25,248	43,221
	<u>179,961</u>	<u>248,118</u>

## 16. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	<b>Audited</b>	
	<b>31st December</b>	
	<b>2021</b>	<b>2020</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Other receivables	2,108	2,538
Deposits	4,896	5,948
Prepayments	12,962	8,313
Amount due from ultimate holding company	832	832
Amount due from immediate holding company	—	1,084
Amounts due from associates	1,501	149
Amount due from a follow subsidiary	405	—
	<hr/>	<hr/>
Other receivables, deposits and prepayments — gross	22,704	18,864
Less: ECL allowance	(832)	(832)
	<hr/>	<hr/>
Other receivables, deposits and prepayments — net	<b>21,872</b>	<b>18,032</b>
	<hr/> <hr/>	<hr/> <hr/>

## 17. BANK BALANCES AND CASH

As at 31st December 2021, bank balances carry interest at market rates with an average interest rate of 0.03% (2020: 0.06%) per annum.

## 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>2021</b>	<b>2020</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Current	180,403	192,406
Within 30 days	51,341	67,950
31 — 60 days	13,522	6,938
61 — 90 days	1,473	2,199
Over 90 days	11,769	13,064
	<hr/>	<hr/>
	<b>258,508</b>	<b>282,557</b>
	<hr/> <hr/>	<hr/> <hr/>

## 19. OTHER PAYABLES AND ACCRUALS

	<b>Audited</b>	
	<b>31st December</b>	
	<b>2021</b>	<b>2020</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Other payables	5,871	7,595
Accruals	149,591	162,258
Amount due to ultimate holding company	1,276	1,250
Amounts due to associates	—	408
	<hr/>	<hr/>
	<b>156,738</b>	<b>171,511</b>
	<hr/> <hr/>	<hr/> <hr/>



## 20. BANK BORROWINGS

	<b>Audited</b>	
	<b>31st December</b>	
	<b>2021</b>	<b>2020</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Current</b>		
Bank borrowings, secured	<b><u>101,099</u></b>	<b><u>145,938</u></b>

The Group's bank borrowings are repayable as follows:

	<b>Audited</b>	
	<b>31st December</b>	
	<b>2021</b>	<b>2020</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Within one year or on demand	<b><u>101,099</u></b>	<b><u>145,938</u></b>

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 2021, the bank borrowings bears interest at floating interest rate and are denominated in Hong Kong Dollar with an effective interest rate of 3.39% (2020: 4.11%) per annum.

As at 31st December 2021, 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 (2020: HK\$166,700,000) (Note 12);
- (2) the legal charges over the Group's investment properties with carrying amount of HK\$54,300,000 (2020: HK\$54,300,000) (Note 13);
- (3) the guarantee given by the Company and certain subsidiaries of the Group up to a limit of HK\$330,000,000 (2020: HK\$330,000,000);
- (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 2021 and 2020.

## 21. PLEDGE OF ASSETS

As at 31st December 2021, the Group's land and buildings with carrying amount of HK\$166,700,000 (2020: HK\$166,700,000) (Note 12) and investment properties with carrying amount of HK\$54,300,000 (2020: HK\$54,300,000) (Note 13) were pledged to secure the Group's bank borrowings.

## 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</b> 2020 <i>HK\$'000</i>
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/> <hr/>
	2020 HK\$'000
Consideration:	
Cash consideration	727,507
Share consideration ( <i>Note</i> )	1,813,591
	<hr/>
	2,541,098
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/> <hr/>

## 22. DISPOSAL OF SUBSIDIARIES (Continued)

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.

2020  
HK\$'000

### Analysis of the cash flows in respect of the Disposal is as follows:

Cash consideration	727,507
Cash and cash equivalents disposed of	(324,658)
Transaction costs directly attributable to the Disposal (Note)	<u>(170,231)</u>
Net cash inflow in respect of the Disposal	<u><u>232,618</u></u>

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.

## 23. EVENTS AFTER THE REPORTING DATE

### (i) Acquisition of property to set up headquarters in the Guangdong-Hong Kong-Macao Greater Bay area

On 28th February 2022, Guangzhou Automated Systems Limited (the “Purchaser”), an indirect wholly-owned subsidiary of the Company, entered into the Guangzhou housing stock sale and purchase contract (the “Contract”) with Guangzhou Dingshang Company Limited (the “Vendor”). Pursuant to the terms and conditions of the Contract, the Purchaser agreed to acquire and the Vendor agreed to dispose a property located in Tianhe District of Guangzhou at a total consideration of RMB42,470,130 (equivalent to approximately HK\$52,700,000). For further details, please refer to the Company’s announcements dated 28th February 2022 and 3rd March 2022.

### (ii) Military Action in Ukraine

On 24th February 2022, Russian forces launched significant military action against Ukraine, and sustained conflict and disruption in the region is possible. GDH, the Group’s associate, has a significant number of personnel in Ukraine and Russia. Prolonged unrest, military activities, or broad-based sanctions, should they be implemented, could have a material adverse effect on GDH’s financial condition, results of operations and cash flows. Owing to market concerns about rising geopolitical risk in Russia and Ukraine, the trading price of GDH’s shares (NASDAQ ticker symbol: GDYN) has dropped significantly after the reporting date. The Group will closely monitor the situation and assess the recoverable amount of interest in associates regularly.

## **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 2021 (2020: 3.0 HK cents). Subject to the approval of shareholders at the forthcoming annual general meeting, the proposed final dividend is expected to be paid on or before 24th June 2022 to shareholders whose names appear on the register of members of the Company on 10th June 2022.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Financial Results**

For the year ended 31st December 2021, total revenue of the Group was HK\$2,049.6 million, representing a 3.1% increase from the last year, in which product sales was increased by 1.6% to HK\$1,051.8 million and service revenue was increased by 4.6% to HK\$997.8 million. In addition, product sales and service revenue contributed 51.3% and 48.7% to total revenue respectively, compared to 52.1% and 47.9% respectively of last year.

For the year ended 31st December 2021, commercial and public sector sales contributed 39.5% and 60.5% to total revenue respectively, compared to 43.1% and 56.9% respectively of last year.

Gross profit for the year ended 31st December 2021 was HK\$230.9 million, an increase of HK\$24.0 million or 11.6% compared to last year, factoring out the government grants for wage subsidies. The increases were primarily attributable to growth in newly secured orders in Hong Kong and other Asia Pacific regions, as compared to last year.

During the year under review, the Group recorded a profit attributable to the Company's equity holders of HK\$4.1 million, a decrease of 99.5% compared to last year of HK\$856.3 million. The decrease was mainly because there was an one-off gain of approximately HK\$832.4 million recorded last year arising from the disposal and spin-off of Grid Dynamics International, Inc.

For the year ended 31st December 2021, orders newly secured by the Group's amounted to approximately HK\$2,266.2 million. As at 31st December 2021, the Group's order book balance was approximately HK\$1,214.3 million. The Group's net cash stood at approximately HK\$603.9 million with a working capital ratio of 1.85:1. The Group maintained a healthy financial position. As at 31st December 2021, the outstanding borrowings amounted to HK\$101.1 million.

### **Core Businesses Review**

Amid the pressure of economic downturn in 2021, the Group made unremitting efforts to overcome operational challenges during the pandemic, and achieved satisfactory results in its core businesses. Adjusted EBITDA recorded an increase of approximately 16.1% compared to last year, mainly due to the significant increase of 17.4% in the orders newly secured in Hong Kong and the other Asia Pacific regions compared to last year, reaching a new high in the past three years.

Under the new normal of the pandemic, the core businesses of the Group out performed last year, with revenue recorded HK\$2,049.6 million, representing an increase of 3.1% as compared to last year.

To supplement the Group's consolidated financial statements which are presented in accordance with the HKFRSs, orders newly secured, adjusted EBITDA and adjusted net profit are also presented as an additional financial measure, which is not required by, nor presented in accordance with, the HKFRSs. The orders newly secured, adjusted EBITDA and adjusted net profit of the Group recorded HK\$2,266.2 million, HK\$110.6 million and HK\$72.8 million respectively, representing an increase of 17.4%, 16.1% and 20.1% respectively as compared to last year.

The revenue of the Group's three DevSecOps businesses was broadly stable compared to last year. Besides, the services of DevSecOps businesses (see detailed description below), the Group was also involved in the system integration, which has captured significant growth. The success was due to the Group's capabilities in providing customers with bulk procurement of infrastructure, that has met their long-term service needs.

### **Innovative Solutions Business**

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

Innovative Solutions Business delivered the most outstanding performance as compared to the other two core businesses, with a significant growth in service orders newly secured compared to last year. It was mainly due to the increase in orders from professional services and application development. During the year, the Group promptly recruited local staff, and fully utilized its resources of the newly-established Offshore Delivery Excellence Center (ODEC) in Guangdong Province and also as a base to cope with the challenges of local talent shortage, and successfully obtained relevant orders. During the year, service revenue was HK\$375.9 million, with a significant increase of 23.8% compared to last year.

During the year, the Group received multiple public health related orders from the government to support their efforts against the pandemic. Meanwhile, we also took orders related to the Smart City Blueprint, including "iAM Smart" and an electronic tax service application benefiting the Hong Kong working-class. The Group is pleased to make a contribution to the financial performance while upholding its commitment to fulfill social responsibilities through such projects. In addition, the Group has been deepening customer penetration and achieved fruitful results. Especially in the public and private healthcare, logistics, public welfare and charity sectors, achieving continual success in expanding the contributions from our current major customers. Innovation is pivotal in the IT industry. For this reason, the Group has successfully introduced new technologies, which drawn market attention, such as the Internet of Things and automation to improve service quality.

### **Intelligent Cybersecurity Services Business**

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

During the year, the service orders newly secured in the Intelligent Cybersecurity Services business recorded a double-digit growth compared to last year, with service revenue reaching HK\$124.5 million. The growth momentum was driven by the digital transformation trend, which included the front-end to back-end cybersecurity solutions, cybersecurity solutions under multi-cloud environment in the financial industry, as well as remote cybersecurity and new managed security services under the pandemic etc., so as to satisfy the demands for DevSecOps.

Following the successful introduction of DevSecOps into the enterprise customer scenario in the first half of the year, the Group made substantial breakthroughs in the second half of the year. It is worth mentioning that the managed security services have been upgraded to the next level, from the previous delivery in Hong Kong, extending to the Asia Pacific region and even as far as European and American cities for the first time. Among them, the delivery advantages comprise of integrating the Group's two major managed services platforms, Security Operation Center *Plus* (SOC+) and Unified Operation Center (UOC) platform, as the central automated management. The projects included managing and monitoring the Asia Pacific network 24/7 in 14 countries for a Fortune Global 50 international logistics company; as well as designing, constructing and managing the SD-WAN network for a multinational enterprise to manage connections across office networks in Hong Kong, Singapore, the U.K. and the U.S. During the year, the pandemic boosted demand for remote cybersecurity, which contributed to the significant revenue growth in orders for Hong Kong's SOC+ and Macau's SOC<sup>2</sup> services, and helped the Group successfully open up new industry markets.

### **Integrated Managed Services Business**

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

During the year, the service orders newly secured in the Integrated Managed Services business was roughly the same as last year, with service revenue recorded HK\$430.1 million, the decline narrowed to 0.1% compared to last year. The key growth engine was driven by Information Technology Service Management (ITSM) and orders benefiting from government policies.

In regards to the government sector, the Group continued to provide IT services to support the fight against the pandemic, whilst secured a territory-wide large-scale mobile device management solution project, which was highly appreciated by customers. In addition, the Group has received numerous long-term IT managed services orders from new and existing customers across advantageous industries. The characteristics of managed services are tailored services according to customer's needs in specific scenario, with an aim to grow together with its customers and provide them with dedicated support. The Group has received multiple orders leveraging UOC to provide cross-border IT managed services, including providing desktop and server support services for a client in global locations. The Group provided the best-in-class DevSecOps services to our customers through its rich resources in talent, tools and experience in processes. As managed services are people-oriented, the Group maintained its resolute focus on strengthening the software and facilities of services for its own transformation, including expansion of service centers, talent training, and introduction of automation to improve service quality.

### **DevSecOps and “as-a-Service” new business model take off**

*Launch of “ASL Marketplace” cloud-based comprehensive online platform*

The Group has strived to drive developments for its DevSecOps, integrated IT services, by integrating our unique advantages — application development (Dev), cybersecurity (Sec), and omni-channel management services (Ops) into “Unified Technology Services”, to meet market needs.

Moreover, the Group launched “ASL Marketplace”, an integrated cloud-native online platform, during the fourth quarter in 2021. Leveraging its own “Unified Technology Services”, the Group rolled out the platform to the market in an as-a-Service business model. The services are offered under a pay-as-you-go model. The newly-added service bundle covers DevSecOps, so as to satisfy customers’ digital transformation needs in efficiency and automation under the new normal, thus bringing new experience to customers. Since its launch, the ASL Marketplace has received positive feedback from industry partners and customer inquiries, demonstrating its immense potential.

#### *Strengthening Unified Operation Center (UOC)*

Besides, the Group’s UOC is a delivery system that integrates DevSecOps professional IT services. It is a cloud-based managed services center that integrates intelligence and professional technology. By integrating DevSecOps with central management, UOC brings together a well-rounded and professional talent pool in software development, an efficient omni-channel ITSM team and leading cybersecurity experts to solve the problems related to continuous operation and maintenance, and optimization management in the digital transformation process for customers. In view of this, the pandemic has fueled demand for the enterprises’ remote central IT management, the Group continued to optimize UOC with smart and new technologies during the year to expand its target customer base. In the second half of the year, the order revenue of UOC surged, which demonstrated that the Group has properly identified the target market and formulated the appropriate strategies for DevSecOps. The business has secured many large-scale multinational management projects, involving enterprise customers from different industries.

#### **Business of associates**

Grid Dynamics Holdings, Inc. (“GDH”, NASDAQ ticker symbol: GDYN), an associate with business in Europe and the U.S., withstood the test of time during the pandemic since its listing on Nasdaq. The performance of its core business returned to pre-pandemic levels, with continuous expansion of shares contributions from first-tier technology companies such as Apple and Google. During the year, GDH has acquired Tacit Knowledge and successfully completed the second acquisition since its public listing. Not only did it expand its business in Europe but also rapidly doubled its employees to over 3,200, which holistically improved the overall service capabilities. In addition, during the year, it became an outstanding partner of Google Cloud, and the number of new customers increased by 37.0%.

According to Form 10-K for the year ended 31st December 2021 of GDH published on US Security and Exchange Commission website, the annual total revenue of GDH reached US\$211.3 million (equivalent to approximately HK\$1,643.2 million), and the annual Non-GAAP EBITDA was US\$39.1 million (equivalent to approximately HK\$304.8 million). During the year, the share of revenue of GDH’s non-retail industry increased to 70.1% compared to last year, in which the IT, media and telecommunications industries, constituted to the largest industry sector of GDH, accounted for 32.0% of GDH’s annual revenue, representing a year-on-year growth of 49.2%. The retail industry was recovering with a revenue share of 29.2%, a year-on-year increase of 81.7%.

i-Sprint, one of the major associates in Asia Pacific and as an international leading supplier of management, unified authentication and access control solutions, achieved stable business performance during the year. Its revenue recorded at HK\$119.5 million with a double-digit growth, while EBIDTA and profits amounted to HK\$23.2 million and HK\$1.7 million respectively, with growth in both business indicators. Such growths were primarily attributable to the demands for cybersecurity brought about by the pandemic, as well as the development of deeper relationships with major local and multinational banking and financial customers in Singapore, Middle East, Hong Kong, Thailand, Malaysia and China. There was an addition of 39 new customers during the year. Furthermore, i-Sprint products have received 2022 Cybersecurity Excellence Awards Gold Prize and won 7 awards at the 17th Annual Cyber Security Global Excellence Awards.

## **Outlook and Prospects**

Entering into 2022, the global economic environment remains uncertain with lingering threat posed by the pandemic. Hong Kong was caught in a tough challenge as the COVID-19 variant continue to wreak havoc, hindering the economic recovery. The Group will take appropriate contingency measures during the pandemic, so as to ensure smooth operations of the Group, core actively seizing opportunities in the new business model brought about by the pandemic.

In the post-pandemic era, the digital technology application has become the key to adapting to new landscapes. Organizations enhance productivity through remote office, automated procedures, and cloud computing. As the first local IT company in Hong Kong to launch the DevSecOps business model, the Group will continue to assist local or cross-regional customers in achieving digitalization through UOC, a one-stop managed services platform. In the coming five years, the Company is expected to invest more than HK\$100.00 million in related technologies and business fields. The Group will keep integrating its business resources, technical resources and human resources with an ongoing focus to invest in scientific research, promote its technology service level, and enhance application transformation capabilities. The Group will make continuous updates to the cloud-native ASL Marketplace launched at the end of last year with enriched the delivery content (such as adding automated services), in order for our customers to enjoy better customer experience from a series of self-branded as-a-Service.

In addition to the supply chain issue which resulted in delayed and halting delivery of certain products, we are also facing a severe shortage of IT talents in Hong Kong. In terms of the impact on the Group, the aforementioned factors has accelerated customers' demands for IT managed services and as-a-Service. On the other hand, they pose a challenge to meet the rapidly growing manpower. In order to align with the overall development direction in the Greater Bay Area, the Group has acquired a property in Guangzhou as the headquarters of the Guangdong-Hong Kong-Macao Greater Bay Area in early 2022, in order to accelerate the increased resources of the offshore center to meet the needs of offshore delivery. The Group also plans to add a security operation center in the Greater Bay Area to assist the local enterprises in regulatory compliance.

Meanwhile, the Group's indirect wholly-owned subsidiaries, Automated Systems (H.K.) Limited and Guangzhou Automated Systems Limited obtained the highest accreditation of CMMI at Maturity Level 5, a worldwide model to evaluate the maturity of the enterprise's software development capability, becoming one of the few companies in the world that has reached this level. This signifies that the Group can provide more mature and innovative industry solutions, as well as more high-quality and efficient management and development services for onshore/offshore development centers, to fully meet customers' ardent needs for digital transformation.



In 2022, the Group will persevere to promote its role transformation from “system integration” to “service integration”. In the future, the Group will continue to promote DevSecOps professional services, which is industry-oriented and high-value added, through partner network with its self-branded services as the foundation, and strive to become a trustworthy unified technology service partner which provides technology and professional service to customers.

### **Financial Resources and Liquidity**

As at 31st December 2021, the Group’s total assets of HK\$2,886.7 million were financed by current liabilities of HK\$721.0 million, non-current liabilities of HK\$175.4 million and equity attributable to equity holders of the Company of HK\$1,990.3 million. The Group had a working capital ratio of approximately 1.85:1.

As at 31st December 2021, the Group had an aggregate composite banking facility from banks of approximately HK\$346.6 million (2020: HK\$386.6 million). The Group had pledged land and buildings in an aggregate amount of HK\$166.7 million (2020: HK\$166.7 million) and investment properties with a carrying amount of HK\$54.3 million (2020: HK\$54.3 million) to secure the Group’s bank borrowings. The performance bonds issued by the Group to customers as security of contracts were approximately HK\$102.5 million as at 31st December 2021 (2020: HK\$84.8 million). The Group’s gearing ratio (bank borrowings over equity attributable to equity holders of the Company) was 5.1% as at 31st December 2021 (2020: 6.7%).

### **Material Acquisition and Disposal**

References are made to the announcements of the Company dated 27th January 2021, 31st March 2021, 30th June 2021, 2nd July 2021 and 7th July 2021, and the circular of the Company dated 7th May 2021, in relation to, among other matters, major transaction in relation to the disposal of shares of GDH and closing of partial disposal of GDH’s shares. Unless otherwise stated, capitalized terms used hereinafter shall have the same meanings as those defined in the abovementioned announcements and circular.

Since the lock-up period of GDH common stock held by the Company had been terminated, the Company intended to dispose of GDH Shares to realize its investments in GDH. To allow flexibility in effecting the Future Disposal at appropriate occasions, the Company proposed to seek from its shareholders the Disposal Mandate. The Disposal Mandate constituted a major transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement, circular and shareholders’ approval requirements under Chapter 14 of the Listing Rules. By way of written approval by a shareholder, the Disposal Mandate authorising the Board to effect disposal(s) from time to time during the period of 12 months from 31st March 2021 of up to 7,900,000 GDH Shares (subject to adjustments).

On 30th June 2021 (New York time), GDD International Holding Company (“GDD”), a subsidiary of the Group, GDH and the other Selling Stockholders and the Underwriters entered into the Underwriting Agreement whereby GDD agreed, among others, to sell part of its holding shares of GDH to the Underwriters pursuant to the Disposal Mandate. An aggregate of 6,100,262 GDH Shares were sold severally and not jointly by the Selling Stockholders, among which 4,800,000 GDH Shares were sold by GDD (the “Disposal Shares”).

The closing of the Disposal Shares took place on 6th July 2021 (New York time) (the “Closing”). After deducting commission paid to the Underwriters, the proceeds received by GDD amount to approximately US\$68.7 million (exclusive of other expenses incurred and related taxes). Immediately following the Closing, the number of GDH Shares held by GDD has decreased from 19,490,295 as at 30th June 2021 to 14,690,295. As the Underwriters exercised in full their option to purchase additional shares from GDH, the percentage holding of GDD in GDH has decreased from approximately 35.6% as at 30th June 2021 to approximately 24.4% immediately following the Closing. GDH remains as an associate of the Company.

Save as disclosed above, during the year ended 31st December 2021, neither the Company nor any of its subsidiaries had other 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 year ended 31st December 2020 and 2021.

### **Contingent Liabilities**

As at 31st December 2021, performance bonds of approximately HK\$102.5 million (2020: HK\$84.8 million) had been issued by the bank on behalf of the Group to customers as security of contracts.

### **Capital Commitments**

As at 31st December 2021, the Group had contracted capital commitment in respect of property, plant and equipment of approximately HK\$0.4 million (2020: contracted capital commitment in respect of property, plant and equipment and investment in equity investment of approximately HK\$12.3 million).

### **Major Customers and Suppliers**

During the year ended 31st December 2021, the five largest customers and single largest customer of the Group accounted for approximately 32.1% and 14.4%, respectively, of the Group’s total revenue. The five largest suppliers and single largest supplier of the Group accounted for approximately 45.3% and 13.2%, respectively, of the Group’s purchases.

At no time during the year ended 31st December 2021 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 2021, the Group, excluding its associates, employed 1,294 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 2022 ANNUAL GENERAL MEETING**

The Company will convene the forthcoming annual general meeting on Monday, 30th May 2022. 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 Wednesday, 25th May 2022 to Monday, 30th May 2022, 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 Tuesday, 24th May 2022.

### **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 Friday, 10th June 2022. For determining the entitlement of the final dividend, the register of members of the Company will be closed from Tuesday, 7th June 2022 to Friday, 10th June 2022, 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 Monday, 6th June 2022. The final dividend warrants are expected to be despatched to the qualifying shareholders of the Company on or before Friday, 24th June 2022.

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

During the year ended 31st December 2021, 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 consolidated statement of financial position, the consolidated statement of profit or loss, the consolidated statement of comprehensive income and the related notes thereto of the Group for the year ended 31st December 2021 as set out in the preliminary announcement of the Group’s results for the year ended 31st December 2021 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 2021, 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 2021 except as noted below:

With respect to Code provision E.1.2, Mr. Wang Weihang, the Chairman of the Board, was unable to attend the annual general meeting of the Company held on 26th May 2021 due to other commitments.

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

Hong Kong, 30th March 2022

*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.*