AUTOMATED SYSTEMS HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 771)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31ST DECEMBER 2016

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 2016 together with comparative figures for the year ended 31st December 2015 as follows:

Consolidated Statement of Profit or Loss

		Audited Year ended 31st December	
		2016	2015
	Notes	***HK$'000***	*HK$'000*
Revenue	3	**1,521,985**	1,506,041
Cost of goods sold		**(742,342)**	(748,682)
Cost of services rendered		**(612,958)**	(613,803)
Other income	4	**5,797**	4,537
Other (loss)/gain, net	5	**(3,874)**	2,629
Fair value gain on revaluation of investment properties		**400**	-
Selling expenses		**(70,157)**	(73,389)
Administrative expenses		**(51,085)**	(43,314)
Finance income	6	**545**	478
Finance costs	7	**(793)**	(1,005)
Share of results of associates		**(8,540)**	(5,914)
Profit before income tax	8	**38,978**	27,578
Income tax expense	9	**(10,181)**	(7,874)
Profit for the year attributable to equity holders of the Company		**28,797**	19,704

Consolidated Statement of Profit or Loss (Cont'd)

	Notes	**Audited Year ended 31st December 2016** *HK cents*	2015 *HK cents*
Earnings per share	11		
Basic		**8.21**	5.67*
Diluted		**8.21**	5.64*

* Adjusted for bonus issue of shares in 2016

Consolidated Statement of Comprehensive Income

	Audited Year ended 31st December 2016 *HK$'000*	2015 *HK$'000*
Profit for the year	**28,797**	19,704
Other comprehensive income/(loss):		
Items that will not be reclassified subsequently to profit or loss:		
Revaluation surplus of land and buildings	**11,093**	7,989
Deferred taxation arising from revaluation surplus of land and buildings	**(1,830)**	(1,318)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of overseas operations	**(1,901)**	(5,593)
Reclassification adjustment of translation reserve upon deemed disposal of partial interests in associates	**42**	52
Share of other comprehensive (loss)/income of associates	**(686)**	78
Total comprehensive income for the year attributable to equity holders of the Company	**35,515**	20,912

Consolidated Statement of Financial Position

	Notes	Audited 31st December 2016 HK$'000	2015 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	**276,332**	278,482
Investment properties	13	**50,600**	50,200
Intangible assets		**681**	2,349
Interests in associates		**53,458**	58,382
Finance lease receivables		**4,035**	3,943
Deferred income tax assets		**953**	679
		386,059	394,035
CURRENT ASSETS			
Inventories		**128,414**	106,842
Trade receivables	14	**166,651**	218,282
Finance lease receivables		**4,264**	4,254
Other receivables, deposits and prepayments	15	**21,337**	27,926
Amounts due from customers for contract work		**220,884**	248,647
Other financial asset		**-**	1,180
Tax recoverable		**88**	1,000
Restricted bank deposits	16	**876**	-
Cash and cash equivalents	16	**237,755**	172,955
		780,269	781,086
TOTAL ASSETS		**1,166,328**	1,175,121
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
Share capital		**35,079**	31,875
Share premium		**114,497**	114,305
Reserves		**569,457**	537,170
TOTAL EQUITY		**719,033**	683,350
NON-CURRENT LIABILITIES			
Deferred income tax liabilities		**45,899**	44,510
		45,899	44,510
CURRENT LIABILITIES			
Trade payables	17	**185,380**	244,907
Other payables and accruals	18	**72,909**	63,730
Receipts in advance		**125,660**	117,521
Current income tax liabilities		**7,447**	1,103
Bank borrowings		**10,000**	20,000
		401,396	447,261
TOTAL LIABILITIES		**447,295**	491,771
TOTAL EQUITY AND LIABILITIES		**1,166,328**	1,175,121
NET CURRENT ASSETS		**378,873**	333,825
TOTAL ASSETS LESS CURRENT LIABILITIES		**764,932**	727,860

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Preparation

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

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

The consolidated financial statements have been prepared under the historical cost basis except that the land and buildings, investment properties and financial assets classified as at fair value through profit or loss 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

The accounting policies applied as described in those consolidated financial statements are consistent with those of the financial statements for the year ended 31st December 2015 except for the adoption of the amended HKFRSs as detailed below.

(a) Amended HKFRSs that are effective for the annual periods beginning on or after 1st January 2016:

In the current year, the Group has applied for the first time the following amended HKFRSs issued by the HKICPA, which are effective for the Group's financial statements for the annual period beginning on 1st January 2016:

Amendments to HKAS 1 *Disclosure Initiative*

Amendments to HKAS 16 and HKAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation*

Annual Improvements to HKFRSs 2012 - 2014 Cycle

Amendments to HKAS 1: *Disclosure Initiative*

The amendments are designed to further encourage companies to apply professional judgement in determining what information to disclose in their financial statements. Furthermore, the amendments clarify that companies should use professional judgement in determining where and in what order information is presented in the financial disclosures.

Specifically, the amendments clarify (i) the materiality requirements in HKAS 1, including an emphasis on the potentially detrimental effect of obscuring useful information with immaterial information; (ii) clarify that HKAS 1's specified line items in the statement(s) of profit or loss and other comprehensive income and the statement of financial position can be disaggregated; (iii) add requirements for how an entity should present subtotals in the statement(s) of profit or loss and other comprehensive income and the statement of financial position; (iv) clarify that entities have flexibility as to the order in which they present the notes, but also emphasis that understandability and comparability should be considered by an entity when deciding that order; and (v) remove potentially unhelpful guidance in HKAS 1 for identifying a significant accounting policy.

The amendments also clarify that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

The amendments have had no material impact on these consolidated financial statements.

Amendments to HKAS 16 and HKAS 38: *Clarification of Acceptable Methods of Depreciation and Amortisation*

The amendments introduce a rebuttable presumption to HKAS 38 that the use of revenue-based methods to calculate the amortisation of an intangible asset is not appropriate. This presumption can only be rebutted in the limited circumstances in which the intangible asset is expressed as a measure of revenue or when revenue and the consumption of the economic benefits of the intangible asset are highly correlated. The amendments also prohibit the use of revenue-based methods to calculate the depreciation of property, plant and machinery under HKAS 16.

The amendments have no material impact on these consolidated financial statements as the Group has not used revenue-based methods to calculate the amortisation for its intangible assets and depreciation for its property, plant and equipment.

2. Significant Accounting Policies (Continued)

(a) Amended HKFRSs that are effective for the annual periods beginning on or after 1st January 2016: (Continued)

Annual Improvements to HKFRSs 2012 - 2014 Cycle

The amendments contained in this cycle of annual improvements are detailed below:

- HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations: provides guidance when an entity reclassifies either an asset or a disposal group from held for sale to held for distribution (or vice versa), or when held for distribution accounting is discontinued; and clarifies that these types of changes in plans do not result in a new classification but instead lead to the same classification, presentation and measurement requirements for each type of disposal in HKFRS 5. The amendment has had no significant impact on the Group.

- HKFRS 7 Financial Instruments: provides additional guidance in identifying the circumstances under which a servicing contract is considered to be 'continuing involvement' for the purposes of applying the disclosure requirements for transferred assets. The amendments also clarifies that the additional disclosure required by the amendments to HKFRS 7 on offsetting financial assets and financial liabilities is not specifically required for all interim periods, except where the disclosures provide a significant update to the information reported in the most recent annual report, in which case the disclosures should be included. The amendment has had no significant impact on the Group.

- HKAS 19 Employee Benefits: requires that the currency and term of the corporate or government bonds used to determine the discount rate for post-employment benefit obligations must be consistent with the currency and estimated term of the obligations. The amendments clarify that the assessment of the depth of the corporate bond market shall be made at the currency-level rather than the country-level. The amendment does not have any impact on the Group as the Group does not operate a defined benefit plan.

(b) Issued but not yet effective:

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

Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[1]
Amendments to HKAS 7	*Disclosure Initiative*[1]
Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[2]
HKFRS 9	*Financial Instruments*[2]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKFRS 15	Clarifications to HKFRS 15 *Revenue from Contracts with Customers*[2]
HKFRS 16	*Leases*[3]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]

[1] Effective for annual periods beginning on or after 1st January 2017
[2] Effective for annual periods beginning on or after 1st January 2018
[3] Effective for annual periods beginning on or after 1st January 2019
[4] No mandatory effective date is determined but is available for early adoption

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

2. Significant Accounting Policies (Continued)

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

Amendments to HKFRS 2: *Classification and Measurement of Share-based Payment Transactions*

The amendments clarify the following:

1. The fair value of liabilities for cash-settled share-based payments should be measured using the same approach as for equity-settled share-based payments.
2. Introduce an exception so that a share-based payment transaction with net settlement feature for withholding an amount to cover the employee's tax obligations is classified as equity-settled in its entirety when certain conditions are met, even though the entity is then required to transfer cash (or other assets) to the tax authority to settle the employee's tax obligation.
3. Clarify that on such modification the liability for the original cash-settled share-based payment is derecognised and the equity-settled share-based payment is measured at its fair value and recognised to the extent that the goods or services have been received up to that date. Any difference between the carrying amount of the liability derecognised and the amount recognised in equity at the modification date is recognised in profit or loss immediately.

Amendments to HKFRS 2 is effective for annual periods beginning on or after 1 January 2018. The directors expect that the amendments have no material impact on these consolidated financial statements.

HKFRS 9: *Financial Instruments*

HKFRS 9 *"Financial Instruments"* introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1st January 2018. The Directors have started to assess the impact of HKFRS 9 but are not yet in a position to provide quantified information.

HKFRS 15: *Revenue from Contracts with Customers*

HKFRS 15 presents new requirements for the recognition of revenue, replacing HKAS 18 *Revenue*, HKAS 11 *Construction Contract*s, and several revenue related Interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing HKFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities. The Directors have started to assess the impact of HKFRS 15 but are not yet in a position to provide quantified information.

HKFRS 16: *Leases*

HKFRS 16 "Leases" will replace HKAS 17 and three related Interpretations. Leases will be recorded on the statement of financial position in the form of a right-of-use asset and a lease liability. HKFRS 16 is effective from periods beginning on or after 1st January 2019. The directors are yet to fully assess the impact of HKFRS 16 and therefore is unable to provide quantified information. However, in order to determine the impact the Group are in the process of:

- performing a full review of all agreements to assess whether any additional contracts will now become a lease under HKFRS 16's new definition
- deciding which transitional provision to adopt; either full retrospective application or partial retrospective application (which means comparatives do not need to be restated). The partial application method also provides optional relief from reassessing whether contracts in place are, or contain, a lease, as well as other reliefs. Deciding which of these practical expedients to adopt is important as they are one-off choices
- assessing their current disclosures for finance leases and operating leases as these are likely to form the basis of the amounts to be capitalised and become right-of-use assets
- determining which optional accounting simplifications apply to their lease portfolio and if they are going to use these exemptions

  assessing the additional disclosures that will be required.

3. Revenue and Segment Information

Revenue represents the net amounts received and receivable for goods sold by the Group to outside customers, less returns and allowances, and revenue from service contracts, and is analysed as follows:

	Audited Year ended 31st December	
	2016	2015
	HK$'000	*HK$'000*
Sales of goods	**840,007**	845,774
Revenue from service contracts	**681,978**	660,267
	1,521,985	1,506,041

The Board has been identified as the chief operating decision maker. The Board reviews the Group's internal reporting in order to assess the performance and allocate resources. The Board has determined the operating segments based on the Group's internal reporting.

3. Revenue and Segment Information (Continued)

The Group is currently organised into two (2015: two) operating divisions – Information Technology Products ("IT Products") and Information Technology Services ("IT Services"). These divisions are the basis on which the Group reports its primary segment information to the chief operating decision maker. The business nature of each segment is disclosed as follows:

IT Products

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

IT Services

Being the business of information technology in providing systems integration, software and consulting services, engineering support for products and solutions and managed services.

The accounting policies of the reportable segments are the same as the Group's accounting policies. Performance is measured based on segment profit that is used by the chief operating decision maker for the purposes of resource allocation and assessment of segment performance. Income tax expense is not allocated to reportable segments.

The revenue, profit or loss, assets and liabilities of the Group are allocated based on the operations of the segments.

Reportable segment profit is profit before income tax, excluding unallocated other income, unallocated other (loss)/gain, net, unallocated depreciation for property, plant and equipment that are used for all segments, share of results of associates, unallocated loss on disposal of property, plant and equipment, fair value 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.

Reportable segment assets exclude interests in associates, deferred income tax assets, unallocated restricted bank deposits, unallocated cash and cash equivalents, unallocated corporate assets (mainly include property, plant and equipment and investment properties that are used by all segments, prepayments, deposits, tax recoverable and other financial asset).

Reportable segment liabilities exclude current income tax liabilities, deferred income tax liabilities and unallocated corporate liabilities (mainly include accrued charges of the head office and bank borrowings).

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

Audited
Year ended 31st December 2016

	IT Products	**IT Services**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Revenue from external customers	**840,007**	**681,978**	**1,521,985**
Intersegment revenue	**6,813**	**23,241**	**30,054**
Segment revenue	**846,820**	**705,219**	**1,552,039**
Reportable segment profit	**58,196**	**39,199**	**97,395**
Segment depreciation	**2,258**	**9,766**	**12,024**
Segment amortisation	**-**	**1,668**	**1,668**
Additions to property, plant and equipment	**83**	**3,539**	**3,622**

Audited
Year ended 31st December 2015

	IT Products	IT Services	Total
	HK$'000	*HK$'000*	*HK$'000*
Revenue from external customers	845,774	660,267	1,506,041
Intersegment revenue	17,063	20,308	37,371
Segment revenue	862,837	680,575	1,543,412
Reportable segment profit	39,515	32,355	71,870
Segment depreciation	2,486	9,375	11,861
Segment amortisation	-	1,669	1,669
Additions to property, plant and equipment	103	5,911	6,014

3. Revenue and Segment Information (Continued)

The Group's assets and liabilities by operating segments for the year are presented below:

Audited
As at 31st December 2016

	IT Products	IT Services	Total
	HK$'000	*HK$'000*	*HK$'000*
Reportable segment assets	**231,602**	**310,450**	**542,052**
Reportable segment liabilities	**199,717**	**146,529**	**346,246**

Audited
As at 31st December 2015

	IT Products	IT Services	Total
	HK$'000	*HK$'000*	*HK$'000*
Reportable segment assets	310,386	302,112	612,498
Reportable segment liabilities	240,586	150,133	390,719

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

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

Revenue	**Audited Year ended 31st December**	
	2016	2015
	HK$'000	*HK$'000*
Reportable segment revenue	**1,552,039**	1,543,412
Elimination of intersegment revenue	**(30,054)**	(37,371)
Revenue per consolidated statement of profit or loss	**1,521,985**	1,506,041

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

Profit or loss	**Audited Year ended 31st December**	
	2016	2015
	HK$'000	*HK$'000*
Reportable segment profit	**97,395**	71,870
Unallocated amounts:		
Unallocated other income	**5,474**	2,839
Unallocated other (loss)/gain, net	**(3,874)**	3,102
Fair value gain on revaluation of investment properties	**400**	-
Unallocated loss on disposal of property, plant and equipment	**(173)**	-
Unallocated depreciation	**(5,472)**	(5,667)
Share of results of associates	**(8,540)**	(5,914)
Finance costs	**(793)**	(1,005)
Unallocated corporate expenses	**(45,439)**	(37,647)
Profit before income tax per consolidated statement of profit or loss	**38,978**	27,578

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

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

Assets	**Audited 31st December 2016** *HK$'000*	2015 *HK$'000*
Reportable segment assets	**542,052**	612,498
Unallocated assets:		
Interests in associates	**53,458**	58,382
Deferred income tax assets	**953**	679
Unallocated restricted bank deposits	**876**	-
Unallocated cash and cash equivalents	**237,755**	172,955
Unallocated corporate assets	**331,234**	330,607
Total assets per consolidated statement of financial position	**1,166,328**	1,175,121

Liabilities	**Audited 31st December 2016** *HK$'000*	2015 *HK$'000*
Reportable segment liabilities	**346,246**	390,719
Unallocated liabilities:		
Current income tax liabilities	**7,447**	1,103
Deferred income tax liabilities	**45,899**	44,510
Unallocated corporate liabilities	**47,703**	55,439
Total liabilities per consolidated statement of financial position	**447,295**	491,771

The following table sets out information about the geographical segment location of the Group's revenue from external customers and its non-current assets (other than financial instruments and deferred income tax assets). The geographical location of customers is based on the location at which the services were provided or the goods were delivered. The geographical location of the specified non-current assets is based on the physical location of the asset in the case of property, plant and equipment and investment properties, the location of the operations to which they are allocated in the case of the intangible assets and the location of operations in case of interests in associates.

Place of domicile	**Revenue from external customers Audited Year ended 31st December 2016** *HK$'000*	2015 *HK$'000*
Hong Kong	**1,422,442**	1,381,303
Mainland China	**3,371**	5,789
Macau	**25,302**	59,882
Thailand	**51,008**	30,747
Taiwan	**19,862**	28,320
	1,521,985	1,506,041

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

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

Place of domicile	Specified non-current assets Audited 31st December **2016** *HK$'000*	2015 *HK$'000*
Hong Kong	**378,654**	388,414
Mainland China	**823**	181
Macau	**1,113**	120
Thailand	**107**	138
Taiwan	**374**	560
	381,071	389,413

4. **Other Income**

	Audited Year ended 31st December **2016** *HK$'000*	2015 *HK$'000*
Interest on bank deposits	**40**	54
Rental income from investment properties	**3,639**	2,956
Rental income from sublease	**311**	294
Bad debt recovery	**185**	-
Others	**1,622**	1,233
	5,797	4,537

5. **Other (Loss)/ Gain, Net**

	Audited Year ended 31st December **2016** *HK$'000*	2015 *HK$'000*
Loss on disposal of property, plant and equipment	**(182)**	(19)
Gain on deemed disposal of partial interests in associates	**5,714**	5,281
Provision for customers' claim	**(9,630)**	-
Exchange gain/(loss), net	**224**	(2,633)
	(3,874)	2,629

6. **Finance Income**

Finance income represents accretion of discount recognised upon initial recognition of finance lease receivables to their fair values (2015: same).

7. **Finance Costs**

	Audited Year ended 31st December **2016** *HK$'000*	2015 *HK$'000*
Interest on bank borrowings	**549**	865
Other interest expenses	**244**	140
	793	1,005

8. Profit Before Income Tax

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

	Audited Year ended 31st December	
	2016	2015
	HK$'000	*HK$'000*
Auditors' remuneration:		
Audit services		
- Current year	**1,238**	1,255
- Underprovision in respect of prior year	**62**	104
Non-audit services	**460**	477
Depreciation and amortisation:		
Property, plant and equipment	**17,496**	17,528
Intangible assets (included in cost of services rendered)	**1,668**	1,669
Directors' emoluments	**5,587**	6,750
Employee benefit expenses (excluding Directors' emoluments)	**430,213**	415,599
Professional fees for proposed acquisition	**5,575**	-
Operating lease rentals in respect of:		
Office premises	**6,863**	7,340
Computer equipment	**418**	418
Provision for impairment of trade receivables	**4,187**	274
Provision for impairment of amounts due from customers for contract work	**-**	18
Provision for customers' claim	**9,630**	-
Reversal of provision for impairment of trade receivables	**(4)**	(158)
Addition/(Reversal) of provision for obsolete inventories, net	**69**	(49)

9. Income Tax Expense

	Audited Year ended 31st December	
	2016	2015
	HK$'000	*HK$'000*
Current taxation:		
Hong Kong profits tax	**10,723**	4,388
Overseas taxation	**509**	70
(Over)/Under-provision in respect of prior years:		
Hong Kong profits tax	**(223)**	816
Overseas taxation	**(114)**	(31)
	10,895	5,243
Deferred taxation:		
Current year	**(714)**	2,631
Income tax expense	**10,181**	7,874

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profits for the year. Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries and regions in which the Group operates.

10. Dividends

	Audited Year ended 31st December 2016 HK$'000	2015 HK$'000
Dividends recognised as distribution during the year:		
Final dividend in respect of the year ended 31st December 2014 of 2.5 HK cents per share	-	7,908

The Directors did not recommend the payment of a final dividend for the year ended 31st December 2016 (2015: Nil).

11. Earnings Per Share

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

	Audited Year ended 31st December 2016 HK$'000	2015 HK$'000
Earnings for the purpose of basic and diluted earnings per share	**28,797**	19,704

	Number of shares 2016 '000	2015 '000
Weighted average number of ordinary shares for the purpose of basic earnings per share	**350,770**	347,396 *
Effect of deemed issue of shares under the Company's share option scheme	**132**	1,864 *
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**350,902**	349,260

* Adjusted for bonus issue of shares during the year ended 31st December 2016.

12. Property, Plant and Equipment

During the year ended 31st December 2016, the additions of property, plant and equipment, mainly for computer and office equipment and furniture and fixtures was approximately HK$4,507,000 (2015: HK$9,624,000).

During the year ended 31st December 2016, the Group disposed of certain property, plant and equipment at the carrying amount of approximately HK$218,000 (2015: HK$66,000), resulting in a loss on disposal of approximately HK$182,000 (2015: loss of HK$19,000).

The Group's land and buildings were stated at valuations made at 31st December 2016. The land and buildings were last revalued by an independent professional valuer at 31st December 2016 at market value basis which is determined by reference to market evidence of recent transactions for similar properties. The valuation gave rise to a revaluation surplus net of applicable deferred income taxes of HK$9,263,000 (2015: HK$6,671,000) which has been credited to the property revaluation reserve.

As at 31st December 2016, 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$42,165,000 (2015: HK$44,230,000).

As at 31st December 2016, the Group had pledged land and buildings with a carrying amount of HK$107,250,000 (2015: HK$105,450,000) to secure banking facilities granted to the Group.

13. Investment Properties

The investment properties of the Group were last revalued by an independent professional valuer at 31st December 2016 at market value basis, which is determined by reference to market evidence of recent transactions for similar properties (2015: same).

As at 31st December 2016 and 2015, none of the investment properties were pledged to secure banking facilities granted to the Group.

14. Trade Receivables

	Audited 31st December 2016 *HK$'000*	2015 *HK$'000*
Trade receivables - gross	**171,432**	218,880
Less: provision for impairment	**(4,781)**	(598)
Trade receivables - net	**166,651**	218,282

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.

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

	Audited 31st December 2016 *HK$'000*	2015 *HK$'000*
Current	**101,214**	128,235
Within 30 days	**30,194**	50,118
31 - 60 days	**18,371**	14,535
61 - 90 days	**6,449**	6,292
Over 90 days	**15,204**	19,700
	171,432	218,880

15. Other Receivables, Deposits and Prepayments

	Audited 31st December 2016 *HK$'000*	2015 *HK$'000*
Other receivables	**4,711**	5,093
Deposits	**4,681**	5,667
Prepayments	**11,882**	15,564
Amount due from the immediate holding company	**13**	13
Amount due from an associate	**50**	1,589
	21,337	27,926

16. Restricted Bank Deposits and Cash and Cash Equivalents

Bank balances carry interest at market rates with an average interest rate of 0.01% (2015: 0.12%) per annum. Restricted bank deposits as at 31st December 2016 carried interest at market rates with an average interest rate of 0.42% (2015: Nil) per annum.

As at 31st December 2016, restricted bank deposit of approximately HK$487,000 (2015: Nil) was pledged to secure the performance bonds of the Group.

17. Trade Payables

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

	Audited 31st December 2016	2015
	HK$'000	*HK$'000*
Current	**122,983**	158,126
Within 30 days	**49,507**	58,112
31 - 60 days	**4,679**	15,268
61 - 90 days	**1,187**	2,355
Over 90 days	**7,024**	11,046
	185,380	244,907

18. Other Payables and Accruals

	Audited 31st December 2016	2015
	HK$'000	*HK$'000*
Other payables	**3,524**	4,855
Accruals	**58,673**	56,669
Provision for customers' claim	**9,630**	-
Amount due to the ultimate holding company	**318**	55
Amounts due to associates	**764**	2,151
	72,909	63,730

19. Pledge of Assets

As at 31st December 2016, land and buildings with a carrying amount of HK$107,250,000 (2015: HK$105,450,000) were pledged to secure the banking facilities granted to the Group.

As at 31st December 2016, restricted bank deposits of approximately HK$487,000 (2015: Nil) were pledged to secure the performance bonds of the Group.

20. Events After The Reporting Date

(i) Rights issue

On 12th January 2017, the Board announced that the Company proposed to raise gross proceeds of approximately HK$192,934,000 to approximately HK$193,218,000 by issuing not less than 175,394,450 rights shares and not more than 175,652,950 rights shares of HK$0.1 each at the subscription price of HK$1.10 per rights share on the basis of one rights share for every two existing shares held on the record date (i.e. 27th January 2017) ("Rights Issue"). The prospectus regarding the Rights Issue was published on 3rd February 2017. The Rights Issue was completed on 27th February 2017 and 175,394,450 rights shares were issued. The details of the results of the Rights Issue were set out in the Company's announcement dated 24th February 2017. The Rights Issue therefore has no impact on the consolidated financial statements for the year ended 31st December 2016.

(ii) Convertible bonds and increase in authorised share capital

On 12th January 2017, the Company and GF Securities (Hong Kong) Brokerage Limited (the "Placing Agent") entered into the conditional placing agreement. The Placing Agent has conditionally agreed to procure, on a best efforts basis, placee(s) to subscribe for the convertible bonds in an aggregate principal amount of up to HK$350,000,000 (the "Convertible Bonds") at the issue price equal to 100% of the principal amount of the Convertible Bonds due on the third anniversary of the date of issue, with the conversion rights to convert the principal amount thereof into shares (the "Conversion Share(s)") at the initial price of HK$1.20 (subject to adjustments) per Conversion Share.

In addition, the Board has resolved to increase the authorised share capital of the Company from HK$60,000,000 divided into 600,000,000 shares to HK$100,000,000 divided into 1,000,000,000 shares by the creation of an additional 400,000,000 shares ("Increase in Authorised Share Capital"), which shall rank pari passu with all other shares in issue as at the date on which the conversion rights to be attached to the Convertible Bonds are exercised and be entitled to all dividends, bonus and other distributions on the record date of which falls on a date on or after such conversion date.

Details of the Convertible Bonds and the Increase in Authorised Share Capital are set out in the Company's circular dated 24th February 2017. The Convertible Bonds and the Increase in Authorised Share Capital have been passed the ordinary resolutions by the Company's shareholders ("Shareholder(s)") at the special general meeting ("SGM") held on 13th March 2017. The Convertible Bonds with an aggregate principal amount of HK$350,000,000 have been successfully placed to two placees on 21st March 2017 and the details of the completion of the placing of Convertible Bonds are set out in the Company's announcement dated 21st March 2017. The Convertible Bonds and the Increase in Authorised Share Capital therefore have no impact on the consolidated financial statements for the year ended 31st December 2016.

20. Events After The Reporting Date (Continued)

(iii) Acquisition of Grid Dynamics International, Inc.

On 19th December 2016, the Board announced that the Company and Grid Dynamics International, Inc. ("Grid Dynamics") entered into an agreement and plan of merger ("Merger Agreement"). The Company agreed to acquire Grid Dynamics with a total cash consideration of up to approximately USD118,000,000 (equivalent to approximately HK$915,267,000), which is subject to the terms and conditions set out in the Merger Agreement ("Acquisition"). Details of the Acquisition are set out in the Company's circular dated 6th March 2017. The Acquisition is conditional upon passing an ordinary resolution by the Shareholders at the SGM to be held on 22nd March 2017. The Acquisition therefore has no impact on the consolidated financial statements for the year ended 31st December 2016.

(iv) Bonus issue

On 21st March 2017, the Directors recommended a bonus issue ("Bonus Issue") of shares of par value HK$0.1 each in the capital of the Company ("Bonus Share(s)") on the basis of one (1) Bonus Share, credited as fully paid, for every ten (10) existing shares held by the Shareholders whose names appear on the register of members on Monday, 29th May 2017. The Bonus Issue is conditional upon the passing of an ordinary resolution by the Shareholders at the forthcoming annual general meeting, the Listing Committee of The Stock Exchange granting listing of, and permission to deal in, the Bonus Shares and compliance with the relevant legal procedures and requirements (if any) under the applicable laws of Bermuda and the Bye-laws of the Company.

(v) Bank Loan

On 15th March 2017, the company drew the new banking facilities which require the pledge of land and buildings with carrying amount of HK$155,250,000 and investment properties with carrying amount of HK$50,600,000 as at 31st December 2016.

(vi) Adoption of new share option scheme

On 24th February 2017, the Company announced that the Board proposed to adopt a new share option scheme (the "New Share Option Scheme") in view that the old share option scheme was expired on 7th August 2012. The New Share Option Scheme will be valid and effective for a period of time to be determined by the Board at its absolute discretion and notified by the Board to each grantee as being the period during which an option may be exercised and in any event such period of time shall not exceed a period of ten (10) years commencing from the date on which the New Share Option Scheme is deemed to take effect in accordance with its terms.

The adoption of New Share Option Scheme has been passed an ordinary resolution by the Shareholders at the SGM held on 13th March 2017.

DIVIDEND

The Directors did not recommend the payment of a final dividend for the year ended 31st December 2016 (2015: Nil).

PROPOSED BONUS ISSUE OF SHARES

The Directors have resolved to recommend the Bonus Issue on the basis of one (1) Bonus Share, credited as fully paid, for every ten (10) existing shares held by the Shareholders whose names appear on the register of members on Monday, 29th May 2017. The Bonus Issue is conditional upon the passing of an ordinary resolution by the Shareholders at the forthcoming annual general meeting, the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Bonus Shares and compliance with the relevant legal procedures and requirements (if any) under the applicable laws of Bermuda and the Bye-laws of the Company. Subject to the aforementioned conditions, the share certificates for the Bonus Shares are expected to be despatched to the qualifying Shareholders by ordinary post at their own risk on or before Wednesday, 14th June 2017. A circular containing further details of the Bonus Issue will be sent to the Shareholders in due course.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

For the year ended 31st December 2016, total revenue of the Group was HK$1,522.0 million, representing a 1.1% increase from last year, which was contributed by the increase in service revenue. As compared with last year, product sales was decreased by 0.7% to HK$840.0 million while service revenue was increased by 3.3% to HK$682.0 million. For the year ended 31st December 2016, product sales and service revenue contributed 55.2% and 44.8% to total revenue respectively.

For the year ended 31st December 2016, commercial and public sector sales contributed 48.4% and 51.6% to total revenue respectively, compared to 45.9% and 54.1% last year.

Gross profit margin for the year ended 31st December 2016 was 11.0%, an increase of 14.9% compared to last year. Such increase was mainly attributable to the ongoing implementation of various measures relating to human resources integration, effectiveness of operational efficiency and marketing promotion.

With respect to other (loss)/gain, net for the year ended 31st December 2016, the Group recorded an one-off gain of HK$5.7 million due to the deemed disposal of the Group's partial interests in associates. Besides, the Group had adopted a prudent approach in making provisions for the potential customers' claim of HK$9.6 million that might incur due to termination of business contracts, details of which were disclosed in the Company's announcements dated 19th March 2014 and 21st May 2014.

Administrative expenses for the year ended 31st December 2016 was HK$51.1 million, an increase of 17.9% compared to last year. Such increase was mainly due to the professional fees of HK$5.6 million incurred for proposed acquisition of Grid Dynamics.

After inclusion of aforesaid non-recurring items which were not incurred in the ordinary course of the Group's business, the Group recorded profit attributable to the Company's equity holders of HK$28.8 million during the year under review, a rise of 46.1% compared to last year of HK$19.7 million.

For the year ended 31st December 2016, orders newly secured by the Group amounted to approximately HK$1,602.5 million. As at 31st December 2016, the order book balance was approximately HK$963.4 million, an increase of 7.4% from HK$897.1 million of last year. The Group's cash stood at approximately HK$237.8 million with a working capital ratio of 1.94:1. The Group maintained a healthy financial position and outstanding borrowings amounted to HK$10.0 million as at 31st December 2016.

Business Review

The Group, continuously focusing on five key solutions and services pillars (i.e. Infrastructure, Security, Data Intelligence, Mobile and Cloud) in 2016, has been consistent in its development strategy and has made remarkable progress during the year.

The Board recommended a bonus issue ("Bonus Issue") of shares of HK$0.1 each in the capital of the Company on the basis of one (1) bonus share ("Bonus Shares"), credited as fully paid, for every ten (10) existing shares held by the shareholders of the Company whose names appear on the register of members on Monday, 29th May 2017. It is believed that the Bonus Issue will enhance the liquidity on capital level.

In respect of the managed service business, the result was particularly impressive. As there is an increasing demand for enhancing operational efficiency from the public and private sectors in Hong Kong and the Greater China region, the Group has successfully introduced a "customer-oriented" concept to various locally-based enterprises through providing long-term Information Technology ("IT") managed services and those enterprises may outsource their IT support and management operations to third party. This has considerably increased the business flexibility of those enterprises and, with the performance pledge made by the Group, further increased their support service standard and coverage.

During the year, the Group is committed to serving various organizations in both public and private sectors and completing various IT-related large-scale projects. The Group has performed particularly well in private sector projects and implemented multiple data center upgrade projects for different enterprises (including a large-scale software-defined networking project). In addition, as one of the few competitive managed security services providers in the market, the Group continued to leverage its capabilities during the year to achieve satisfactory progress in the security solutions business and successfully help many enterprises in preventing their IT system from damaging by new types of network attacks.

As a strategy to meet customers' buoyant demand for IT Service Management (ITSM), the Group expanded its Service Center in the first half of 2016 and further upgraded its IT infrastructure in the second half of the year, with a view to improve efficiency and quality of its Service Center and enhance its capability in the provision of one-stop IT managed service support for customers. The establishment and upgrading of the Service Center further demonstrates the Group's competency to implement more large-scale and sophisticated projects, and also underscores the Group's determination to grasp the aforementioned emerging opportunities in managed services.

Outlook and Prospects

New generation of digital technologies (including Cloud, Mobile, Big Data and Analytics and Social Business) (collectively referred to as the "third platform" technologies as defined by International Data Corporation (IDC)) are growing rapidly and becoming increasingly popular in its adoption across industries. This shows that traditional IT enterprise and applications architecture will not be able to meet the long-term needs of companies for digital technologies. During the year, more and more companies leveraged the third platform technologies to develop new mission-critical business applications and services to reduce costs, streamline operational procedures and improve business agility. In view of market demands, the Group entered into an agreement and plan of merger (the "Acquisition") on 16th December 2016 with Grid Dynamics, a company incorporated in California in the United States, and agreed to acquire Grid Dynamics at a total consideration of approximately US$118 million in order to expand its business footprint and consolidate its market position. Grid Dynamics is a provider of open, scalable, next-generation e-commerce technology solutions in the areas of omni-channel digital platforms, cloud-enablement, big data analytics and continuous delivery. The Group is expected to quickly capture the opportunities arising from the third platform technology through the Acquisition. Upon the completion of the Acquisition, Grid Dynamics will become a wholly-owned subsidiary of the Group. Closing of the Acquisition is based on a number of conditions, including obtaining the approval from the Committee on Foreign Investment in the United States. The transaction is expected to be completed in the first half of 2017, details of which are set out in the announcement dated 19th December 2016 and the circular dated 6th March 2017 of the Group respectively.

With the popularity and rapid development of the third platform technologies, the Group anticipates that more and more customers will take the service-oriented architecture approach as a priority when purchasing hardware and software. Meanwhile, enterprises are expected to further widely use cloud platforms and cloud services as their primary infrastructure and corporate application services respectively, which will drive the development of their cloud-related business and cloud services outsourcing. In addition, enterprises will also place great importance to data and network security (in the areas including IT infrastructure covering on premise, virtual and cloud environments) in the course of their cloud deployment. All of these are the opportunities for us, where also lie the challenges.

With the development of new technologies and change of consumer behavior pattern, the Group also expected that there would be more and more enterprises requiring faster service deliveries to meet the ever-changing needs of their customers. In view of this, the Group conducted internal trainings on DevOps (the combination of a new superior IT service delivery and agile application development methodologies) to increase the efficiency of the Group's application development, improve its quality and reduce risks by enhancing technical expertise and automating the application deployment, so as to capture business opportunities. On the other hand, the Group adopted Agile development to speed up the overall service delivery process and enable customers of the Group to meet market needs promptly.

In response to the new business ecosystem emerging in the IT industry, the Group is of the view that IT service providers should make appropriate transformation and change according to changes of demand. The Group is required to have the ability to provide a comprehensive service, which includes integrating the cloud, mobile, analytics and security services into a flexible, people-oriented and innovative service, to ensure the smooth digital transformation of customers. In addition, as enterprises currently still have certain demands on the traditional infrastructure and related services, the Group would continue to leverage its core competitiveness (including rich experience on systems integration and a strong professional team) on the second platform, and through a series of initiatives on the uplift of technical competency and services quality so as to flexibly cater the needs of digital transformation of the customers and safeguard their data security. In the long run, the Group anticipates to quickly become a major IT service provider on the third platform in the Greater China region through the Acquisition. Looking forward, the Group will strenuously consolidate its leading position in the IT industry and leverage its competitiveness through the development of innovative technologies and grasping new opportunities (including omni-channel digital platforms, e-Commerce and Fintech, etc.).

Financial Resources and Liquidity
As at 31st December 2016, the Group's total assets of HK$1,166.3 million were financed by current liabilities of HK$401.4 million, non-current liabilities of HK$45.9 million and shareholders' equity of HK$719.0 million. The Group had a working capital ratio of approximately 1.94:1.

As at 31st December 2016, the Group had an aggregate composite banking facility from banks of approximately HK$170.0 million (2015: HK$180.0 million). The Group had pledged land and buildings of HK$107.3 million (2015: HK$105.5 million) and restricted bank deposits HK$0.5 million (2015: Nil) for banking facility and performance bonds granted to the Group respectively. The performance bonds issued by the Group to customers as security of contracts were approximately HK$62.6 million as at 31st December 2016 (2015: HK$52.3 million). The Group's gearing ratio (total borrowings over total equity) was 1.4% as at 31st December 2016 (2015: 2.9%).

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 2016 (2015: same).

Contingent Liabilities
As at 31st December 2016, the Group had HK$0.5 million restricted bank deposits held as security for performance bonds (2015: Nil). As at 31st December 2016, performance bonds of approximately HK$62.6 million (2015: HK$52.3 million) had been issued by the bank on behalf of the Group to customers as security of contracts.

The Group is involved in disputes arising in the ordinary course of business. In accordance with the Group's policies, the Group will make a provision for a liability when it has a present obligation as a result of a past event, it is probable that an outflow of resources will be required from the Group to settle the obligation and the amount can be reasonably estimated. Having reviewed outstanding claims of the Group, a provision for customers' claim of HK$9.6 million was consequently recognised in profit or loss within other (loss)/gain, net. The Directors are of the opinion that adequate provisions have been made in the consolidated financial statement for the year ended 31st December 2016.

The Group reviews these provisions in conjunction with any related provisions on assets related to the claims and adjusts these provisions to reflect the impacts of negotiations, settlements, rulings, advice of legal counsel and other pertinent information related to the case. Should developments in any of these matters cause a change in the Group's determination as to an unfavourable outcome and result in the need to recognise a material provision, or, should any of these matters result in a final adverse judgment or be settled for significant amounts, they could have an adverse effect on the Group's results of operations, cash flows, and financial position in the year or years in which such a change in determination, settlement or judgment occurs.

Capital Commitments
As at 31st December 2016, the Group had contracted capital commitments amounting to approximately HK$0.1 million (2015: HK$0.2 million).

Major Customers and Suppliers
During the year ended 31st December 2016, the five largest customers and single largest customer of the Group accounted for approximately 24.1% and 7.1%, respectively, of the Group's revenue. The five largest suppliers and single largest supplier of the Group accounted for approximately 34.2% and 9.1%, respectively, of the Group's purchases.

At no time during the year ended 31st December 2016 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 2016, the Group, excluding its associates, employed 1,269 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 options scheme.

CLOSURE OF REGISTER OF MEMBERS FOR 2017 ANNUAL GENERAL MEETING
The Company will convene the forthcoming annual general meeting on Wednesday, 17th May 2017. 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, 12th May 2017 to Wednesday, 17th May 2017, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to determine the entitlement to attend and vote at the forthcoming annual general meeting, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 11th May 2017.

CLOSURE OF REGISTER OF MEMBERS FOR PROPOSED BONUS ISSUE
The Proposed Bonus Issue is subject to the approval of the Shareholders at the forthcoming annual general meeting. The record date for entitlement to the proposed Bonus Issue is Monday, 29th May 2017. For determining the entitlement of the Bonus Shares, the register of members of the Company will be closed from Wednesday, 24th May 2017 to Monday, 29th May 2017, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the Bonus Shares, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 23rd May 2017. The share certificates for the Bonus Shares are expected to be despatched to the qualifying shareholders of the Company on or before Wednesday, 14th June 2017.

Subject to fulfillment of the conditions precedent of the Bonus Issue, dealings in shares of the Company are on a cum-entitlement basis with respect to the Bonus Issue up to Friday, 19th May 2017. From Monday, 22nd May 2017, dealings in shares of the Company will be on an ex-entitlement basis with respect to the Bonus Issue.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES
During the year ended 31st December 2016, 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 2016 have been agreed by the Group's auditor, Grant Thornton Hong Kong, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Grant Thornton Hong Kong in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by HKICPA and consequently no assurance has been expressed by Grant Thornton Hong Kong on the preliminary announcement.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. The Company has made specific enquiry of all Directors regarding any non-compliance with the Model Code during the year ended 31st December 2016, 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 2016 except as noted below:

(a) with respect to Code provision A.6.7, one Non-Executive Director did not attend the annual general meeting of the Company held on 18th May 2016 (the "2016 AGM") due to other commitments; and

(b) with respect to Code provision E.1.2, Mr. Li Wei, the Chairman of the Board was unable to attend the 2016 AGM due to other commitments.

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

Hong Kong, 21st March 2017

As at the date of this announcement, the Board comprises Mr. Wang Weihang and Mr. Wang Yueou being Executive Directors; Mr. Li Wei and Mr. Cui Yong being Non-Executive Directors; and Mr. Pan Xinrong, Mr. Deng Jianxin and Ms. Ye Fang being Independent Non-Executive Directors.