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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 2014

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 2014 together with comparative figures for the year ended 31st December 2013 as follows:

Consolidated Income Statement

	<i>Note</i>	Audited	
		Year ended	
		31st December	
		2014	2013
		HK\$'000	HK\$'000
Revenue	3	1,433,921	1,612,958
Cost of goods sold		(732,265)	(811,281)
Cost of services rendered		(587,406)	(651,179)
Other income	4	5,277	6,351
Other gain/(loss), net	5	43,165	(2,084)
Fair value gain on revaluation of investment properties		6,658	6,600
Selling expenses		(70,354)	(71,160)
Administrative expenses		(46,945)	(66,956)
Finance income	6	925	1,415
Finance costs	7	(1,414)	(1,633)
Share of results of associates		(21,973)	563
Profit before income tax	8	29,589	23,594
Income tax expense	9	(1,125)	(6,314)
Profit for the year		28,464	17,280
Attributable to:			
Equity holders of the Company		28,495	17,280
Non-controlling interests		(31)	-
		28,464	17,280

Consolidated Income Statement (Cont'd)

	<i>Note</i>	Audited	
		Year ended	
		31st December	
		2014	2013
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share attributable to equity holders of the Company	11		
Basic and diluted		9.15	5.55

Consolidated Statement of Comprehensive Income

	Audited	
	Year ended	
	31st December	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the year	28,464	17,280
Other comprehensive income/(loss):		
<i>Items that will not be reclassified subsequently to profit or loss:</i>		
Revaluation surplus of leasehold land and buildings	42,482	40,004
Deferred taxation arising from revaluation surplus of leasehold land and buildings	(7,010)	(6,600)
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of overseas operations	(2,448)	(2,201)
Reclassification adjustment of translation reserve upon disposal of subsidiaries	(451)	-
Share of other comprehensive loss of associates	(202)	-
Total comprehensive income for the year	60,835	48,483
Attributable to:		
Equity holders of the Company	60,866	48,483
Non-controlling interests	(31)	-
	60,835	48,483

Consolidated Balance Sheet

		Audited	
		31st December	
		2014	2013
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment	12	278,485	236,823
Investment properties	13	50,200	43,000
Intangible assets		4,018	5,906
Goodwill		-	-
Interests in associates		63,569	877
Finance lease receivables		5,184	12,932
Deferred income tax assets		3,345	320
		<u>404,801</u>	<u>299,858</u>
CURRENT ASSETS			
Inventories		125,239	124,225
Trade receivables	14	179,417	210,963
Finance lease receivables		10,015	18,055
Other receivables, deposits and prepayments	15	24,521	16,999
Amounts due from customers for contract work		271,058	241,928
Tax recoverable		6,052	4,152
Restricted bank deposits	16	781	48
Cash and cash equivalents	16	130,439	114,661
		<u>747,522</u>	<u>731,031</u>
Assets of disposal group classified as held for sale		-	84,201
		<u>747,522</u>	<u>815,232</u>
TOTAL ASSETS		<u>1,152,323</u>	<u>1,115,090</u>
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
Share capital		31,186	31,140
Share premium		105,528	104,947
Reserves		526,123	472,560
TOTAL EQUITY		<u>662,837</u>	<u>608,647</u>
NON-CURRENT LIABILITIES			
Deferred income tax liabilities		43,228	35,458
		<u>43,228</u>	<u>35,458</u>
CURRENT LIABILITIES			
Trade payables	17	228,632	224,208
Other payables and accruals	18	56,479	47,262
Receipts in advance		118,004	115,356
Current income tax liabilities		1,143	2,972
Short-term borrowings		42,000	49,257
		<u>446,258</u>	<u>439,055</u>
Liabilities of disposal group classified as held for sale		-	31,930
		<u>446,258</u>	<u>470,985</u>
TOTAL LIABILITIES		<u>489,486</u>	<u>506,443</u>
TOTAL EQUITY AND LIABILITIES		<u>1,152,323</u>	<u>1,115,090</u>
NET CURRENT ASSETS		<u>301,264</u>	<u>344,247</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>706,065</u>	<u>644,105</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”). The consolidated financial statements have been prepared under the historical cost basis except that the leasehold land and buildings and investment properties are stated at fair value.

The preparation of consolidated financial statements in conformity with HKFRS 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

Except as described below, 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 2013.

(a) New standards, amendments or interpretations mandatory for the first time for the financial year beginning 1st January 2014:

HKAS 32 (Amendments), “Offsetting financial assets and financial liabilities”. The amendments clarify the application of certain offsetting criteria in HKAS 32, including the meaning of ‘currently has a legally enforceable right of set-off’ and that some gross settlement systems may be considered equivalent to net settlement. The amendments have been applied retrospectively in accordance with their transitional provisions. As the Group does not currently present any of its financial assets and financial liabilities on a net basis using the provisions of HKAS 32, these amendments had no material effect on the consolidated financial statements for any period presented.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011), “Investment Entities”. The amendments include the definition of ‘investment entity’ and provide an exception to the consolidation requirements in HKFRS 10. Investment entities are required to measure their subsidiaries at fair value through profit or loss, rather than consolidate them. The amendments also set out disclosure requirements for investment entities. The amendments do not have an impact on the consolidated financial statements as the Company is not an investment entity.

Amendments to HKAS 36, “Recoverable Amount Disclosures for Non-Financial Assets”. The amendments clarify the requirements to disclose the recoverable amount of an asset (or cash generating unit) whenever an impairment loss has been recognised or reversed in the period. In addition, they introduce several new disclosures required to be made when the recoverable amount of impaired asset (or cash generating unit) is based on fair value less costs of disposal. The amendments had no material effect on the consolidated financial statements as the Group has not recognised or reversed an impairment loss of non-financial assets during the year.

Amendments to HKAS 39, “Novation of Derivatives and Continuation of Hedge Accounting”. The amendments allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulations, if specific conditions are met. The amendments had no material effect on the consolidated financial statements as the Group does not have any derivatives.

HK(IFRIC)-Int 21, “Levies”. The interpretation provides guidance on when a liability to pay a levy imposed by governments, other than income taxes, should be recognised and clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The interpretation had no material effect on the consolidated financial statements as they are consistent with the policies adopted by the Group.

(b) New standards, amendments or interpretations issued but are not effective for the financial year beginning 1st January 2014 and have not been early adopted:

HKFRS 9 (2014)	Financial instruments
HKFRS 15	Revenue from Contracts with Customers

The adoption of the other new standards, amendments or interpretations that are not yet effective would be expected to have no material impact on the consolidated financial statements of the Group.

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	
	2014	2013
	HK\$'000	HK\$'000
Sales of goods	805,602	890,469
Revenue from service contracts	628,319	722,489
	1,433,921	1,612,958

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

The Group is currently organised into two (2013: 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, other gain or loss, net, share of results of associates, gain or loss on disposal of property, plant and equipment, unallocated depreciation for property, plant and equipment that are used for all segments, fair value gain on revaluation of investment properties, finance costs, and other 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, investment properties and part of intangible assets that are used by all segments, prepayments, deposits and tax recoverable) and assets of disposal group classified as held for sale.

Reportable segment liabilities exclude current income tax liabilities, deferred income tax liabilities, unallocated corporate liabilities (mainly include accrued charges of the head office and short-term borrowings) and liabilities of disposal group classified as held for sale.

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

Audited

Year ended 31st December 2014

	<u>IT Products</u> <i>HK\$'000</i>	<u>IT Services</u> <i>HK\$'000</i>	<u>Total</u> <i>HK\$'000</i>
Revenue from external customers	805,602	628,319	1,433,921
Intersegment revenue	51,959	22,241	74,200
Segment revenue	857,561	650,560	1,508,121
Reportable segment profit	19,281	26,255	45,536
Segment depreciation	1,317	8,292	9,609
Segment amortisation	-	988	988
Additions to property, plant and equipment	625	7,549	8,174
Additions to intangible assets	-	153	153

Audited

Year ended 31st December 2013

	<u>IT Products</u> <i>HK\$'000</i>	<u>IT Services</u> <i>HK\$'000</i>	<u>Total</u> <i>HK\$'000</i>
Revenue from external customers	890,469	722,489	1,612,958
Intersegment revenue	28,182	30,238	58,420
Segment revenue	918,651	752,727	1,671,378
Reportable segment profit	31,903	49,617	81,520
Segment depreciation	1,483	10,448	11,931
Segment amortisation	-	3,116	3,116
Additions to property, plant and equipment	235	3,267	3,502
Additions to intangible assets	-	7,237	7,237

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

Audited

As at 31st December 2014

	<u>IT Products</u> <i>HK\$'000</i>	<u>IT Services</u> <i>HK\$'000</i>	<u>Total</u> <i>HK\$'000</i>
Reportable segment assets	304,441	316,909	621,350
Reportable segment liabilities	237,243	130,643	367,886

Audited

As at 31st December 2013

	<u>IT Products</u> <i>HK\$'000</i>	<u>IT Services</u> <i>HK\$'000</i>	<u>Total</u> <i>HK\$'000</i>
Reportable segment assets	325,471	305,971	631,442
Reportable segment liabilities	214,365	134,999	349,364

(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	
	2014	2013
	HK\$'000	HK\$'000
Reportable segment revenue	1,508,121	1,671,378
Elimination of intersegment revenue	(74,200)	(58,420)
Revenue per consolidated income statement	<u>1,433,921</u>	<u>1,612,958</u>

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

Profit or loss	Audited	
	Year ended	
	31st December	
	2014	2013
	HK\$'000	HK\$'000
Reportable segment profit	45,536	81,520
Unallocated amounts:		
Unallocated other income	4,340	5,524
Unallocated other gain/(loss), net	43,385	(2,017)
Fair value gain on revaluation of investment properties	6,658	6,600
Unallocated loss on disposal of property, plant and equipment	(68)	(6)
Unallocated depreciation	(5,410)	(5,398)
Share of results of associates	(21,973)	563
Finance costs	(1,414)	(1,633)
Unallocated corporate expenses	(41,465)	(61,559)
Profit before income tax per consolidated income statement	<u>29,589</u>	<u>23,594</u>

Assets	Audited	
	31st December	
	2014	2013
	HK\$'000	HK\$'000
Reportable segment assets	621,350	631,442
Unallocated assets:		
Interests in associates	63,569	877
Deferred income tax assets	3,345	320
Unallocated restricted bank deposits	781	48
Unallocated cash and cash equivalents	130,439	114,661
Unallocated corporate assets	332,839	283,541
Assets of disposal group classified as held for sale	<u>1,152,323</u>	<u>1,030,889</u>
	-	84,201
Total assets per consolidated balance sheet	<u>1,152,323</u>	<u>1,115,090</u>

Liabilities	Audited	
	31st December	
	2014	2013
	HK\$'000	HK\$'000
Reportable segment liabilities	367,886	349,364
Unallocated liabilities:		
Current income tax liabilities	1,143	2,972
Deferred income tax liabilities	43,228	35,458
Unallocated corporate liabilities	77,229	86,719
	489,486	474,513
Liabilities of disposal group classified as held for sale	-	31,930
Total liabilities per consolidated balance sheet	489,486	506,443

The Group's businesses and segment assets are all located in the respective place of domicile of the relevant group entities which include Hong Kong, China, Macau, Singapore, Taiwan and Thailand.

Place of domicile	Revenue from	
	external customers	
	Audited	
	Year ended	
	31st December	
	2014	2013
	HK\$'000	HK\$'000
Hong Kong	1,268,410	1,350,839
China	14,066	67,894
Macau	70,957	55,983
Singapore	2,550	49,645
Taiwan	47,881	52,619
Thailand	29,882	28,909
Others	175	7,069
	1,433,921	1,612,958

Place of domicile	Specified non-current assets	
	Audited	
	31st December	
	2014	2013
	HK\$'000	HK\$'000
Hong Kong	394,603	284,663
China	418	692
Macau	894	925
Taiwan	136	20
Thailand	221	306
	396,272	286,606

4. Other Income

	Audited Year ended 31st December	
	2014	2013
	HK\$'000	HK\$'000
Sundry income	1,814	1,961
Interest on bank deposits	69	156
Rental income from investment properties	2,609	2,594
Rental income from sublease	159	-
Government grants	-	827
Others	626	813
	<u>5,277</u>	<u>6,351</u>

5. Other Gain/(Loss), Net

	Audited Year ended 31st December	
	2014	2013
	HK\$'000	HK\$'000
Deferred consideration payable		
- Fair value loss	-	(16)
Exchange loss, net	(2,365)	(2,218)
Gain on disposal of subsidiaries	44,666	-
Gain on disposal of intangible assets	827	-
Gain on disposal of property, plant and equipment	37	150
	<u>43,165</u>	<u>(2,084)</u>

6. Finance Income

Finance income represents accretion of discount recognised upon initial recognition of finance lease receivables to their fair values (2013: same).

7. Finance Costs

	Audited Year ended 31st December	
	2014	2013
	HK\$'000	HK\$'000
Interest on loan from the immediate holding company	-	125
Interest on loan from a fellow subsidiary	-	12
Interest on short-term bank borrowings wholly repayable within one year	636	1,103
Other interest expenses	778	393
	<u>1,414</u>	<u>1,633</u>

8. Profit Before Income Tax

	Audited Year ended 31st December	
	2014	2013
	HK\$'000	HK\$'000
Profit before income tax is arrived at after charging/(crediting):		
Auditors' remuneration:		
Current year	1,456	1,758
Underprovision in respect of prior year	41	3
Depreciation and amortisation:		
Property, plant and equipment	15,019	17,329
Intangible assets (included in cost of services rendered)	988	3,116
Directors' remuneration	5,670	10,734
Employee benefit expenses (excluding directors' remuneration)	421,683	475,118
Inventories written off	5,952	-
Operating lease rentals in respect of:		
Office premises	8,360	9,328
Computer equipment	209	-
Provision for impairment of trade receivables	12	562
Provision for impairment of amounts due from customers for contract work	7,303	-
Reversal of provision for impairment of trade receivables	(328)	(175)
(Reversal of provision)/provision for obsolete inventories	(154)	303

9. Income Tax Expense

	Audited Year ended 31st December	
	2014	2013
	HK\$'000	HK\$'000
Current taxation:		
Hong Kong profits tax	4,198	4,331
Overseas taxation	229	984
(Over)/under-provision in respect of prior years:		
Hong Kong profits tax	(78)	(184)
Overseas taxation	(957)	615
	3,392	5,746
Deferred taxation:		
Current year	(2,267)	568
Income tax expense	1,125	6,314

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 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	
2014	2013
HK\$'000	HK\$'000

Dividends recognised as distribution during the year:

Final dividend in respect of the year ended 31st December 2012 of
5.0 HK cents per share

-	15,570
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Dividends proposed:

Final dividend in respect of the year ended 31st December 2014 of
2.5 HK cents per share

7,797	-
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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 profit attributable to equity holders of the Company of HK\$28,495,000 (2013: HK\$17,280,000) and the weighted average number of ordinary shares 311,431,000 shares (2013: 311,403,000 shares).

Diluted earnings per share for the years ended 31st December 2014 is the same as the basic earnings per share as there is no dilutive effect of potential ordinary shares outstanding (2013: same).

12. Property, Plant and Equipment

During the year ended 31st December 2014, the additions of property, plant and equipment, mainly for computers and office equipment, was approximately HK\$15,088,000 (2013: HK\$4,295,000).

During the year ended 31st December 2014, the Group disposed of certain property, plant and equipment at the carrying amount of HK\$170,000 (2013: HK\$274,000), resulting in a gain on disposal of HK\$37,000 (2013: gain of HK\$150,000).

The Group's leasehold land and buildings were stated at valuations made at 31st December 2014. The leasehold land and buildings were last revalued by an independent professional valuer at 31st December 2014 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 HK\$35,472,000 (2013: HK\$33,404,000) which has been credited to the property revaluation reserve.

As at 31st December 2014, if the leasehold 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\$46,004,000 (2013: HK\$48,365,000).

The Group's interest in leasehold land represents finance lease payments held in Hong Kong between 10 to 50 years.

As at 31st December 2014, the Group had pledged leasehold land and buildings with a carrying amount of HK\$259,650,000 (2013: HK\$224,400,000) 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 2014, on the basis of market value (2013: same).

As at 31st December 2014, the Group had pledged investment properties with a carrying amount of HK\$50,200,000 (2013: HK\$43,000,000) to secure banking facilities granted to the Group.

14. Trade Receivables

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

	Audited 31st December	
	2014	2013
	HK\$'000	HK\$'000
Trade receivables - gross	179,899	211,761
Less: provision for impairment	(482)	(798)
Trade receivables - net	<u>179,417</u>	<u>210,963</u>

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

	Audited 31st December	
	2014	2013
	HK\$'000	HK\$'000
Current	104,010	133,836
Within 30 days	34,516	30,035
31 - 60 days	13,777	23,885
61 - 90 days	8,725	9,597
Over 90 days	18,871	14,408
	<u>179,899</u>	<u>211,761</u>

15. Other Receivables, Deposits and Prepayments

	Audited 31st December	
	2014	2013
	HK\$'000	HK\$'000
Other receivables	4,843	1,524
Deposits	5,658	7,895
Prepayments	13,859	7,551
Amount due from the ultimate holding company	113	-
Amount due from the immediate holding company	13	13
Amount due from an associate	35	16
	<u>24,521</u>	<u>16,999</u>

16. Restricted Bank Deposits and Cash and Cash Equivalents

Restricted bank deposits represented fixed term deposits placed in commercial banks that were pledged against banking facilities and performance bonds granted to the Group.

Bank balances and restricted bank deposits carry interest at market rates with average interest rates of 0.36% and 1.00% (2013: 0.13% and 0.63%) per annum respectively.

17. Trade Payables

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

	Audited 31st December	
	2014	2013
	HK\$'000	HK\$'000
Current	148,309	145,817
Within 30 days	53,630	44,089
31 - 60 days	17,308	21,380
61 - 90 days	1,909	2,590
Over 90 days	7,476	10,332
	228,632	224,208

18. Other Payables and Accruals

	Audited 31st December	
	2014	2013
	HK\$'000	HK\$'000
Other payables	4,595	3,135
Accruals	40,512	39,336
Amount due to the ultimate holding company	-	239
Amount due to a fellow subsidiary	9,230	2,712
Amounts due to associates	2,142	1,840
	56,479	47,262

19. Pledge of Assets

As at 31st December 2014, the Group's leasehold land and buildings of HK\$259,650,000 (2013: HK\$224,400,000) and investment properties of HK\$50,200,000 (2013: HK\$43,000,000) were pledged to secure the banking facilities of the Group.

As at 31st December 2014, the Group's restricted bank deposits of HK\$781,000 (2013: HK\$48,000) were pledged to secure the banking facilities and performance bonds of the Group.

DIVIDEND

The Directors have resolved to recommend the payment of a final dividend of 2.5 HK cents per share for the year ended 31st December 2014. Subject to the approval of shareholders at the forthcoming annual general meeting, the proposed dividend will be paid on or before 16th June 2015 to shareholders whose names appear on the register of members of the Company on 2nd June 2015 (2013: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial results

For the year ended 31st December 2014, profit attributable to equity holders of the Company was approximately HK\$28.5 million, representing an increase of HK\$11.2 million or 64.7%, compared to last year. The basic earnings per share was 9.15 HK cents, increased by 64.9% as compared to last year. Such increases were primarily due to the one-off gain on deemed disposal of the Group's partial interests in a subsidiary, i-Sprint Innovations Pte Ltd ("i-Sprint") and the Group's continuous efforts in enhancing the operational efficiency during the year.

For the year ended 31st December 2014, product sales and service revenue were HK\$805.6 million and HK\$628.3 million, lower by 9.5% and 13.0% respectively compared to last year. Product sales and service revenue contributed 56.2% and 43.8% to total revenue respectively, compared to 55.2% and 44.8% last year.

During the year under review, revenue of the Group was HK\$1,433.9 million, lower by HK\$179.0 million compared to last year. Gross profit margin was 8.0%, a decline of 1.3% compared to last year. The declines in revenue and gross profit margin were due to a combination of factors including increasingly acute competition of Information Technology (IT) market and de-consolidation of i-Sprint's financial results from the accounts of the Group since 12th February 2014, following the deemed disposal of the Group's partial interests in i-Sprint.

With respect to other income for the year ended 31st December 2014, the Group recorded an one-off gain of HK\$44.7 million due to the deemed disposal of the Group's partial interests in i-Sprint. Details of the deemed disposal are disclosed in the Company's announcements dated 28th January 2014, 4th February 2014 and 12th February 2014. Following the completion of investment from a strategic investor, i-Sprint recorded a loss for the year ended 31st December 2014 due to i-Sprint having a strategic planning on business development, which resulted in an expected sharing of loss of associates by the Group for the year under review.

During the year under review, a business contract of a wholly-owned subsidiary of the Group had been terminated, details of which are disclosed in the Company's announcements dated 19th March 2014 and 21st May 2014. As a result, the Group had adopted a prudent approach in making provisions for the potential financial impact that might incur. The possible impact arising from the termination of the business contract on the Group's results for future financial periods is subject to negotiation.

The aforesaid one-off gain and the effectiveness of operational efficiency enhancement were partially offset by the share of loss of associates and the prudent approach adopted on making certain provisions for the termination of the business contract.

For the year ended 31st December 2014, orders newly secured by the Group amounted to approximately HK\$1,537.6 million, representing a decrease of 8.9% as compared to last year. As at 31st December 2014, the order book balance was approximately HK\$783.3 million, a decrease of 6.8% compared to last year. The Group's net cash stood at approximately HK\$130.4 million with a working capital ratio of 1.68:1. The Group maintained a healthy balance sheet and outstanding borrowings amounted to approximately HK\$42.0 million as at 31st December 2014. The above comparative amounts excluded orders, cash and cash equivalents and short-term borrowings of disposal group classified as held for sale.

Business Review

Despite the fact that the business environment remained challenging in 2014, we strived to stand out ourselves and continued receiving significant IT solutions and services orders from public and commercial sectors, exemplifying a proud past of 40 plus years of strong foundation which cultivates a diverse pool of IT expertise that meets customer's needs. During the year under review, the Group continued to secure numerous sizable government or quasi-government projects. It is worth noting that the Company has been awarded a long-term managed services tender for providing a 5 years personal computer support services to a statutory body who has been our long-standing customer. The awarded tender is synchronized with the Group's direction with service provisions in compliance with international standards while expanding services business.

In the aspect of solutions business, the Group is pleased with the joint success achieved by working closely with i-Sprint, an associate of the Company and a regional leader in Identity, Credential and Access Management (ICAM) solution services, in securing increasingly significant deals from security intensive financial institutions and major customers in Asia. Our joint success also expanded to the education sector by garnering security deals with two renowned universities.

Leveraging our strong domain expertise, the Group successfully obtained a number of industry-specific solutions orders with the application of multi-vendor technologies, including the provision of business intelligence solutions and services for one of the world's leading independent aircraft engineering and maintenance groups, a large-scale revamp of a point-of-sales system for an international clothing company and the implementation of a core IT network for a new building of a non-profit-making private hospital in Hong Kong.

Outlook and Prospects

To deal with the market challenges and strengthen our market position as a trustworthy and professional IT partner, the Group focused its efforts on refining and implementing new strategies in the second half of 2014. Notably, we have defined our IT solutions and services to 5 strategic focus areas of Infrastructure, Security, Data Intelligence, Mobile and Cloud ("5 Focused Solutions and Services"). Infrastructure is positioned as the foundation for our business, while Security is identified as the intersecting pillar and core focus among them.

The convergence of cloud computing, social and mobile technologies together with the challenges in managing and safeguarding big data create great potential markets for security business. According to a recent study of International Data Corporation (IDC), the overall Asia/Pacific (excluding Japan) IT security market would increase at a Compound Annual Growth Rate (CAGR) of 11.4% to US\$6.2 billion in 2017.

We will continue securing our leading position in systems integration in Hong Kong while focusing on developing our security business which will be one of our strategic growth areas.

Winning together with i-Sprint not only signified the Group's investment in i-Sprint is successful, but also its expansion strategy is on the right track. In the early 2015, we have already been in close discussion with our partners and customers in using application software (Apps) embedded with i-Sprint's products and received positive feedback. The Company will continue to leverage intellectual property and the proven records of i-Sprint, and our 40 plus years of solid foundation to provide world-class security solutions. In addition, we will invest to enhance our security business operation.

To further strengthen its leading position in regional IT and security markets, the Group made a strategic investment by officially launching a leading-edge IT solutions center, Automated Center of Excellence (the "ACoE") at its Hong Kong headquarters on 9th January 2015. Covering approximately 10,000 square feet with 7 main areas, the ACoE is designed with multi-vendor interoperability for partners and customers to experience the aforesaid 5 Focused Solutions and Services. It can also be served as a comprehensive business center, offering a professional business environment for meetings, products and solutions demonstrations, proof-of-concept, trainings, workshops and seminars using the latest technologies. The Group believes that the ACoE is a unique platform to provide an impressive and informative experience to partners and customers by offering an opportunity to see, feel and touch the integrated solutions we offer.

In addition, the Group foresees that the growth momentum in industries such as retail, healthcare and aviation will continue and the demand for products and solutions from them will remain strong in foreseeable future. Hence, the Group will continue to customise industry-specific solutions for partners and customers by using our 5 Focused Solutions and Services.

IT is a service-oriented business and greatly relies on high quality personnel. As such, we keep building an open and dynamic environment that will enhance teamwork and communication as well as to equip and drive our employees to innovate in order to provide the best service to our regional customers.

Looking ahead, we will continue to work closely with our huge network of world-leading partners, streamline our operation process as well as create greater synergies with our ultimate holding company, Beijing Teamsun Technology Co., Ltd. With the refined strategic focuses, invested facilities and enhanced talent pool, the Group believes that the stage is ready for us to move up the value chain and to seek new growth opportunities.

Financial Resources and Liquidity

As at 31st December 2014, the Group's total assets of HK\$1,152.3 million were financed by current liabilities of HK\$446.3 million, non-current liabilities of HK\$43.2 million and shareholders' equity of HK\$662.8 million. The Group had a working capital ratio of approximately 1.68:1.

As at 31st December 2014, the Group had an aggregate composite banking facility from banks of approximately HK\$310.8 million (2013: HK\$310.0 million). The Group had pledged leasehold land and buildings and investment properties in an aggregate amount of HK\$309.9 million (2013: HK\$267.4 million) and restricted bank deposits of approximately HK\$0.8 million (2013: HK\$0.1 million) for banking facilities and performance bonds granted to the Group respectively. The performance bonds issued by the Group to customers as security of contracts were approximately HK\$46.5 million as at 31st December 2014 (2013: HK\$44.0 million). The Group's gearing ratio (total borrowings over total equity) was 6.3% as at 31st December 2014 (2013: 8.1%), the calculated gearing ratio excluded short-term borrowings of disposal group classified as held for sale.

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 short-term bank borrowings, excluding short-term borrowings of disposal group classified as held for sale, 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 2014 (2013: same).

Contingent Liabilities

As at 31st December 2014, bank deposits held as security for banking facilities and performance bonds amounted to approximately HK\$0.8 million (2013: HK\$0.1 million). As at 31st December 2014, performance bonds of HK\$46.5 million (2013: HK\$44.0 million) had been issued by the bank on behalf of the Group to customers as security of contracts.

Corporate guarantee to vendors as security for goods supplied to the Group amounted to approximately HK\$44.5 million as at 31st December 2014 (2013: HK\$44.5 million). The amount utilised against goods supplied as at 31st December 2014 which was secured by the corporate guarantee was approximately HK\$0.3 million (2013: HK\$1.1 million).

Capital Commitments

As at 31st December 2014, the Group had contracted capital commitments amounting to approximately HK\$1.2 million (2013: nil).

Major Customers and Suppliers

During the year ended 31st December 2014, the five largest customers and single largest customer of the Group accounted for approximately 23.6% and 8.0%, respectively, of the Group's revenue. The five largest suppliers and single largest supplier of the Group accounted for approximately 39.0% and 9.5%, respectively, of the Group's purchases.

At no time during the year ended 31st December 2014 did a Director, an associate of a Director or a shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) has an interest in any of the Group's five largest customers or suppliers.

Employee and Remuneration Policies

As at 31st December 2014, the Group, excluding its associates, employed 1,284 permanent and contract staff in Hong Kong, China, Taiwan, Macau, Thailand, Singapore and Malaysia. 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

The register of members of the Company will be closed from 28th May 2015 to 2nd June 2015, both days inclusive, during which period no transfer of shares of the Company will be effected. In order to qualify for the proposed 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 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on 27th May 2015. The final dividend warrants will be despatched on or before 16th June 2015.

2015 ANNUAL GENERAL MEETING

The Company will convene the forthcoming annual general meeting on 20th May 2015, and the register of members of the Company will be closed from 15th May 2015 to 20th May 2015, both days inclusive, during which period no transfer of shares of the Company will be effected. 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 14th May 2015.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31st December 2014, 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, internal control 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 2014 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 the Hong Kong Institute of Certified Public Accountants 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 2014, 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 2014 except as noted below:

- (a) with respect to Code provision A.4.1, all Non-Executive Directors of the Company are not appointed for a specific term but are subject to retirement by rotation and re-election in accordance with the Company’s Bye-laws; and
- (b) with respect to Code provision D.1.4, the Company did not have formal letters of appointment for all Non-Executive Directors. However, the terms of references have set out the work scope of the Board’s committees and delegation made by the Board in respect of the responsibilities of the Non-Executive Directors in such Board’s committees.

By Order of the Board
Leung Tat Kwong, Simon
Chief Executive Officer

Hong Kong, 19th March 2015

As at the date of this announcement, the Board comprises Mr. Leung Tat Kwong, Simon and Mr. Wang Weihang being Executive Directors; Mr. Hu Liankui being Non-Executive Director; and Ms. Young Meng Ying, Mr. Lu Jiaqi and Ms. Xu Peng being Independent Non-Executive Directors.