

AUTOMATED

A Member of the Teamsun Group

Automated Systems Holdings Limited

自動系統集團有限公司*

(Incorporated in Bermuda with Limited Liability)

Stock Code : 771

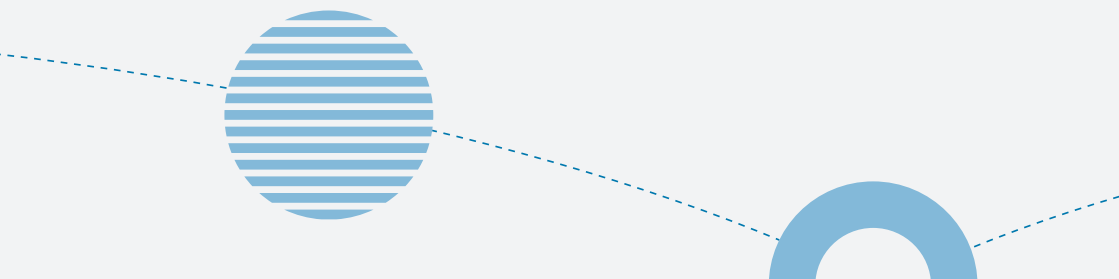
INTERIM REPORT

For the six months ended 30th June 2021



Hong Kong • Mainland China • United States • Europe • Taiwan • Macau • Thailand • Singapore • Malaysia

* For identification purpose only



2021 INTERIM RESULTS OVERVIEW

01

Group Performance Overview

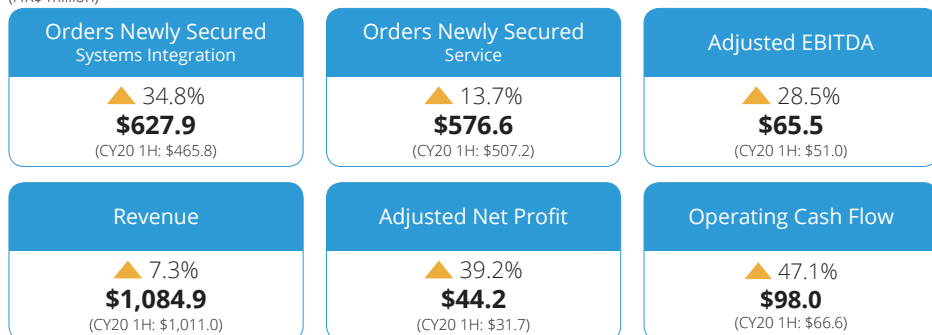
Summary

- 1 The Group's revenue recorded HK\$1,084.9 million, **a period-over-period growth of 7.3%**
- 2 The Group core business's (Asia Pacific region) **adjusted EBITDA had a significant increase of 28.5%**, demonstrating its solid foundation under the pandemic
- 3 Revenue of business of major associate (GDH) recorded **a period-over-period growth of 58.3%**
- 4 The Group completed the partial disposal of GDH shares and received **cash of approximately US\$68.7 million** (net of underwriter's commission but before deduction of tax payment and exclusion of other expenses) on 6th July 2021 (New York time). The relevant gain from the disposal is expected to be reflected in the second half of the year and offset the book loss in the first half of the year resulted from the exercise of warrants and stock options initiated by GDH and vesting of shares under the incentive plan adopted after its listing
- 5 In view of the capital return from partial disposal of GDH shares, the Board of Directors has resolved to recommend the payment of **a special dividend of 24.0 HK cents per share** in return for shareholders. In addition, the remaining funds will also be used to support the Group's business growth investment, including plans to invest in the new business mentioned below, the Greater Bay Area, and the search for high-quality investment opportunities within the Asia Pacific region, etc. Therefore, **the Board of Directors made this capital arrangement after taking a weighed consideration of both the shareholder returns and continuous investment**

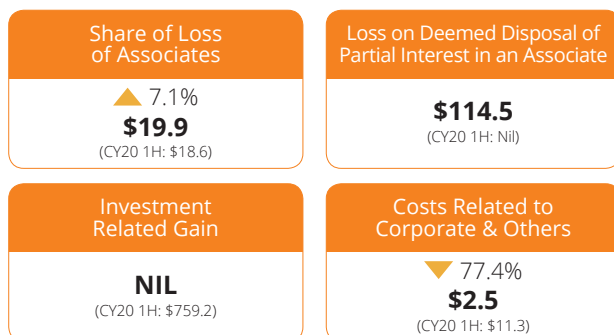
Group Performance Highlights

Core Business Performance

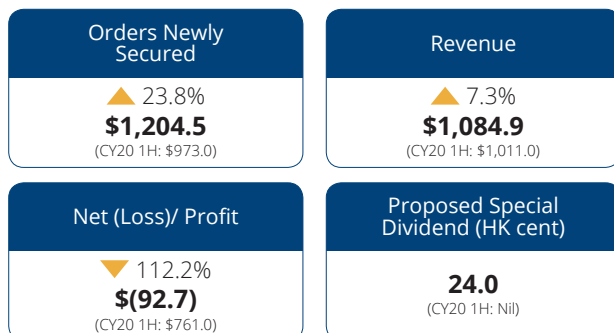
(HK\$ million)



Performance of Non-Operating Items



ASL Group Consolidation



The Group's net loss for the period will be offset by the gain of partial disposal of GDH shares in the second half of this year.

Stable Performance from 3 Core Businesses
constituting an adjusted EBITDA of 63.7%



Empower

Innovative
Solutions Business

Win cases

- Provided continuous IT support to the Government's **epidemic monitoring system** since last year
- Further helped various **Hong Kong Government departments** join the "**iAM Smart**" **mobile app** for building a Smart City
- Flexibly leveraged resources from the **Offshore Delivery Excellence Center** (ODEC) to provide more flexible services to a government bureau
- Continuous provision of excellent application solutions and **Robotic Process Automation (RPA)**



Secure

Intelligent
Cybersecurity
Services Business

Win cases

- Introduced **DevSecOps** to one of the largest local charitable organizations, to ensure its new private cloud services has a full lifecycle **Container Security Protection** from development to production stages
- Received a three-year wired and wireless network order from the **largest public healthcare institution** in Hong Kong
- Security Operation Center (SOC) business **expanded into the international school market in education industry**



Manage

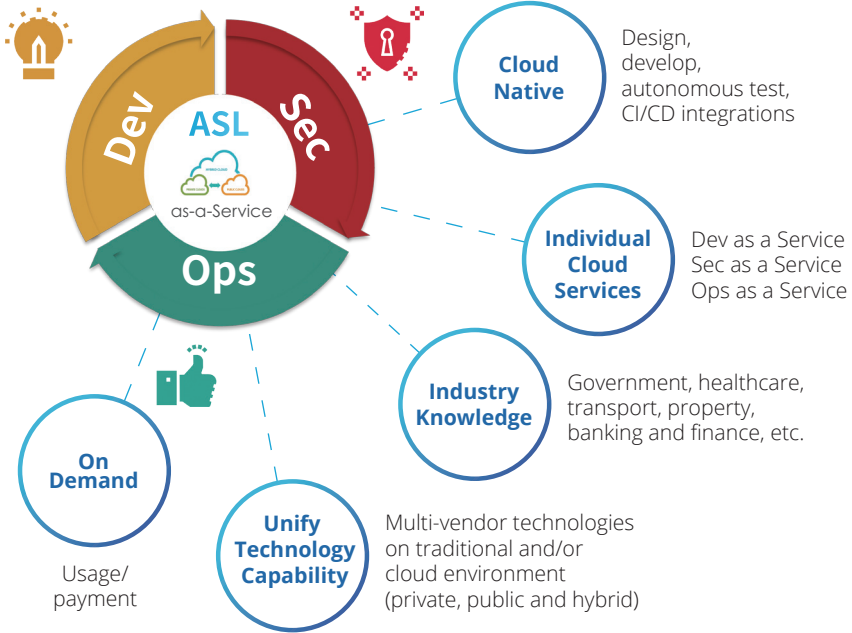
Integrated
Managed
Service Business

Win cases

- **Significant increase** in ITSM managed services projects, dominating the overall performance
- Provided IT support swiftly to the Hong Kong Government **in fighting against the pandemic**
- Received a **large-scale mobile device management** solution project

New Business Investment

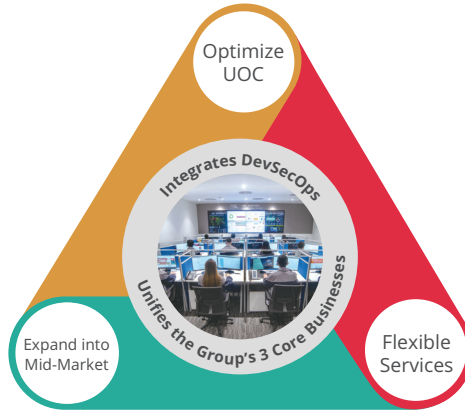
In the second half of the year, as-a-Service will be launched to meet the market's demand for DevSecOps, assisting customers in digital transformation



Customer Stickiness ↗

Stable Recurrent Revenue ↗

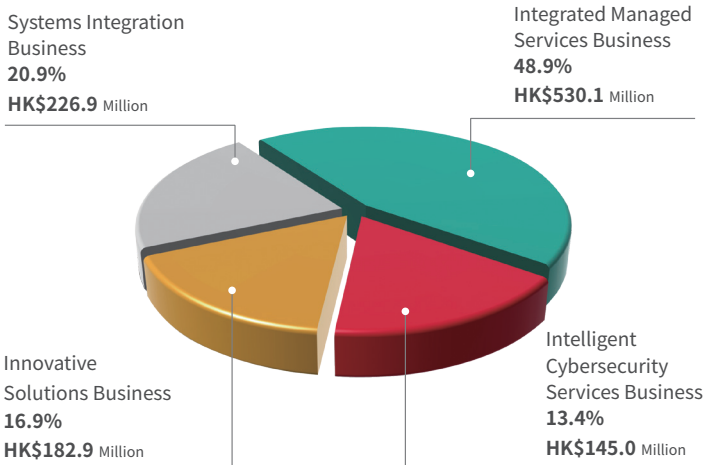
Increased investments in UOC,
a one-stop cloud-native managed services
platform, that provides as-a-Service



04

Revenue Distribution - Asia Pacific Region

Revenue Performance in Asia Pacific Region



GDH business demonstrates growth momentum

Bolstering advantages through continual acquisitions

Revenue

US\$**86.8** Million

Period-over-period Growth

58.3%

Non-GAAP EBITDA

US\$**15.0** Million

Period-over-period Growth

253.4%

After deducting **US\$9.3 million** of revenue from the recent Daxx and Tacit Knowledge acquisitions for the three months ended 30th June 2021, GDH's second quarter revenue reached US\$38.4 million, **hitting a record high for GDH.**



Acquired Tacit Knowledge, a Pitney Bowes (NYSE: PBI) owned company, in May 2021. It is a UK-based global consultancy provider of end-to-end digital commerce solutions, enhancing GDH's digital commerce capabilities



Non-retail industry revenue accounted for 75.1% of GDH's revenue in the first half of the year. Technology, media and telecommunications industries accounted for 35.2% of GDH's revenue in the first half of the year, and recorded a period-over-period increase of 38.4%, comprising GDH's largest industry sector

Core Businesses

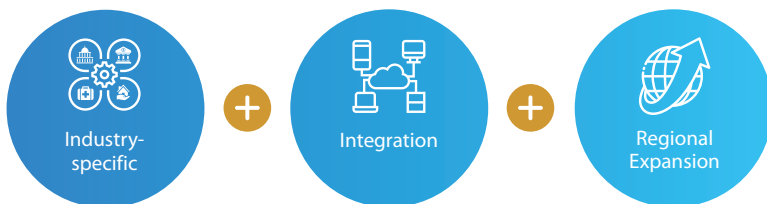
- Closely monitor the impact of the pandemic, external political situation, economic environment, and the government spending on IT budget on customers' procurement behaviours, so as to respond promptly with corresponding measures
- Will make the best efforts to ensure normal post-epidemic operation
- In view of the Asia Pacific business
 - The severe shortage of local IT talents accelerates customers' demands for IT managed service and as-a-Service
 - To meet the overheated needs of talents, not only will the Group optimize its internal recruitment structure, but also speed up its pursue of talents in response to the development positioning and talent policy of the Greater Bay Area while augmenting the Group's capability to meet the market demand for agile delivery development
- In view of the new arena for business growth
 - The pandemic has driven the heightened enterprises' demand for and investment in remote centralized IT management system
 - As one of the few service providers that can manage different cloud environments, the Group will harness its DevSecOps integration capabilities and promote one-stop managed services through UOC
 - Continuous transformation and enhancement, with emphasis on scientific research
 - The cloud-native as-a-Service is expected to be launched in the second half of the year, bringing a brand-new multi-cloud management experience to customers
 - The Group has magnified its investment in cybersecurity business in the Greater Bay Area

Non-operating Items

- The Group completed the partial disposal of the shares of GDH and received cash of approximately US\$68.7 million (net of underwriter's commission but before deduction of tax payment and exclusion of other expenses) on 6th July 2021 (New York time), the related gain from the disposal is expected to be reflected in the second half of the year and offset the book loss from the exercise of warrants and stock options initiated by GDH and vesting of shares under the incentive plan adopted after the listing in the first half of the year
- Plan to dispose partial shares in GDH at an appropriate time in the future to realize the investment for business development

Strive to be a Professional and Trustworthy Unified Technology Service Partner

To integrate various technologies and products using our rich industry domain knowledge so as to fit customer application scenarios; to use regional layout for market expansion adhering to the footsteps of customer's business growth



GDH: Grid Dynamics Holdings, Inc., an associate of the Group

Adjusted EBITDA: Adjusted Earnings Before Interest, Taxes, Depreciation, and Amortizations (Adjusted EBITDA) is calculated based on (loss)/profit for the period from operations in Asia Pacific excluding interest income and expenses, tax, depreciation, equity-settled share-based payments expense, share of results of associates, gain on disposal of a subsidiary, loss on deemed disposal of partial interests in an associate, waiver of intercompany balances with disposed subsidiary and one-off professional fees

Adjusted Net Profit: Adjusted Net Profit is calculated based on (loss)/profit for the period from operations in Asia Pacific excluding overseas withholding tax, interest income and expenses, equity-settled share-based payments expense, share of results of associates, gain on disposal of a subsidiary, loss on deemed disposal of partial interests in an associate, waiver of intercompany balances with disposed subsidiary, one-off professional fees and tax impacts of these adjustments

Investment Related Gain: Mainly represent the gain on disposal of a subsidiary and overseas withholding tax

Costs Related to Corporate and Others: Mainly represent the one-off professional fees and finance costs

Systems Integration: Being the business of information technology in supplying of information technology and associated products

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

CY20 1H: Representing the first six months of calendar year 2020

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

WANG Weihang (*Chairman*)
WANG Yueou (*Chief Executive Officer*)

NON-EXECUTIVE DIRECTOR

CUI Yong

INDEPENDENT NON-EXECUTIVE DIRECTORS

PAN Xinrong
DENG Jianxin
OR Siu Ching, Rerina

AUDIT COMMITTEE

DENG Jianxin (*Chairman*)
PAN Xinrong
OR Siu Ching, Rerina

REMUNERATION COMMITTEE

PAN Xinrong (*Chairman*)
DENG Jianxin
OR Siu Ching, Rerina

NOMINATION COMMITTEE

WANG Weihang (*Chairman*)
PAN Xinrong
DENG Jianxin

MANAGEMENT COMMITTEE

WANG Yueou (*Chairman*)
WANG Weihang
CUI Yong

INVESTMENT COMMITTEE

WANG Weihang (*Chairman*)
WANG Yueou
PAN Xinrong
DENG Jianxin

COMPANY SECRETARY

NGAN Wai Hing

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited

SOLICITORS

Jones Day
Woo Kwan Lee & Lo

AUDITOR

Grant Thornton Hong Kong Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Ocorian Management (Bermuda) Limited
Victoria Place, 5th Floor,
31 Victoria Street,
Hamilton HM 10, Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
Level 54, Hopewell Centre,
183 Queen's Road East,
Hong Kong

SHARE LISTING

The Stock Exchange of Hong Kong Limited
Stock Code: 771

REGISTERED OFFICE

Victoria Place, 5th Floor,
31 Victoria Street,
Hamilton HM 10, Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

15th Floor, Topsail Plaza,
11 On Sum Street,
Shatin, New Territories,
Hong Kong

INDEPENDENT REVIEW REPORT



**TO THE BOARD OF DIRECTORS OF
AUTOMATED SYSTEMS HOLDINGS LIMITED**
(incorporated in Bermuda with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 4 to 29, which comprises the condensed consolidated statement of financial position of Automated Systems Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) as of 30th June 2021 and the related condensed consolidated statement of profit or loss, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and other explanatory notes.

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

Grant Thornton Hong Kong Limited

Certified Public Accountants

Level 12
28 Hennessy Road
Wanchai
Hong Kong

25th August 2021

Lam Yau Hing

Practising Certificate No.: P06622

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30th June 2021

	Notes	Unaudited Six months ended 30th June	
		2021 HK\$'000	2020 HK\$'000
Continuing operations			
Revenue	6	1,084,881	1,011,032
Cost of goods sold		(533,735)	(486,291)
Cost of services rendered		(433,811)	(420,886)
Other income	7	2,079	3,063
Other loss, net	8	(114,601)	(3,121)
Selling expenses		(40,177)	(39,440)
Administrative expenses		(25,864)	(28,584)
Finance income	9	154	178
Finance costs		(2,211)	(6,050)
Share of results of associates		(19,911)	(18,592)
(Loss)/Profit before income tax	10	(83,196)	11,309
Income tax expense	11	(9,534)	(20,918)
Loss for the period from continuing operations		(92,730)	(9,609)
Discontinued operations			
Profit for the period from discontinued operations	12(a)	-	770,654
(Loss)/Profit for the period		(92,730)	761,045
(Loss)/Profit for the period attributable to equity holders of the Company:			
- From continuing operations		(92,730)	(9,609)
- From discontinued operations		-	770,810
		(92,730)	761,201
Loss for the period attributable to non-controlling interests:			
- From discontinued operations		-	(156)
(Loss)/Profit for the period		(92,730)	761,045

The notes on pages 12 to 29 form an integral part of this interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Cont'd)

For the six months ended 30th June 2021

	Notes	Unaudited Six months ended 30th June 2021 HK cents	2020 HK cents
(Loss)/Earnings per share attributable to equity holders of the Company:	14		
From continuing and discontinued operations – Basic and diluted		(11.15)	92.01
From continuing operations – Basic and diluted		(11.15)	(1.16)
From discontinued operations – Basic and diluted		-	93.17

The notes on pages 12 to 29 form an integral part of this interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th June 2021

	Notes	Unaudited	
		Six months ended 2021	Six months ended 30th June 2020
		HK\$'000	HK\$'000
(Loss)/Profit for the period		(92,730)	761,045
<i>Other comprehensive (loss)/income that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of overseas operations		(54)	(4,194)
Release of translation reserve upon disposal of subsidiaries		-	3,413
Share of other comprehensive loss of associates		(629)	(972)
Total comprehensive (loss)/income for the period		(93,413)	759,292
Total comprehensive (loss)/income attributable to:			
Equity holders of the Company		(93,413)	759,448
Non-controlling interests		-	(156)
		(93,413)	759,292

The notes on pages 12 to 29 form an integral part of this interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30th June 2021

	Notes	Unaudited 30th June 2021 HK\$'000	Audited 31st December 2020 HK\$'000
Non-current assets			
Property, plant and equipment	15	295,872	297,711
Investment properties	16	54,300	54,300
Intangible assets		–	–
Interests in associates	17	1,232,953	1,769,196
Equity investment		598	598
Finance lease receivables		3,110	4,208
Deferred income tax assets		809	513
		1,587,642	2,126,526
Current assets			
Inventories		217,527	212,725
Trade receivables	18	162,858	240,472
Finance lease receivables		2,370	2,779
Other receivables, deposits and prepayments	19	25,402	18,032
Contract assets		228,465	269,003
Tax recoverable		7,865	7,939
Bank balances and cash		377,918	370,521
		1,022,405	1,121,471
Assets classified as held for sale	17	403,095	–
		1,425,500	1,121,471
Total assets		3,013,142	3,247,997
Equity attributable to equity holders of the Company			
Share capital	23	83,242	83,031
Share premium		401,714	399,272
Reserves		1,592,652	1,711,490
Total equity		2,077,608	2,193,793

The notes on pages 12 to 29 form an integral part of this interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)

As at 30th June 2021

	Notes	Unaudited 30th June 2021 HK\$'000	Audited 31st December 2020 HK\$'000
Non-current liabilities			
Deferred income tax liabilities		168,240	203,886
Lease liabilities		4,037	1,175
		172,277	205,061
Current liabilities			
Trade payables	20	243,156	282,557
Other payables and accruals	21	118,512	171,511
Receipts in advance		226,287	239,629
Current income tax liabilities		10,434	4,247
Borrowings	22	123,516	145,938
Lease liabilities		5,082	5,261
		726,987	849,143
Liabilities classified as held for sale	17	36,270	-
		763,257	849,143
Total liabilities		935,534	1,054,204
Total equity and liabilities		3,013,142	3,247,997
Net current assets		662,243	272,328
Total assets less current liabilities		2,249,885	2,398,854

The notes on pages 12 to 29 form an integral part of this interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June 2021

	Unaudited										
	Attributable to equity holders of the Company										
	Share capital HK\$'000	Share premium HK\$'000	Special reserve (Note) HK\$'000	Property revaluation reserve HK\$'000	Translation reserve HK\$'000	Convertible bonds reserve HK\$'000	Share-based payment reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1st January 2020	82,731	395,830	34,350	251,734	(6,655)	10,209	49,137	587,936	1,405,272	47,510	1,452,782
Comprehensive income/(loss):											
Profit/(Loss) for the period	-	-	-	-	-	-	-	761,201	761,201	(156)	761,045
Other comprehensive income/(loss):											
Exchange differences on translation of overseas operations	-	-	-	-	(4,194)	-	-	-	(4,194)	-	(4,194)
Release of translation reserve upon disposal of subsidiaries	-	-	-	-	3,413	-	-	-	3,413	-	3,413
Share of other comprehensive loss of associates	-	-	-	-	(972)	-	-	-	(972)	-	(972)
Total comprehensive income/(loss) for the period	-	-	-	-	(1,753)	-	-	761,201	759,448	(156)	759,292
Transaction with owners:											
Final dividend for the year ended 31st December 2019 and special dividend (Note 13)	-	-	-	-	-	-	-	(85,213)	(85,213)	-	(85,213)
Recognition of equity-settled share-based payments	-	-	-	-	-	-	10,695	-	10,695	-	10,695
Lapse of share options transferred to retained earnings	-	-	-	-	-	-	(1,446)	1,446	-	-	-
Redemption of convertible bonds	-	-	-	-	-	(10,209)	-	10,209	-	-	-
Disposal of subsidiaries	-	-	-	-	-	-	(50,961)	50,961	-	(47,354)	(47,354)
Total transaction with owners	-	-	-	-	-	(10,209)	(41,712)	(22,597)	(74,518)	(47,354)	(121,872)
At 30th June 2020	82,731	395,830	34,350	251,734	(8,408)	-	7,425	1,326,540	2,090,202	-	2,090,202

The notes on pages 12 to 29 form an integral part of this interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Cont'd)

For the six months ended 30th June 2021

	Unaudited							
	Attributable to equity holders of the Company							
	Share capital	Share premium	Special reserve (Note)	Property revaluation reserve	Translation reserve	Share-based payment reserve	Retained earnings	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January 2021	83,031	399,272	34,350	253,528	(5,462)	8,644	1,420,430	2,193,793
Comprehensive loss:								
Loss for the period	-	-	-	-	-	-	(92,730)	(92,730)
Other comprehensive loss:								
Exchange differences on translation of overseas operations	-	-	-	-	(54)	-	-	(54)
Share of other comprehensive loss of associates	-	-	-	-	(629)	-	-	(629)
Total comprehensive loss for the period	-	-	-	-	(683)	-	(92,730)	(93,413)
Transaction with owners:								
Final dividend for the year ended 31st December 2020 (Note 13)	-	-	-	-	-	-	(24,973)	(24,973)
Issue of ordinary shares upon exercise of share options	211	2,442	-	-	-	(655)	-	1,998
Recognition of equity-settled share-based payments	-	-	-	-	-	203	-	203
Lapse of share options transferred to retained earnings	-	-	-	-	-	(14)	14	-
Total transaction with owners	211	2,442	-	-	-	(466)	(24,959)	(22,772)
At 30th June 2021	83,242	401,714	34,350	253,528	(6,145)	8,178	1,302,741	2,077,608

Note: The special reserve of Automated Systems Holdings Limited (the "Company") and its subsidiaries (together, the "Group") represents the difference between the nominal value of the shares of the acquired subsidiaries and the nominal value of the Company's shares issued for the acquisition at the time of the group reorganisation prior to the listing of the Company's shares in 1997.

The notes on pages 12 to 29 form an integral part of this interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30th June 2021

	Notes	Unaudited Six months ended 30th June	
		2021 HK\$'000	2020 HK\$'000
Operating activities			
Cash from operations		101,163	102,583
Hong Kong profits tax paid		(3,156)	(18,647)
Overseas tax paid		(6)	(17,301)
Tax refunded		41	–
Net cash from operating activities		98,042	66,635
Investing activities			
Net proceeds from disposal of subsidiaries		–	284,286
Transaction cost arising from the disposal of subsidiaries		(34,406)	–
Purchase of property, plant and equipment		(3,861)	(5,970)
Additions to intangible assets		–	(3,587)
Interest received		27	684
Net cash (used in)/from investing activities		(38,240)	275,413
Financing activities			
Repayment of bank borrowings		(22,500)	(22,500)
Principal portion of lease payment		(3,069)	(2,906)
Proceeds from issuance of ordinary shares		1,998	–
Payment for redemption of convertible bonds		–	(250,700)
Interest paid		(2,134)	(4,268)
Dividend paid		(24,955)	(85,213)
Net cash used in financing activities		(50,660)	(365,587)
Net increase/(decrease) in cash and cash equivalents		9,142	(23,539)
Cash and cash equivalents at the beginning of the period		370,521	456,058
Effect of foreign exchange rate changes		(1,745)	(1,675)
Cash and cash equivalents at the end of the period		377,918	430,844

The notes on pages 12 to 29 form an integral part of this interim financial information.

NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30th June 2021

1 General Information

Automated Systems Holdings Limited (the “Company”) was incorporated in Bermuda as an exempted company with limited liability. The Company’s shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The address of its registered office is Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda.

This interim financial information is presented in thousands of units of Hong Kong dollars (“HK\$’000”), unless otherwise stated, which was approved for issue on 25th August 2021.

This interim financial information has not been audited, but has been reviewed by the Company’s auditor.

2 Basis of Preparation

The interim financial information for the six months ended 30th June 2021 has been prepared in accordance with the applicable disclosure requirements of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The interim financial information should be read in conjunction with the consolidated financial statements of the Group for the year ended 31st December 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

3 Significant Accounting Policies

Amended HKFRSs that are effective for annual periods beginning from 1st January 2021

The interim financial information for the six months ended 30th June 2021 have been prepared in accordance with the accounting policies adopted in the consolidated financial statements for the year ended 31st December 2020, except for the adoption of the following amended HKFRSs which are effective for the period beginning for the period beginning from 1st January 2021.

Amendments to HKFRS 16
Amendments to HKFRS 9, HKAS 39, HKFRS 7,
HKFRS 4 and HKFRS 16

Covid-19 – Related Rent Concessions
Interest Rate Benchmark Reform – Phase 2

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

4 Estimates and Judgements

When preparing the interim financial information, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

The judgements, estimates and assumptions applied in the interim financial information, including the key sources of estimation uncertainty, were the same as those applied in the Group’s last annual financial statements for the year ended 31st December 2020.

5 Financial Risk Management

The Group’s activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk, and liquidity risk.

This interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the consolidated financial statements for the year ended 31st December 2020.

There have been no changes in the risk management department or risk management policies since year ended 31st December 2020.

NOTES TO THE INTERIM FINANCIAL INFORMATION (Cont'd)

For the six months ended 30th June 2021

5 Financial Risk Management (Cont'd)

(i) Fair value measurement

The following table presents the Group's financial instruments measured at fair value on a recurring basis categorised into the three level fair value hierarchies as defined in HKFRS 13, "Fair Value Measurement":

- Level 1: Fair value measured only using level 1 inputs, i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement dates.
- Level 2: Fair value measured using level 2 inputs, i.e. observable inputs which fail to meet with Level 1, and not using unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3: Fair value measured using significant unobservable inputs.

	Unaudited At 30th June 2021			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
Recurring fair value measurement				
Financial asset at FVOCI				
Equity investment	-	598	-	598
		Audited At 31st December 2020		
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Recurring fair value measurement				
Financial asset at FVOCI				
Equity investment	-	598	-	598

The fair value of equity investment is determined by using the adjusted net assets value method. The effects of unobservable inputs are not significant for equity investment.

6 Revenue and Segment Information

The Group's revenue is analysed as follows:

	Unaudited Six months ended 30th June	
	2021 HK\$'000	2020 HK\$'000
Continuing operations		
Sales of goods	604,089	543,133
Revenue from service contracts	480,792	467,899
	1,084,881	1,011,032

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

NOTES TO THE INTERIM FINANCIAL INFORMATION (Cont'd)

For the six months ended 30th June 2021

6 Revenue and Segment Information (Cont'd)

The Group is currently organised into two (six months ended 30th June 2020: two) operating divisions – Information Technology Products (“IT Products”) and Information Technology Services (“IT Services”).

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

IT Products

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

IT Services

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

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

Unaudited

Six months ended 30th June 2021

	Continuing operations			Discontinued operations
	IT Products HK\$'000	IT Services HK\$'000	Total HK\$'000	IT Services HK\$'000
Revenue from external customers	604,089	480,792	1,084,881	-
Intersegment revenue	1,526	10,469	11,995	-
Segment revenue	605,615	491,261	1,096,876	-
Reportable segment profit	51,364	26,048	77,412	-
Segment depreciation	1,284	4,791	6,075	-
Additions to property, plant and equipment *	25	3,115	3,140	-

* Additions to property, plant and equipment of HK\$6,460,000 were related to unallocated assets.

Unaudited

Six months ended 30th June 2020

	Continuing operations			Discontinued operations
	IT Products HK\$'000	IT Services HK\$'000	Total HK\$'000	IT Services HK\$'000
Revenue from external customers	543,133	467,899	1,011,032	166,610
Intersegment revenue	975	11,560	12,535	-
Segment revenue	544,108	479,459	1,023,567	166,610
Reportable segment profit	38,729	26,055	64,784	8,649
Segment depreciation	1,258	4,498	5,756	1,622
Segment amortisation	-	-	-	2,364
Additions to property, plant and equipment *	12	3,612	3,624	1,852
Additions to intangible asset	-	-	-	3,587

* Additions to property, plant and equipment of HK\$7,816,000 were related to unallocated assets.

NOTES TO THE INTERIM FINANCIAL INFORMATION (Cont'd)

For the six months ended 30th June 2021

6 Revenue and Segment Information (Cont'd)

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

Unaudited

As at 30th June 2021

	IT Products HK\$'000	IT Services HK\$'000	Total HK\$'000
Reportable segment assets	321,716	303,324	625,040
Reportable segment liabilities	313,482	204,049	517,531

Audited

As at 31st December 2020

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

(a) Segment accounting policies

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

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

Reportable segment profit is profit before income tax, excluding unallocated other income, unallocated other loss, net, unallocated depreciation for property, plant and equipment that are used for all segments, share of results of associates, 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, tax recoverable, bank balances and cash, unallocated corporate assets (mainly include property, plant and equipment and investment properties that are used by all segments, prepayments, deposits, other receivables, equity investment) and assets classified as held for sale.

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

NOTES TO THE INTERIM FINANCIAL INFORMATION (Cont'd)

For the six months ended 30th June 2021

6 Revenue and Segment Information (Cont'd)

(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:

Continuing operations Revenue	Unaudited Six months ended 30th June	
	2021 HK\$'000	2020 HK\$'000
Reportable segment revenue	1,096,876	1,023,567
Elimination of intersegment revenue	(11,995)	(12,535)
Revenue per condensed consolidated statement of profit or loss	1,084,881	1,011,032
Discontinued operations Revenue	Unaudited Six months ended 30th June	
	2021 HK\$'000	2020 HK\$'000
Reportable segment revenue	-	166,610
Elimination of intersegment revenue	-	-
Revenue per analysis of results from discontinued operations (Note 12(a)(i))	-	166,610

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

Continuing operations Profit or loss	Unaudited Six months ended 30th June	
	2021 HK\$'000	2020 HK\$'000
Reportable segment profit	77,412	64,784
Unallocated amounts:		
Unallocated other income	1,895	2,837
Unallocated other loss, net	(114,601)	(3,121)
Unallocated depreciation	(5,383)	(5,128)
Share of results of associates	(19,911)	(18,592)
Finance costs	(2,211)	(6,050)
Unallocated corporate expenses	(20,397)	(23,421)
(Loss)/Profit before income tax per condensed consolidated statement of profit or loss	(83,196)	11,309

NOTES TO THE INTERIM FINANCIAL INFORMATION (Cont'd)

For the six months ended 30th June 2021

6 Revenue and Segment Information (Cont'd)

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

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

Discontinued operations Profit or loss	Unaudited Six months ended 30th June	
	2021 HK\$'000	2020 HK\$'000
Reportable segment profit	-	8,649
Unallocated amounts:		
Unallocated other income	-	317
Unallocated other loss, net	-	(381)
Unallocated depreciation	-	(91)
Finance costs	-	(8)
Unallocated corporate expenses	-	(28,254)
Loss before income tax per analysis of results from discontinued operations (Note 12(a)(i))	-	(19,768)
	Unaudited 30th June 2021 HK\$'000	Audited 31st December 2020 HK\$'000
Assets		
Reportable segment assets	625,040	736,229
Unallocated assets:		
Interests in associates	1,232,953	1,769,196
Deferred income tax assets	809	513
Tax recoverable	7,865	7,939
Bank balances and cash	377,918	370,521
Unallocated corporate assets	365,462	363,599
Assets classified as held for sale	2,610,047 403,095	3,247,997 -
Total assets per condensed consolidated statement of financial position	3,013,142	3,247,997
	Unaudited 30th June 2021 HK\$'000	Audited 31st December 2020 HK\$'000
Liabilities		
Reportable segment liabilities	517,531	610,001
Unallocated liabilities:		
Current income tax liabilities	10,434	4,247
Deferred income tax liabilities	168,240	203,886
Unallocated corporate liabilities	203,059	236,070
Liabilities classified as held for sale	899,264 36,270	1,054,204 -
Total liabilities per condensed consolidated statement of financial position	935,534	1,054,204

NOTES TO THE INTERIM FINANCIAL INFORMATION (Cont'd)

For the six months ended 30th June 2021

6 Revenue and Segment Information (Cont'd)

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

The following table sets out information about the geographical segment location of the Group's revenue from external customers. The geographical location of customers is based on the location at which the services were provided or the goods were delivered.

Place of domicile	Revenue from external customers			
	Unaudited			
	Six months ended 30th June			
	Continuing operations		Discontinued operations	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	1,031,628	925,621	-	-
United States of America ("US")	-	-	-	166,610
Mainland China	1,520	1,769	-	-
Macau	17,097	27,733	-	-
Taiwan	7,610	5,907	-	-
Thailand	27,026	50,002	-	-
	1,084,881	1,011,032	-	166,610

Information about major customers from continuing operations

The Group has two customers (six months ended 30th June 2020: one customer) with whom transaction exceeded 10% of the Group's revenue from continuing operations amounted to approximately HK\$252,280,000 during six months ended 30th June 2021 (six months ended 30th June 2020: HK\$136,735,000).

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

Place of domicile	Specified non-current assets	
	Unaudited 30th June 2021 HK\$'000	Audited 31st December 2020 HK\$'000
Hong Kong	344,135	349,294
US	1,213,493	1,749,392
Singapore	18,750	19,055
Mainland China	4,789	805
Macau	1,452	1,797
Taiwan	322	556
Thailand	184	308
	1,583,125	2,121,207

NOTES TO THE INTERIM FINANCIAL INFORMATION (Cont'd)

For the six months ended 30th June 2021

6 Revenue and Segment Information (Cont'd)

(c) Disaggregation of revenue from contracts with customers

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

	Unaudited Six months ended 30th June			
	Continuing operations		Discontinued operations	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Timing of revenue recognition				
At a point in time	679,444	628,975	-	-
Over time	405,437	382,057	-	166,610
Revenue from external customers	1,084,881	1,011,032	-	166,610

Revenue relates to performance obligation for continuing operations that are unsatisfied as at 30th June 2021 amounted to approximately HK\$1,138,954,000 (As at 30th June 2020: HK\$1,073,519,000) are expected to be recognised with one to five years.

7 Other Income

	Unaudited Six months ended 30th June	
	2021 HK\$'000	2020 HK\$'000
Continuing operations		
Interest on bank deposits	27	367
Rental income from investment properties	1,227	2,121
Others	825	575
	2,079	3,063

8 Other Loss, Net

	Unaudited Six months ended 30th June	
	2021 HK\$'000	2020 HK\$'000
Continuing operations		
Loss on deemed disposal of partial interests in an associate	114,463	-
Exchange loss, net	138	2,088
Waiver of intercompany balances from Disposal group	-	1,033
	114,601	3,121

9 Finance Income

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

NOTES TO THE INTERIM FINANCIAL INFORMATION (Cont'd)

For the six months ended 30th June 2021

10 (Loss)/Profit Before Income Tax

	Unaudited Six months ended 30th June	
	2021 HK\$'000	2020 HK\$'000
Continuing operations		
(Loss)/Profit before income tax is arrived at after charging/(crediting):		
Depreciation:		
Property, plant and equipment – owned assets	8,084	8,010
Property, plant and equipment – right-of-use assets	3,374	2,874
ECL allowance of trade receivables	339	1,509
Reversal of provision for ECL allowance of trade receivables	(522)	(1)
Staff costs	233,289	220,684

11 Income Tax Expense

	Unaudited Six months ended 30th June	
	2021 HK\$'000	2020 HK\$'000
Continuing operations		
Current taxation:		
Hong Kong profits tax (Note (i))	9,157	6,573
Overseas taxation	245	626
Overseas withholding tax (Note (ii))	-	13,117
	9,402	20,316
Deferred taxation:		
Current period	132	602
Income tax expense	9,534	20,918

Notes:

- (i) Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of qualifying entities will be taxed at 8.25%, and the profits above HK\$2 million will be taxed at 16.5%. The profits of entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at 16.5%. For the six months ended 30th June 2021 and 2020, Hong Kong profits tax of a subsidiary of the Company is calculated in accordance with the two-tiered profits tax rates regime.
- (ii) Pursuant to the US Foreign Account Tax Compliance Act, a tax law enacted in the US, a 30% withholding tax is levied on interest income received by a non-US resident from a US resident. The Group is liable to withholding tax on the interest income received in cash by a non-US subsidiary from the US subsidiary during the six months ended 30th June 2020.

NOTES TO THE INTERIM FINANCIAL INFORMATION (Cont'd)

For the six months ended 30th June 2021

12 Discontinued operations

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

On 5th March 2020, all the conditions precedent set out in the Merger Agreement have been fulfilled in accordance with the terms of the Merger Agreement (the "Completion"). Upon Completion, Grid Dynamics and its subsidiaries (the "Disposal Group") become wholly-owned subsidiaries of Grid Dynamics Holdings, Inc. ("GDH", formerly ChaSerg) (ticker symbol: GDYN). In connection with the Mergers, the Company through its wholly-owned subsidiary, GDD International Holding Company ("GDD") received cash consideration of approximately US\$93,820,000 (equivalent to approximately HK\$727,507,000) and 19,490,295 consideration shares of GDH, which represents approximately 38.3% of the issued share capital of GDH as at the date of Completion (the "Completion Date"). Accordingly, Grid Dynamics ceased to be a subsidiary of the Group (the "Disposal") and the Group's interest in GDH is treated as interests in an associate and accounted for using equity method.

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

The Disposal Group represents a significant geographical component of the Group's IT service segment, the results of the Disposal Group for the period from 1st January 2020 to the Completion Date are presented for as discontinued operations in the condensed consolidated statement of profit or loss for the six months ended 30th June 2020.

(a) Analysis of results from discontinued operations

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

(i) Profit for the period from discontinued operations:

	Unaudited Period from 1st January 2020 to 5th March 2020 HK\$'000
Revenue	166,610
Cost of services rendered	(121,503)
Other income	615
Other loss, net	(381)
Selling expenses	(20,185)
Administrative expenses	(44,916)
Finance costs	(8)
Loss before income tax	(19,768)
Income tax credit	18,147
Loss for the period	(1,621)
Gain on disposal of the Disposal Group	1,109,585
Current income tax expense arising from the Disposal (Note (a))	(154,432)
Deferred tax expense arising from the Disposal (Note (b))	(182,878)
Profit for the period from discontinued operations	770,654

NOTES TO THE INTERIM FINANCIAL INFORMATION (Cont'd)

For the six months ended 30th June 2021

12 Discontinued operations (Cont'd)

(a) Analysis of results from discontinued operations (Cont'd)

(i) Profit for the period from discontinued operations: (Cont'd)

Notes:

- (a) Current income tax expense arising from the Disposal of HK\$154,432,000 relates to US tax on assessable profit of GDD which includes the cash consideration of HK\$727,507,000. Such tax is calculated based on US federal tax rate at 21% and various US states tax at an average tax rate of 6%.
- (b) Deferred tax expense arising from the Disposal of approximately HK\$182,878,000 relates to the deferred capital gain on the consideration shares received from the Disposal.

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

	Unaudited Period from 1st January 2020 to 5th March 2020 HK\$'000
Net cash inflow from operating activities	2,562
Net cash outflow from investing activities	(5,122)
Net cash outflow from financing activities	(99)
Net cash outflow	(2,659)

(b) Loss before income tax from discontinued operations

	Unaudited Period from 1st January 2020 to 5th March 2020 HK\$'000
Loss before income tax is arrived at after charging:	
Depreciation and amortisation:	
Property, plant and equipment – owned assets	1,622
Property, plant and equipment – right-of-use assets	91
Intangible assets (included in cost of services rendered)	2,364
Staff salaries and other benefits	124,388
Equity-settled share-based expenses	10,848
Staff retention bonus	26,073

NOTES TO THE INTERIM FINANCIAL INFORMATION (Cont'd)

For the six months ended 30th June 2021

13 Dividends

	Unaudited Six months ended 30th June	
	2021 HK\$'000	2020 HK\$'000
Dividend approved and paid during the period:		
Final dividend in respect of the year ended 31st December 2020 of 3.0 HK cents (six months ended 30th June 2020: in respect of the year ended 31st December 2019 of 3.0 HK cents) per share	24,973	24,819
Special dividend of 7.3 HK cents per share	-	60,394
	24,973	85,213
	Unaudited Six months ended 30th June	
	2021 HK\$'000	2020 HK\$'000
Dividend proposed:		
Special dividend of 24.0 HK cents per share (Note)	199,781	-

The Board do not recommend the payment of an interim dividend for the six months ended 30th June 2021 (six months ended 30th June 2020: Nil).

On 25th August 2021, the Board have resolved to recommend the payment of a special dividend of 24.0 HK cents per share. Subject to the approval of shareholders at a special general meeting, the proposed special dividend is expected to be paid on or before 19th October 2021 to shareholders whose names appear on the register of members of the Company on 29th September 2021.

Note:

The proposed special dividend, as referred to above, is calculated on the basis of 832,419,442 ordinary shares in issue as at 30th June 2021 and at a special dividend of 24.0 HK cents per share.

14 (Loss)/Earnings Per Share attributable to Equity Holders of the Company

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

	Unaudited Six months ended 30th June	
	2021 HK\$'000	2020 HK\$'000
(Loss)/Profit attributable to equity holders of the Company		
- From continuing operations	(92,730)	(9,609)
- From discontinued operations	-	770,810
	(92,730)	761,201

NOTES TO THE INTERIM FINANCIAL INFORMATION (Cont'd)

For the six months ended 30th June 2021

14 (Loss)/Earnings Per Share attributable to Equity Holders of the Company (Cont'd)

	Number of shares	
	30th June	30th June
	2021	2020
	'000	'000
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share (Note (a))	831,676	827,313
	Unaudited	
	Six months ended 30th June	
	2021	2020
	HK cents	HK cents
(Loss)/Earnings per share from continuing and discontinued operations		
– Basic and diluted	(11.15)	92.01
Loss per share from continuing operations		
– Basic and diluted	(11.15)	(1.16)
Earnings per share from discontinued operations		
– Basic and diluted	-	93.17

Notes:

- (a) The 831,676,000 ordinary shares are derived from the weighted average number of ordinary shares in issue during the six months ended 30th June 2021.

The 827,313,000 ordinary shares are derived from the weighted average number of ordinary shares in issue during the six months ended 30th June 2020.
- (b) The calculation of the diluted loss per share from continuing operations for the six months ended 30th June 2021 and 2020 has not taken into the effect of the share options of the Company and the dilutive instruments issued by the Group's associates (six months ended 30th June 2020: the effect of the share options of the Company, the conversion of convertible bonds issued by the Company and the dilutive instruments issued by the Group's associates) as they are considered as anti-dilutive.
- (c) The calculation of diluted earnings per share from discontinued operations for the six months ended 30th June 2020 have not taken into account the effect of share options and convertible preferred shares of the Disposal Group as it was considered anti-dilutive for the six months ended 30th June 2020.

15 Property, Plant and Equipment

During the six months ended 30th June 2021, the additions of property, plant and equipment, mainly for computer equipment and right-of-use assets, was approximately HK\$9,600,000 (six months ended 30th June 2020: HK\$13,292,000). Addition of right-of-use assets of approximately HK\$5,739,000 during the six months ended 30th June 2021 mainly included office premises (six months ended 30th June 2020: HK\$7,322,000).

The Group's land and buildings were stated at valuations made at 31st December 2020 less depreciation. The land and buildings were last revalued by an independent professional valuer at 31st December 2020 on market value basis which was determined by reference to market evidence of recent transactions for similar properties. As at 30th June 2021, the directors of the Company considered that the carrying amount of the Group's land and buildings did not differ significantly from their fair values.

As at 30th June 2021, if the land and buildings had not been revalued, they would have been included in the interim financial information at historical cost, less accumulated depreciation with carrying amount of approximately HK\$32,871,000 (31st December 2020: HK\$33,904,000).

NOTES TO THE INTERIM FINANCIAL INFORMATION (Cont'd)

For the six months ended 30th June 2021

15 Property, Plant and Equipment (Cont'd)

As at 30th June 2021, the Group had pledged land and buildings with carrying amount of approximately HK\$163,555,000 (31st December 2020: HK\$166,700,000) to secure Group's bank borrowings as disclosed in Note 22.

16 Investment Properties

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

As at 30th June 2021, the directors of the Company considered that the carrying amount of the Group's investment properties which are carried at revalued amounts did not differ significantly from their fair values.

As at 30th June 2021, the Group had pledged investment properties with carrying amount of HK\$54,300,000 (31st December 2020: HK\$54,300,000) to secure Group's bank borrowing as disclosed in Note 22.

17. Interests in Associates

	Unaudited 30th June 2021 HK\$'000	Audited 31st December 2020 HK\$'000
Listed	1,213,493	1,749,392
Non-listed	19,460	19,804
	1,232,953	1,769,196
	Unaudited 30th June 2021 HK\$'000	Audited 31st December 2020 HK\$'000
At beginning of the period/year	1,769,196	19,625
Acquisition of an associate	-	1,813,591
Deemed disposal of partial interests in an associate (Note (i))	(114,463)	(708)
Share of results of associates	(19,911)	(63,480)
Share of other comprehensive loss of associates	(629)	(57)
Assets classified as held for sale (Note (ii))	(403,147)	-
Exchange realignment	1,907	225
At end of the period/year	1,232,953	1,769,196

Notes:

- (i) During the six months ended 30th June 2021, certain restricted stock units granted by GDH to its employees were vested and certain employees/warrants holders had exercised the vested stock options/warrants of GDH. As a result, the Group's interest in GDH was diluted to 35.6% as at 30th June 2021, of which include those interests that was classified as held for sale, and an aggregate loss on deemed disposal of interests in associates of HK\$114,463,000 was recognised by the Group.
- (ii) During the six months ended 30th June 2021, the Group entered into an underwriting agreement with GDH, the other selling stockholders and the underwriters. Pursuant to which, among other things, the Group and the other selling stockholders agreed to transfer to the underwriters, and the underwriters agreed to receive and hold from the selling stockholders, among which 4,800,000 GDH shares are sold by the Group, which represents approximately 8.8% of the issued shares of GDH. Accordingly, the 4,800,000 GDH shares with carrying amount of approximately HK\$403,147,000 was reclassified from interests in associates to assets classified as held for sale and the corresponding deferred income tax liabilities of approximately HK\$36,270,000 was reclassified from deferred income tax liabilities to liabilities classified as held for sale. The disposal of was completed on 6th July 2021.

NOTES TO THE INTERIM FINANCIAL INFORMATION (Cont'd)

For the six months ended 30th June 2021

18 Trade Receivables

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

	Unaudited 30th June 2021 HK\$'000	Audited 31st December 2020 HK\$'000
Trade receivables – gross	170,323	248,118
Less: ECL allowance	(7,465)	(7,646)
Trade receivables – net	162,858	240,472

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

	Unaudited 30th June 2021 HK\$'000	Audited 31st December 2020 HK\$'000
0 – 30 days	87,057	117,368
31 – 60 days	35,178	59,886
61 – 90 days	15,749	27,643
Over 90 days	32,339	43,221
	170,323	248,118

19 Other Receivables, Deposits and Prepayments

	Unaudited 30th June 2021 HK\$'000	Audited 31st December 2020 HK\$'000
Other receivables	2,419	2,538
Deposits	4,961	5,948
Prepayments	15,152	8,313
Amount due from ultimate holding company	832	832
Amount due from immediate holding company	–	1,084
Amount due from a fellow subsidiary	179	–
Amounts due from associates	2,691	149
Other receivables, deposits and prepayments – gross	26,234	18,864
Less: ECL allowance	(832)	(832)
Other receivables, deposits and prepayments – net	25,402	18,032

NOTES TO THE INTERIM FINANCIAL INFORMATION (Cont'd)

For the six months ended 30th June 2021

20 Trade Payables

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

	Unaudited 30th June 2021 HK\$'000	Audited 31st December 2020 HK\$'000
Current	170,454	192,406
Within 30 days	45,300	67,950
31 – 60 days	11,508	6,938
61 – 90 days	2,255	2,199
Over 90 days	13,639	13,064
	243,156	282,557

21 Other Payables and Accruals

	Unaudited 30th June 2021 HK\$'000	Audited 31st December 2020 HK\$'000
Other payables	5,852	7,595
Accruals	111,289	162,258
Amount due to ultimate holding company	1,258	1,250
Amounts due to associates	73	408
Amount due to a fellow subsidiary	40	–
	118,512	171,511

22 Borrowings

	Unaudited 30th June 2021 HK\$'000	Audited 31st December 2020 HK\$'000
Secured bank borrowings		
– repayable within one year or on demand	123,516	145,938

The bank borrowings are repayable by 60 equal monthly instalments commencing from 29th March 2019 and bear interest at floating interest rate. The bank borrowings are denominated in HKD with an effective interest rate of 2.77% (31st December 2020: 4.11%) per annum as at 30th June 2021.

As at 30th June 2021, the bank borrowings are secured by the followings:

- (1) the legal charges over the Group's land and buildings with carrying amount of approximately HK\$163,555,000 (31st December 2020: HK\$166,700,000) (Note 15);
- (2) the legal charges over the Group's investment properties with carrying amount of HK\$54,300,000 (31st December 2020: HK\$54,300,000) (Note 16);
- (3) the guarantee given by the Company and certain subsidiaries of the Group up to a limit of HK\$330,000,000 (31st December 2020: HK\$330,000,000);
- (4) assignment of rental and sales proceeds from the Group's land and buildings and investment properties;
- (5) assignment of insurance of all insurance policies (other than third party liabilities and public liabilities) over the Group's land and buildings and investment properties.

NOTES TO THE INTERIM FINANCIAL INFORMATION (Cont'd)

For the six months ended 30th June 2021

22 Borrowings (Cont'd)

The banking facilities of term loan is subject to the fulfilment of certain financial and non-financial covenants relating to certain subsidiaries of the Group, which are commonly found in lending arrangements with financial institutions. If the Group was to breach the covenants, the drawn down facilities would become repayable on demand.

The Group regularly monitors its compliance with these covenants, is up to the date with the scheduled repayments of the loans and does not consider it probable that the banks will exercise its discretion to demand repayment for so long as the Group continues to meet these requirements.

Subject to repayment on demand clauses which can be exercised at the banks' sole discretion, the above bank borrowings are classified as current liabilities as at 30th June 2021 and 31st December 2020.

23 Share Capital

	Number of shares '000	Amount HK\$'000
Ordinary shares of HK\$0.10 each		
Authorised:		
At 31st December 2020 and 30th June 2021	2,000,000	200,000
Issued and fully paid:		
At 1st January 2020	827,313	82,731
Issue of ordinary shares upon exercise of share options	2,994	300
At 31st December 2020 and 1st January 2021	830,307	83,031
Issue of ordinary shares upon exercise of share options	2,112	211
At 30th June 2021	832,419	83,242

All the shares in issued during the period/year rank pari passu with the then existing shares of the Company in all respects.

24 Contingent Liabilities

As at 30th June 2021, performance bonds of approximately HK\$95,417,000 (31st December 2020: HK\$84,848,000) have been issued by the bank on behalf of the Group to customers as security of contracts.

25 Capital Commitments

As at 30th June 2021, the Group had contracted capital commitment of approximately HK\$1,172,000 (31st December 2020: HK\$1,015,000) for acquisition of property, plant and equipment and approximately HK\$11,410,000 (31st December 2020: HK\$11,319,000) for capital expenditure of equity investment, respectively.

26 Seasonality

Sales of products and the provision of related services are not subject to obvious seasonal factors.

NOTES TO THE INTERIM FINANCIAL INFORMATION (Cont'd)

For the six months ended 30th June 2021

27 Related Party Transactions

As at 30th June 2021, Teamsun Technology (HK) Limited owns 67.77% of the Company's issued shares (31st December 2020: 54.83%). The remaining 32.23% of the Company's issued shares (31st December 2020: 45.17%) were widely held. The ultimate holding company of the Company is Beijing Teamsun Technology Co., Ltd.

- (a) During the period, the Group had the following transactions with related parties:

Nature of transactions	Unaudited Six months ended 30th June	
	2021 HK\$'000	2020 HK\$'000
Fellow subsidiary:		
Service income charged by the Group	9	–
Service fee charged to the Group	63	40
The associates:		
Sales by the Group	1,041	–
Purchases by the Group	2,107	3,265
Other income charged by the Group	33	32
Rental income charged by the Group	194	191

Sales and purchase of the goods and services are transacted at normal commercial terms that are consistently applied to all customers and vendors.

- (b) The remuneration of key management personnel for the six months ended 30th June 2021 amounted to approximately HK\$2,968,000 (six months ended 30th June 2020: HK\$4,874,000)

28 Events after the Reporting Period

On 6th July, 2021, the Group's associate, GDH, closed a public offering of 11,615,301 shares of its common stock, which included 5,470,039 shares offered by GDH and 6,145,262 shares offered by certain selling stockholders, of which 4,800,000 shares were offered by a subsidiary of the Group, at a price to the public of US\$15.03 per share. Upon the completion of the transactions, the Group's interests in GDH was further reduced to 24.4%.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

For the six months ended 30th June 2021, total revenue of the Group's was HK\$1,084.9 million, representing a 7.3% increase from the corresponding period last year, in which product sales was increased by 11.2% to HK\$604.1 million and service revenue was increased by 2.8% to HK\$480.8 million. In addition, product sales and service revenue contributed 55.7% and 44.3% to total revenue respectively, compared to 53.7% and 46.3% for the corresponding period last year.

For the six months ended 30th June 2021, commercial and public sector sales contributed 41.5% and 58.5% to total revenue respectively, compared to 42.8% and 57.2% for the corresponding period last year.

Gross profit for the six months ended 30th June 2021 was HK\$117.3 million, an increase of HK\$13.5 million or 13.0% compared with the same period last year. The increases are mainly attributable to growth in newly secured orders in Hong Kong, Macau and other Asia Pacific regions, as compared to last year, demonstrating the solid foundation of the Group amid the pandemic.

During the period under review, the Group recorded a loss attributable to the Company's equity holders of HK\$92.7 million. The loss was mainly resulted from loss on deemed disposal of partial interest in an associate of HK\$114.5 million. The Group's interest in Grid Dynamics Holdings, Inc. ("GDH") was diluted by the exercise of GDH's warrants and stock options and vesting of shares under GDH's incentive plan adopted after the spin-off and listing.

For the six months ended 30th June 2021, orders newly secured by the Group amounted to approximately HK\$1,204.5 million, representing a 23.8% increase from the corresponding period last year. As at 30th June 2021, the Group's order book balance was approximately HK\$1,139.0 million. The Group's net cash stood at approximately HK\$377.9 million with a working capital ratio of 1.87:1. The Group maintained a healthy financial position. As at 30th June 2021, the outstanding borrowings amounted to HK\$123.5 million.



MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

Overall Business Review

In the first half of 2021, under the impact brought by the pandemic, the Group's core businesses still achieved sustainable and stable growth. The significant increase in orders newly secured in Hong Kong and other Asia Pacific regions led to an increase in the adjusted EBITDA by approximately 28.5% compared with last year.

As one of the core businesses of the Group, the Asia Pacific region (including Hong Kong and its Asia Pacific subsidiaries outside of Hong Kong) performed better than that of the same period last year, with orders newly secured, revenue, adjusted EBITDA and adjusted net profit recorded HK\$1,204.5 million, HK\$1,084.9 million, HK\$65.5 million and HK\$44.2 million respectively, representing an increase of 23.8%, 7.3%, 28.5% and 39.2% respectively, from the corresponding period of last year.

The Group's three core businesses in the Asia Pacific region (see detailed descriptions below) were roughly stable compared with the same period of last year. The increase in product orders is particularly prominent, owing to the Group's success in assisting customers with bulk-procurement of infrastructure to meet their long-term service needs.

1. Solutions Business

This business delivered the most outstanding performance when compared to the other two core businesses, with service orders newly secured recording a double-digit growth during the period. Service revenue recorded HK\$172.7 million, with a significant increase of 15.5% compared with the corresponding period of last year.

During the period, the Group has continued to provide information technology ("IT") support to the Hong Kong Government in combatting the pandemic since last year. On the other hand, the Group also successfully secured different projects corresponding to the Smart City Blueprint for Hong Kong. For example, it further helped various government departments join the Hong Kong Government's "iAM Smart" mobile app, assisting the government in building a smart city. At the same time, the Group flexibly leveraged resources from the Offshore Delivery Excellence Center (ODEC) to provide more flexible services to a government bureau. In addition, the Group continued to offer excellent application solutions and robotic process automation (RPA) to assist customers' digital transformation.

MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

Overall Business Review (Cont'd)

2. Cybersecurity Services Business

Service orders newly secured in this business performed steadily compared with the corresponding period last year, with service revenue recorded HK\$61.0 million during the period.

During the period, the Group addressed the cybersecurity needs for diverse complex application scenarios through a variety of new technical solutions, which not only successfully drove turnover, but also attracted many new customers. For instance, it introduced DevSecOps (i.e. comprehensive development (Dev), cybersecurity (Sec) and managed services (Ops)) to one of the largest charitable organizations in Hong Kong, ensuring that its new private cloud services has a full lifecycle Container Security Protection from development to production stages. In addition, the Group had achieved two major breakthroughs. It received a three-year wired and wireless network orders from the largest public healthcare institution in Hong Kong. In terms of the Security Operation Center (SOC) services, it successfully expanded its education industry business to the international school market.

3. Integrated Managed Services Business

The service orders newly secured in this business was roughly the same as the corresponding period of last year, with service revenue recorded HK\$210.5 million, a slight decrease of 3.4% compared to last year.

During the period, a significant increase for ITSM managed services was recorded, dominating the overall performance. As for government projects, the Group continued to provide IT services for backing their anti-epidemic efforts and also won a large-scale mobile device management project. In addition, the Group also took a series of measures to enhance service levels, such as expansion of service centers and large-scale personnel training, in order to equip itself with the latest agile ITIL management work model advocated by the market. The Group retains a remarkable talent pool, including those specializing in emerging cloud technologies.

MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

Investment in New Business

In the first half of 2021, the Group continued to fulfill the market demand for DevSecOps, with a focus on adopting cloud computing and new technologies to assist customers in digital transformation. Meanwhile, it actively cooperated with suppliers in various technology fields to create a synergistic ecosystem, and prepared for the launch of a series of cloud-native as-a-Service in the second half of the year, so as to respond to customer demand for efficiency and automation under the new normal, accelerating their digital transformation.

Unified Operation Center (UOC) is the Group's one-stop cloud-based platform for managed services that integrates DevSecOps and provides as-a-Service. The Group continued to optimize UOC with smart and advanced technologies, allowing large and medium-sized enterprises to enjoy more flexible and affordable services when achieving digital transformation. This platform unifies the Company's three core businesses and industry advantages to bring forth DevSecOps for enterprises, with which many inquiries related to the service have been received, testifying to a promising market potential.

Business of Major Associate

GDH, an associate of the Company, has acquired Tacit Knowledge, a Pitney Bowes (NYSE: PBI) owned company in May this year. Tacit Knowledge is a UK-based global consultancy provider of end-to-end digital commerce solutions. The acquisition has fostered GDH's capabilities in digital commerce.

According to Form 10-Q for the quarter period ended 30th June 2021 of GDH published on US Security and Exchange Commission website, GDH's revenue in the first half of the year has reached US\$86.8 million, representing a period-over-period growth of 58.3%. While the Non-GAAP EBITDA for the first half of the year was US\$15.0 million, representing a period-over-period growth of 253.4%. After deducting US\$9.3 million of revenue from the recent Daxx Web Industries B.V. ("Daxx") and Tacit Knowledge acquisitions for the three months ended 30th June 2021, GDH's second quarter revenue reached US\$38.4 million, hitting a record high for GDH. The revenue of GDH's non-retail industry accounted for 75.1% of the revenue for the first half of the year, in which the largest industry sectors — technology, media and telecommunications industries — took up 35.2% of GDH's revenue for the first half of the year, representing a period-over-period growth of 38.4%.

MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

Outlook and Prospects

The volatility of the pandemic, external political situation and economic environment cast uncertainties over the outlook for this year. Besides, the Hong Kong Government faced a fiscal deficit last year and may review its IT budget in tandem with the receding pandemic. In the face of such unforeseeable internal and external environment, the Group will continue to closely monitor the impacts brought by aforementioned developments on customers' procurement behaviours, so as to respond promptly with corresponding measures. Nevertheless, the widespread vaccination may spur sharp rebound for individual severely-hit industries. The Group will strive to strengthen customer relationships to seize opportunities and at the same time make its best efforts to ensure normal post-epidemic operation.

In terms of Asia Pacific business development, the severe shortage of local IT talents has also accelerated customers' demand for IT managed services and as-a-Service. To meet the overheated needs, not only will the Group optimize its internal recruitment structure, but also speed up its pursue of talents from the Greater Bay Area in response to the development positioning and talent policy of Guangdong-Hong Kong-Macao Greater Bay Area. It facilitates talent integration, while augmenting the Group's capability to meet the market demand for agile delivery development. It has been well received from government and commercial customers. In fact, the increased demand for local and offshore app development talents in the first half of this year, attested to the appropriateness of the said strategy.

The epidemic has driven the heightened enterprises' demand for and investment in remote centralized IT management system, which stimulated a new arena for business growth. In view of this, as one of the few service providers that could manage different cloud environments, the Group will harness its DevSecOps integration capabilities and promote one-stop managed services through UOC. Meanwhile, continuous transformation and enhancement, with emphasis on scientific research, will also be adopted. It is expected that the cloud-native as-a-Service will be launched in the second half of the year, coupled with novel promotion platform and methods, bringing a brand-new multi-cloud management experience to customers. Furthermore, the Group has magnified its investment in cybersecurity business in the Greater Bay Area, and plans to upgrade the current SOC in Hong Kong as well as deploy the development of cybersecurity managed services in phases to assist enterprises in the region fulfill regulatory compliance.



MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

Non-Operating Items

Partial to the warrant conversion initiated by GDH and the cost of the incentive plan after listing, the Group recorded certain book loss in consolidated financial statements for the first half of the year.

Besides, on 6th July 2021 (New York time), the Group completed the partial disposal of the shares of GDH (an associate of the Company) and received cash of approximately US\$68.7 million (net of underwriter's commission but before deduction of tax payment and exclusive of other expenses), which is planned to be injected to the Asia Pacific business. The relevant gain from the disposal is expected to be reflected in the second half of the year and offset the aforementioned book impact. In addition, the Group also plans to dispose partial shares in GDH under the disposal mandate of shareholders of the Company, at an appropriate time in the future, to realize the investment for business development.

Financial Resources and Liquidity

As at 30th June 2021, the Group's total assets of HK\$3,013.1 million were financed by current liabilities of HK\$763.3 million, non-current liabilities of HK\$172.3 million and equity attributable to equity holders of the Company of HK\$2,077.6 million. The Group had a working capital ratio of approximately 1.87:1.

As at 30th June 2021, the Group had an aggregate composite banking facility from banks of approximately HK\$369.1 million (31st December 2020: HK\$386.6 million). The Group had pledged land and buildings in an aggregate amount of HK\$163.6 million (31st December 2020: HK\$166.7 million), investment properties with a carrying amount of HK\$54.3 million (31st December 2020: HK\$54.3 million) to secure Group's bank borrowings. The performance bonds issued by the Group to customers as security of contracts were approximately HK\$95.4 million as at 30th June 2021 (31st December 2020: HK\$84.8 million). The Group's gearing ratio (total borrowings over equity attributable to equity holders of the Company) was 5.9% as at 30th June 2021 (31st December 2020: 6.7%).

MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

Material Acquisition and Disposal

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

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

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

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

Save as disclosed above, during the six months ended 30th June 2021, neither the Company nor any of its subsidiaries had material acquisition or disposal.

Treasury Policies

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



MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

Foreign Exchange Exposure

The Group mainly earns revenue and incurs costs in HKD and USD. Foreign exchange exposure to USD of the Group will continue to be minimal as long as the policy of the Government of the Hong Kong Special Administrative Region to link HKD to USD remains in effect. There was no material exposure to fluctuations in exchange rates and therefore no related hedging financial instrument was applied during the six months ended 30th June 2021 (six months ended 30th June 2020: same).

Contingent Liabilities

As at 30th June 2021, performance bonds of approximately HK\$95.4 million (31st December 2020: HK\$84.8 million) had been issued by the bank on behalf of the Group to customers as security of contracts.

Capital Commitments

As at 30th June 2021, the Group had contracted capital commitment of approximately HK\$12.6 million (31st December 2020: HK\$12.3 million).

Employee and Remuneration Policies

As at 30th June 2021, the Group, excluding its associates, employed 1,094 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 the Proposed Special Dividend

The Company will convene the special general meeting on Thursday, 23rd September 2021 to approve the proposed special dividend. For determining the entitlement to attend and vote at the special general meeting, the register of members of the Company will be closed from Friday, 17th September 2021 to Thursday, 23rd September 2021, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to determine the entitlement to attend and vote at the special general meeting, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 16th September 2021.

The proposed special dividend is subject to the approval of the Shareholders at a general meeting. The record date for entitlement to the special dividend is Wednesday, 29th September 2021. For determining the entitlement to the special dividend, the register of members of the Company will be closed on Wednesday, 29th September 2021, on which no transfer of shares of the Company will be registered. In order to qualify for the special dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 28th September 2021. The special dividend warrants are expected to be despatched to the qualifying shareholders of the Company on or before Tuesday, 19th October 2021.

ADDITIONAL INFORMATION

Dividend

The Directors did not recommend the payment of an interim dividend for the six months ended 30th June 2021 (six months ended 30th June 2020: Nil).

The Directors have resolved to recommend the payment of a special dividend of 24.0 HK cents per share. Subject to the approval of shareholders at a special general meeting, the proposed special dividend is expected to be paid on or before 19th October 2021 to shareholders whose names appear on the register of members of the Company on 29th September 2021. (2020: Nil)

Directors' Interests in Shares and Underlying Shares

As at 30th June 2021, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which (a) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were recorded in the register required to be kept by the Company under Section 352 of the SFO; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), to be notified to the Company and the Stock Exchange ("Directors' Interests in Shares and Underlying Shares"), were as follows:

(a) Shares

Name of Company	Director	Personal interests	Family interests	Corporate interests	Other	Total	Approximate percentage of shareholding
Beijing Teamsun Technology Co., Ltd. ("Teamsun")	Wang Weihang	77,069,358	-	-	-	77,069,358	7.01%
	Cui Yong	360,100	-	-	-	360,100	0.03%
Grid Dynamics Holdings, Inc ("GDH")	Wang Weihang	16,534 ¹	-	-	-	16,534	0.03%
	Wang Yueou	16,534 ¹	-	-	-	16,534	0.03%

(b) Underlying shares

Name of Company	Director	Personal interests	Family interests	Corporate interests	Other	Total	Approximate percentage of shareholding
The Company	Wang Yueou	4,620,000 ²	-	-	-	4,620,000	0.56%
	Cui Yong	1,320,000 ²	-	-	-	1,320,000	0.16%
GDH	Wang Yueou	151,553 ^{3,4}	-	-	-	151,553	0.28%

ADDITIONAL INFORMATION (Cont'd)

Directors' Interests in Shares and Underlying Shares (Cont'd)

(b) Underlying shares (Cont'd)

Notes:

1. Common stock of GDH granted under the restricted stock units of GDH.
2. Share options to acquire ordinary shares of the Company under a share option scheme adopted on 13th March 2017, further details of which are set out in section headed "Share Option Schemes" below.
3. Share options to subscribe for shares of common stock of GDH under the equity incentive plan of GDH effective on 4th March 2021.
4. On 13th May 2021, Mr. Wang Yueou exercised his options to acquire 39,050 shares of GDH and such shares were fully sold on the market.

Save as mentioned above, as at 30th June 2021, none of the Directors and the chief executives of the Company had any Directors' Interests in Shares and Underlying Shares.

Substantial Shareholders

As at 30th June 2021, so far as was known to the Directors and chief executives of the Company, the following persons (other than Directors or chief executives of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or were recorded in the register of interests required to be kept by the Company under Section 336 of the SFO:

(a) Shares

Name of shareholder	Capacity	Nature	Number of ordinary shares of the Company held	Percentage of issued share capital
Teamsun Technology (HK) Limited ("Hong Kong Teamsun")	Beneficial owner	Long Position	564,110,657 ¹	67.77%
Teamsun	Interest of controlled corporation	Long Position	564,110,657 ²	67.77%

Notes:

1. 108,841,742 shares of the Company were sold by Beijing International Trust Co., Ltd. to Hong Kong Teamsun on 29th January 2021.
2. Teamsun was interested in the entire issued share capital of Hong Kong Teamsun and was therefore deemed to be interested in the 564,110,657 shares of the Company in which Hong Kong Teamsun was interested.

ADDITIONAL INFORMATION (Cont'd)

Substantial Shareholders (Cont'd)

Save as mentioned above, as at 30th June 2021, there was no other person (other than the Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company or the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, which were recorded in the register of interest required to be kept by the Company under Section 336 of the SFO.

Share Option Schemes

A. 2002 Share Option Scheme

The Company adopted a share option scheme (the "2002 Share Option Scheme") on 8th August 2002 for the purpose of providing incentives and rewards to any employee and/or Director of the Company or any of its subsidiaries. The 2002 Share Option Scheme expired on 7th August 2012. As a result, the Company can no longer grant any further share options under the 2002 Share Option Scheme. However, all share options granted prior to 7th August 2012 will remain in full force and effect.

The following table discloses movements in the Company's share options under the 2002 Share Option Scheme during the period:

Participants	Date of grant	Exercise Period	Exercise Price HK\$	Number of Shares to be issued upon exercise of share options						At 30th June 2021
				At 1st January 2021	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	Adjusted during the period	
Other Employees	19.3.2012	19.3.2013 to 18.3.2022	0.704	185,700	-	-	-	-	-	185,700
	2.5.2012	2.5.2013 to 1.5.2022	0.728	170,228	-	(170,228)	-	-	-	-
Total				355,928	-	(170,228)	-	-	-	185,700

Notes:

1. All of the above share options were vested equally on each of the first, second and third anniversaries of the date of grant.
2. No Director held any share options under the 2002 Share Option Scheme for the six months ended 30th June 2021.
3. The weighted average closing price of the share of the Company immediately before the date on which the share options were exercised was HK\$1.45.

ADDITIONAL INFORMATION (Cont'd)

Share Option Schemes (Cont'd)

B. 2017 Share Option Scheme

The Company adopted a new share option scheme (the "2017 Share Option Scheme") on 13th March 2017 for the purpose of providing incentives or rewards to any eligible employee, executive or officer including directors of the Company and its subsidiaries for their contribution, to subscribe for ordinary shares of par value HK\$0.10 each of the Company. The period during which an option may be exercised will be determined by the Directors at its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. The 2017 Share Option Scheme will expire on 12th March 2027.

The following table discloses movements in the Company's share options under the 2017 Share Option Scheme during the period:

Participants	Date of grant	Vesting Period and Exercise Period	Exercise Price HK\$	Number of Shares to be issued upon exercise of share options						
				At 1st January 2021	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	Adjusted during the period	At 30th June 2021
Directors										
Wang Yueou	31.3.2017	(Note 1)	0.970	4,620,000	-	-	-	-	-	4,620,000
Cui Yong	31.3.2017	(Note 1)	0.970	1,320,000	-	-	-	-	-	1,320,000
Other Employees										
	31.3.2017	(Note 1)	0.970	13,660,000	-	(1,852,150)	(89,800)	-	-	11,718,050
	28.4.2017	(Note 1)	0.909	7,260,000	-	-	-	-	-	7,260,000
	13.12.2017	(Note 1)	0.867	1,281,450	-	(89,100)	-	-	-	1,192,350
Total				28,141,450	-	(1,941,250)	(89,800)	-	-	26,110,400

Notes:

- On 31st March 2017, the Company granted share options to certain eligible participants under the 2017 Share Option Scheme to subscribe for a total of 19,140,000 shares of the Company at the exercise price of HK\$1.28. The share options are divided into four tranches, each of which consists of one fourth of the share options and is associated with performance targets within a specific financial period, the details of which are disclosed in the Company's announcement dated 31st March 2017.

On 28th April 2017, the Company granted share options to certain eligible participants under the 2017 Share Option Scheme to subscribe for a total of 6,500,000 shares of the Company at the exercise price of HK\$1.20. The share options are divided into four tranches, each of which consists of one fourth of the share options and is associated with performance targets within a specific financial period, the details of which are disclosed in the Company's announcement dated 28th April 2017.

ADDITIONAL INFORMATION (Cont'd)

Share Option Schemes (Cont'd)

B. 2017 Share Option Scheme (Cont'd)

Notes: (Cont'd)

1. (Cont'd)

On 13th December 2017, the Company granted share options to certain eligible participants under the 2017 Share Option Scheme to subscribe for a total of 1,388,000 shares of the Company at the exercise price of HK\$1.04. The share options are divided into four tranches, each of which consists of one fourth of the share options and is associated with performance targets within a specific financial period, the details of which are disclosed in the Company's announcement dated 13th December 2017.

The vesting period and exercise period of each tranche of the share options granted on 31st March 2017, 28th April 2017 and 13th December 2017, respectively, are as follows:

Date of grant	Tranches	Vesting Period	Exercise Periods	Percentage of options of each tranche shall be exercisable
31.3.2017	First tranche	31.3.2017 to 1.4.2019	31.3.2017 to 30.3.2027 1.4.2018 to 30.3.2027 1.4.2019 to 30.3.2027	50% 25% 25%
	Second tranche	28.3.2018 to 1.4.2020	28.3.2018 to 30.3.2027 1.4.2019 to 30.3.2027 1.4.2020 to 30.3.2027	50% 25% 25%
	Third tranche	20.3.2019 to 1.4.2021	20.3.2019 to 30.3.2027 1.4.2020 to 30.3.2027 1.4.2021 to 30.3.2027	50% 25% 25%
	Fourth tranche	25.3.2020 to 1.4.2022	25.3.2020 to 30.3.2027 1.4.2021 to 30.3.2027 1.4.2022 to 30.3.2027	50% 25% 25%
28.4.2017	First tranche	1.6.2018 to 1.6.2020	1.6.2018 to 27.4.2027 1.6.2019 to 27.4.2027 1.6.2020 to 27.4.2027	50% 25% 25%
	Second tranche	1.6.2019 to 1.6.2021	1.6.2019 to 27.4.2027 1.6.2020 to 27.4.2027 1.6.2021 to 27.4.2027	50% 25% 25%
	Third tranche	1.6.2020 to 1.6.2022	1.6.2020 to 27.4.2027 1.6.2021 to 27.4.2027 1.6.2022 to 27.4.2027	50% 25% 25%
	Fourth tranche	1.6.2021 to 1.6.2023	1.6.2021 to 27.4.2027 1.6.2022 to 27.4.2027 1.6.2023 to 27.4.2027	50% 25% 25%
13.12.2017	First tranche	1.4.2019 to 1.4.2021	1.4.2019 to 12.12.2027 1.4.2020 to 12.12.2027 1.4.2021 to 12.12.2027	50% 25% 25%
	Second tranche	1.4.2020 to 1.4.2022	1.4.2020 to 12.12.2027 1.4.2021 to 12.12.2027 1.4.2022 to 12.12.2027	50% 25% 25%
	Third tranche	1.4.2021 to 1.4.2023	1.4.2021 to 12.12.2027 1.4.2022 to 12.12.2027 1.4.2023 to 12.12.2027	50% 25% 25%
	Fourth tranche	1.4.2022 to 1.4.2024	1.4.2022 to 12.12.2027 1.4.2023 to 12.12.2027 1.4.2024 to 12.12.2027	50% 25% 25%

ADDITIONAL INFORMATION (Cont'd)

Share Option Schemes (Cont'd)

B. 2017 Share Option Scheme (Cont'd)

Notes:(Cont'd)

2. The offer for a total number of 6,500,000 options was made to eligible participants, in which an offer of 1,000,000 options was not accepted by an eligible participant, pursuant to the 2017 Share Option Scheme, the offer of these options was automatically lapsed and became null and void.
3. The closing prices of the shares of the Company immediately before 31st March 2017, 28th April 2017 and 13th December 2017 on which the share options were granted under the 2017 Share Option Scheme were HK\$1.25, HK\$1.08 and HK\$0.90 per share of the Company, respectively.
4. During the six months ended 30th June 2021, the weighted average closing price of the share of the Company immediately before the date on which the share options were exercised was HK\$1.70.

ADDITIONAL INFORMATION (Cont'd)

Purchase, Sale or Redemption of Listed Securities

During the six months ended 30th June 2021, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Audit Committee

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, risk management and internal control systems and financial reporting matters including the review of the unaudited interim results.

Update on Directors' Information

Pursuant to Rule 13.51B(1) of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), the change in information of Directors of the Company is set out below:

1. Mr. Cui Yong ceased to be the director, the executive vice president, and the general manager of the system information product (plate) and service (plate) division in Teamsun and has been appointed as the general manager of the major customer business division in Teamsun since February 2021.

Model Code for Securities Transactions by Directors of Listed Issuers

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules. The Company has made specific enquiry of all Directors regarding any non-compliance with the Model Code during the six months ended 30th June 2021, and they all confirmed that they have fully complied with the required standard set out in the Model Code.

Corporate Governance

The Company has complied with the Corporate Governance Code (the "Code") set out in Appendix 14 to the Listing Rules throughout the accounting period for the six months ended 30th June 2021, except as noted below:

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

As at 25th August 2021, the Board comprises Mr. Wang Weihang and Mr. Wang Yueou being Executive Directors; Mr. Cui Yong being Non-Executive Director; and Mr. Pan Xinrong, Mr. Deng Jianxin and Ms. Or Siu Ching, Rerina being Independent Non-Executive Directors.