

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 2022



2022

*For identification purpose only

2022 INTERIM RESULTS OVERVIEW

01 Group Performance Overview

Summary

- 1 Revenue of the Group's core businesses (businesses in Hong Kong and other Asia Pacific regions) was **HK\$1,093.8 million, an increase of 0.8%** compared to the same period last year
- 2 The Group's gross profit was **HK\$128.9 million, an increase of HK\$11.6 million or 9.9%** compared to the same period last year. It was mainly attributable to growth in orders newly secured in Hong Kong, Macau and Asia Pacific as compared to the same period last year
- 3 Adjusted EBITDA of the Group's core businesses recorded **HK\$66.7 million, an increase of 1.8%** compared to the same period last year
- 4 The Group recorded a profit for the period attributable to the Company's equity holders of **HK\$11.3 million**, turning the loss in the same period of last year into profit. It was mainly because of the significant drop in loss on deemed disposal of partial interests in Grid Dynamics Holdings, Inc. ("GDH"), compared to the loss of HK\$114.5 million recorded in the same period last year



Group Performance Highlights

Core Business Performance

(HK\$ million)

Order - System Integration & Other Businesses

▼ 2.4% **\$649.5**

(CY21 1H : \$665.4)

Order - DevSecOps Professional Service

▲ 19.9% **\$645.9**

(CY21 1H : \$538.9)

Revenue

▲ 0.8% **\$1,093.8**

(CY21 1H : \$1,084.9)

Adjusted EBITDA *

▲ 1.8% **\$66.7**

(CY21 1H : \$65.5)

Adjusted Net Profit *

▲ 0.5% **\$44.4**

(CY21 1H : \$44.2)

Adjusted Operating Cash Flow *

▲ 24.4% **\$121.9**

(CY21 1H : \$98.0)

Interest in Associates & Non-Operating Items

Interest in Associates

Share of Results of Associates

\$(33.9)

(CY21 1H : \$(19.9))

Loss on Deemed Disposal of Partial Interest in an Associate

\$(4.1)

(CY21 1H : \$(114.5))

Non-Operating Items

Adjusted Investment Activities *

Nil

(CY21 1H : \$(0.5))

Adjusted Incomes/(Costs) Related to Corporate & Others *

\$4.9

(CY21 1H : \$(2.1))

Group's Major Financial Indicators

Orders Newly Secured

▲ 7.6% **\$1,295.4**

(CY21 1H : \$1,204.3)

Revenue

▲ 0.8% **\$1,093.8**

(CY21 1H : \$1,084.9)

Profit/(Loss) for the Period

\$11.3

(CY21 1H : \$(92.7))

Basic Earnings/(Loss) Per Share

(HK Cents)

1.36

(CY21 1H : (11.15))

02 DevSecOps Core Business Highlights

Innovative Solutions Business

Application Development
Enhance Customer Experience with Innovative Applications (Dev)



Win Cases

- Continued in **supporting the government's fight against the pandemic**
- Assisted in promoting the **Smart City Blueprint**, including enhancing digital government service for two governmental disciplined forces
- **Ranked first** in the first half year of 2022 in terms of market share in "**Standing Offer Agreement for Quality Professional Services 5 (SOA-QPS5)**"

Key Developments

- The Group's **Offshore Delivery Excellence Center (ODEC)** in Mainland China recruited **60% more staff** compared to the same period last year, successfully maintaining stable delivery capability and meeting the rapidly growing labour needs

Intelligent Cybersecurity Services Business

Cybersecurity
Protect your Assets with Intelligent Security Technology (Sec)



Win Cases

- Provision of **IoT cybersecurity solutions** for a university
- Provision of **new managed security services under the hybrid cloud environment** (including the Security Operation Center (SOC) service) for a leading fintech company
- Provision of cybersecurity solutions featuring **micro-segmentation under cloud environment and DevOps integration** for one of the largest charity organizations in Hong Kong

Key Developments

- Successfully introduced **DevSecOps** into the enterprise customer scenario, delivering the **front-end to back-end** cybersecurity solutions

Integrated Managed Services Business

Omni-channel Managed Services
Simplify your IT Operations to Increase Efficiency (Ops)



Win Cases

- Continued to provide IT services to **support the fight against the pandemic**
- Received numerous **Information Technology Service Management (ITSM) orders**
- Successfully forayed into the market with its first order secured through providing ITSM services with a **cloud-based environment management system**

Key Developments

- **Automation services** has been introduced to enable customers to access more convenient and interactive ITSM services

03 DevSecOps, "as-a-Service" New Business Grows in Tandem with Vigour

Unified Operation Center ("UOC") Remarkable Reputation



Integration of DevSecOps through
three core businesses

Provision of local and multinational
centralized IT managed services

Quality UOC services bring
renewal orders

Industry Specific, Introduced Partner Specialized in Financial Sector



Newly Added Industry-Specific Partner

Partner with a global provider of financial software applications and marketplaces



Customer Base

Solidify the Group's customer base in the financial sector



DevSecOps Capability and Professional Knowledge

Further promote the Group's DevSecOps service capability and professional knowledge in the financial sector

Industry Award

Awarded
"10 Best IT Solution Providers of 2022"



DevSecOps services are recognized for its unique competitiveness

04 Business Performance of Associates

An Associate with business in Europe and the U.S. GDH

(HK\$ million, USD/HKD exchange rate of 7.85 is used for conversion)

Revenue

▲ 71.3%
\$1,167.6

Non-GAAP EBITDA

▲ 64.4%
\$193.6

Non-GAAP Net Income

▲ 65.8 %
\$119.1

Business Developments

- Continued to grow in the core business, 2022 Q2 has recorded the **highest quarterly revenue in the history**
- Growth** could be seen in all **industry sectors**
- Progressively build and expand offshore delivery resources in **India, Mexico** and **Poland** to support business development
- Partnership with **AWS, Google Cloud** and **Microsoft Azure**
- Amounts stated were extracted from Form 10-Q for the six months ended 30th June 2022 of GDH published on U.S. Securities and Exchange Commission website

One of the Major Associates in Asia Pacific i-Sprint Holdings Limited (“i-Sprint”)

(HK\$ million, SGD/HKD exchange rate of 5.63 is used for conversion)

Revenue

▲ 5.5%
\$57.5

EBITDA

▼ 18.6%
\$8.8

Net Profit

▼ 63.0 %
\$0.4

Business Developments

- Continued to receive orders from major customers in **different regions and industries**
- An addition of **30** new customers
- Recognized with one of the **Top 10 Identity and Access Management Solution Providers in 2022**
- Its innovative **AR code** (a bank-level, anti-counterfeiting, and copy-preventing QR code) had **obtained patents** in the United States, Mainland China and Japan

05 Outlooks

- The Group will continue to remain resilient and agile, and seize business opportunities brought about by the pandemic
- Will make continuous transformation, and promote the development of DevSecOps integrated IT services, and integrate its services into “Unified Technology Services”
- The Group’s overall development
 - Industry-oriented as the development direction
 - Perfect a strong partner network (including the building of a cloud partner ecosystem)
 - Utilize its constantly improving service-level agreement (SLA) standard and talents’ technical qualification
 - Combine the overall service delivery with service-oriented, self-branded, automated, and hybrid cloud platform — Unified Operation Center (UOC) and Security Operation Center (SOC)
 - Flexibly make use of the resources in the Offshore Delivery Excellence Centers in Mainland China
 - Fulfil the market needs of local and cross-regional customers for centralized IT managed services and cybersecurity
- “ASL Marketplace” cloud-based comprehensive online platform’s new product

ASL | **MARKETPLACE**
A Member of the ASL Group | Powered by SOLUTION CENTER

2 New Products Launched in August

Customer Experience

Virtual Event Management



VEvent.aaS

STEM Learning

IoT Learning



LearnIoT.AaS

 **For more details, please visit**

<https://marketplace.asl.com.hk/>

- Enrich and optimize the cloud-native ASL Marketplace so as to enhance the customer experiences from a series of our self-branded as-a-Service
- Focus on the sustainable development goals of all core businesses and seize development opportunities in the Guangdong-Hong Kong-Macao Greater Bay Area market

06 Outlooks (Cont'd)

Strive to be a Professional and Trustworthy Unified Technology Services 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



Adjusted EBITDA: Adjusted Earnings Before Interest, Taxes, Depreciation, and Amortisation (Adjusted EBITDA) is calculated based on profit for the period from operations in Asia Pacific excluding interest income and expenses, tax, depreciation, amortisation, equity-settled share-based payments expense, government grants, share of results of associates, loss on deemed disposal of partial interest in an associate and one-off professional fees.

Adjusted Net Profit: Adjusted Net Profit is calculated based on Adjusted EBITDA adding back depreciation, amortisation and income tax expense (except for the tax effect of a subsidiary's interest income not related to the core business) (CY21 1H: Adjusted Net Profit is calculated based on loss 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.)

Adjusted Operating Cash Flow: Operating cash flow of core business is calculated based on net cash from operating activities of the Group excluding government grants.

Adjusted Investment Activities: Mainly represent professional fees relating to the disposal of partial interest in an associate.

Adjusted Incomes/(Costs) Related to Corporate & Others: Mainly represent the equity-settled share-based payments expense, government grants and finance costs, the one-off professional fees are excluded and disclosed as Adjusted Investment Activities.

System Integration & Other Businesses: Being the business of information technology in supplying of information technology and associated products carried out by the Group, and Professional Service carried out by subsidiaries, other than Automated Systems (H.K.) Limited.

DevSecOps Professional Service: Being the business of information technology in providing systems integration, software and consulting services, engineering support for products and solutions and managed services carried out by a subsidiary, Automated Systems (H.K.) Limited.

CY21 1H: Representing the first six months of calendar year 2021.

*: The information is not a measure required by or presented in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The use of this non-HKFRS measure has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for analysis of, our results or operations or financial condition as reported under HKFRS.

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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, Regina

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

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

JOINT COMPANY SECRETARY

NGAN Wai Hing
(*re-designated on 1st January 2022*)
LAU Nga Ting (*appointed on 1st January 2022*)

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
Certified Public Accountants
Registered Public Interest Entity Auditors

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
17/F, Far East Finance Centre,
16 Harcourt Road,
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 25, 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 2022 and the condensed consolidated statement of profit or loss, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the 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 the 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 of the Group 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
11th Floor, Lee Garden Two
28 Yun Ping Road
Causeway Bay
Hong Kong

24th August 2022

Lau Kwong Kei

Practising Certificate No.: P07578

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30th June 2022

	Notes	Unaudited Six months ended 30th June	
		2022 HK\$'000	2021 HK\$'000
Revenue	6	1,093,824	1,084,881
Cost of goods sold		(467,641)	(533,735)
Cost of services rendered		(497,253)	(433,811)
Other income	7	1,924	2,079
Other loss, net	8	(5,735)	(114,601)
Selling expenses		(38,480)	(40,177)
Administrative expenses		(29,950)	(25,864)
Finance income	9	91	154
Finance costs		(1,550)	(2,211)
Share of results of associates		(33,897)	(19,911)
Profit/(Loss) before income tax	10	21,333	(83,196)
Income tax expense	11	(10,023)	(9,534)
Profit/(Loss) for the period attributable to equity holders of the Company		11,310	(92,730)
		HK cents	HK cents
Earnings/(Loss) per share attributable to equity holders of the Company:	13		
Basic		1.36	(11.15)
Diluted		1.35	(11.15)

The notes on pages 11 to 25 form an integral part of this interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th June 2022

	Unaudited	
	Six months ended 30th June 2022	2021
	HK\$'000	HK\$'000
Profit/(Loss) for the period	11,310	(92,730)
<i>Other comprehensive income/(loss) that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of overseas operations	4,379	(54)
Share of other comprehensive loss of associates	(2,272)	(629)
Total comprehensive income/(loss) for the period attributable to equity holders of the Company	13,417	(93,413)

The notes on pages 11 to 25 form an integral part of this interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30th June 2022

	Notes	Unaudited 30th June 2022 HK\$'000	Audited 31st December 2021 HK\$'000
Non-current assets			
Property, plant and equipment	14	300,877	306,419
Investment properties	15	54,300	54,300
Intangible assets		-	-
Interests in associates	16	1,158,456	1,191,768
Deposits		48,981	-
Finance lease receivables		1,098	2,044
Deferred income tax assets		88	1,293
		1,563,800	1,555,824
Current assets			
Inventories		273,548	234,017
Trade receivables	17	155,395	171,478
Finance lease receivables		2,218	2,244
Other receivables, deposits and prepayments	18	30,303	21,872
Contract assets		287,879	284,880
Tax recoverable		14,017	12,415
Bank balances and cash		628,477	603,947
		1,391,837	1,330,853
Total assets		2,955,637	2,886,677
Equity			
Share capital	22	83,369	83,358
Share premium		403,165	403,043
Reserves		1,492,359	1,503,924
Equity attributable to equity holders of the Company		1,978,893	1,990,325

The notes on pages 11 to 25 form an integral part of this interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)

As at 30th June 2022

	Notes	Unaudited 30th June 2022 HK\$'000	Audited 31st December 2021 HK\$'000
Non-current liabilities			
Deferred income tax liabilities		170,262	169,209
Lease liabilities		5,962	6,176
		176,224	175,385
Current liabilities			
Trade payables	19	271,847	258,508
Other payables and accruals	20	124,022	156,738
Receipts in advance		307,988	195,898
Current income tax liabilities		10,515	2,768
Bank borrowings	21	78,696	101,099
Lease liabilities		7,452	5,956
		800,520	720,967
Total liabilities		976,744	896,352
Total equity and liabilities		2,955,637	2,886,677
Net current assets		591,317	609,886
Total assets less current liabilities		2,155,117	2,165,710

The notes on pages 11 to 25 form an integral part of this interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June 2022

	Unaudited							
	Attributable to equity holders of the Company							
	Share Capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	Property revaluation reserve HK\$'000	Translation reserve HK\$'000	Share-based payment reserve HK\$'000	Retained earnings HK\$'000	Total equity 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 12)	-	-	-	-	-	-	(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

The notes on pages 11 to 25 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 2022

	Unaudited							
	Attributable to equity holders of the Company							
	Share Capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	Property revaluation reserve HK\$'000	Translation reserve HK\$'000	Share-based payment reserve HK\$'000	Retained earnings HK\$'000	Total equity HK\$'000
At 1st January 2022	83,358	403,043	34,350	262,404	265	7,862	1,199,043	1,990,325
Comprehensive income:								
Profit for the period	-	-	-	-	-	-	11,310	11,310
Other comprehensive income/(loss):								
Exchange differences on translation of overseas operations	-	-	-	-	4,379	-	-	4,379
Share of other comprehensive loss of associates	-	-	-	-	(2,272)	-	-	(2,272)
Total comprehensive income for the period	-	-	-	-	2,107	-	11,310	13,417
Transaction with owners:								
Final dividend for the year ended 31st December 2021 (Note 12)	-	-	-	-	-	-	(25,011)	(25,011)
Issue of ordinary shares upon exercise of share options	11	122	-	-	-	(32)	-	101
Recognition of equity-settled share-based payments	-	-	-	-	-	61	-	61
Lapse of share options transferred to retained earnings	-	-	-	-	-	(89)	89	-
Total transaction with owners	11	122	-	-	-	(60)	(24,922)	(24,849)
At 30th June 2022	83,369	403,165	34,350	262,404	2,372	7,802	1,185,431	1,978,893

The notes on pages 11 to 25 form an integral part of this interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30th June 2022

	Unaudited	
	Six months ended 30th June	
	2022	2021
	HK\$'000	HK\$'000
Operating activities		
Cash generated from operations	130,685	101,163
Hong Kong profits tax paid	(2,220)	(3,156)
Overseas tax paid	(1)	(6)
Hong Kong profits tax refunded	-	41
Net cash from operating activities	128,464	98,042
Investing activities		
Transaction costs in relation to the disposal of subsidiaries	(1,521)	(34,406)
Purchase of property, plant and equipment	(2,173)	(3,861)
Deposit for acquisition of property, plant and equipment	(49,511)	-
Interest received	113	27
Net cash used in investing activities	(53,092)	(38,240)
Financing activities		
Repayment of bank borrowings	(22,500)	(22,500)
Principal portion of lease payments	(3,510)	(3,069)
Net proceeds from issuance of ordinary shares	101	1,998
Interests paid	(1,461)	(2,134)
Dividends paid	(24,375)	(24,955)
Net cash used in financing activities	(51,745)	(50,660)
Net increase in cash and cash equivalents	23,627	9,142
Cash and cash equivalents at the beginning of the period	603,947	370,521
Effect of foreign exchange rate changes	903	(1,745)
Cash and cash equivalents at the end of the period	628,477	377,918

The notes on pages 11 to 25 form an integral part of this interim financial information.

NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30th June 2022

1 General Information

Automated Systems Holdings Limited (the "Company") was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). At 30th June 2022, the Company's immediate holding company is Teamsun Technology (HK) Limited ("Hong Kong Teamsun"), a company incorporated in Hong Kong. Its ultimate holding company is Beijing Teamsun Technology Co., Ltd. ("Teamsun"), a company incorporated in the People's Republic of China (the "PRC") and its shares are listed on the Shanghai Stock Exchange of the PRC. The addresses of the Company's registered office and principal place of business are Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda, and 15th Floor, Topsail Plaza, 11 On Sum Street, Shatin, New Territories, Hong Kong, respectively.

This interim financial information is presented in thousands of units of Hong Kong dollars ("HK\$'000"), unless otherwise stated. This interim financial information has been approved for issue by the Company's board of directors on 24th August 2022.

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 2022 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 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 does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31st December 2021, 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 2022

The interim financial information for the six months ended 30th June 2022 have been prepared in accordance with the accounting policies adopted in the consolidated financial statements for the year ended 31st December 2021, except for the adoption of the following amended HKFRSs which are effective as of 1st January 2022.

Amendments to HKFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021</i>
Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment - Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts - Cost of Fulfilling a Contract</i>
Amendments to HKFRSs	<i>Annual Improvements to HKFRS Standards 2018-2020</i>
Accounting Guideline 5 (Revised)	<i>Merger Accounting for Common Control Combination</i>

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 Critical Accounting 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 2021.

NOTES TO THE INTERIM FINANCIAL INFORMATION (Cont'd)

For the six months ended 30th June 2022

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.

There have been no changes in the risk management department or risk management policies since the year ended 31st December 2021.

As at 30th June 2022, the Group did not have any financial assets or financial liabilities measured at fair value (31st December 2021: Nil).

6 Revenue and Segment Information

The Group's revenue is analysed as follows:

	Unaudited Six months ended 30th June	
	2022	2021
	HK\$'000	HK\$'000
Sales of goods	539,980	604,089
Revenue from service contracts	553,844	480,792
	1,093,824	1,084,881

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

The Group is organised into two (six months ended 30th June 2021: 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.

NOTES TO THE INTERIM FINANCIAL INFORMATION (Cont'd)

For the six months ended 30th June 2022

6 Revenue and Segment Information (Cont'd)

Segment information about these businesses is presented below:

Unaudited Six months ended 30th June 2022	IT Products HK\$'000	IT Services HK\$'000	Total HK\$'000
Revenue from external customers	539,980	553,844	1,093,824
Intersegment revenue	705	10,361	11,066
Segment revenue	540,685	564,205	1,104,890
Reportable segment profit	53,472	35,551	89,023
Segment depreciation	1,649	6,839	8,488
Additions to property, plant and equipment *	18	1,799	1,817

* Additions to property, plant and equipment of HK\$5,291,000 were related to unallocated assets.

Unaudited Six months ended 30th June 2021	IT Products HK\$'000	IT Services HK\$'000	Total 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.

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

Unaudited As at 30th June 2022	IT Products HK\$'000	IT Services HK\$'000	Total HK\$'000
Reportable segment assets	402,840	332,843	735,683
Reportable segment liabilities	416,709	202,921	619,630

Audited As at 31st December 2021	IT Products HK\$'000	IT Services HK\$'000	Total HK\$'000
Reportable segment assets	376,687	329,333	706,020
Reportable segment liabilities	306,208	194,421	500,629

NOTES TO THE INTERIM FINANCIAL INFORMATION (Cont'd)

For the six months ended 30th June 2022

6 Revenue and Segment Information (Cont'd)

(a) Segment accounting policies

The accounting policies of the reportable segments are the same as the Group's accounting policies disclosed in the annual consolidated financial statements of the Group for the year ended 31st December 2021.

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

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

Revenue	Unaudited Six months ended 30th June	
	2022 HK\$'000	2021 HK\$'000
Reportable segment revenue	1,104,890	1,096,876
Elimination of intersegment revenue	(11,066)	(11,995)
Revenue per condensed consolidated statement of profit or loss	1,093,824	1,084,881

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

Profit or loss	Unaudited Six months ended 30th June	
	2022 HK\$'000	2021 HK\$'000
Reportable segment profit	89,023	77,412
Unallocated amounts:		
Unallocated other income	1,828	1,895
Unallocated other loss, net	(5,735)	(114,601)
Unallocated depreciation	(3,902)	(5,383)
Share of results of associates	(33,897)	(19,911)
Finance costs	(1,550)	(2,211)
Unallocated corporate expenses	(24,434)	(20,397)
Profit/(Loss) before income tax per condensed consolidated statement of profit or loss	21,333	(83,196)

NOTES TO THE INTERIM FINANCIAL INFORMATION (Cont'd)

For the six months ended 30th June 2022

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)

Assets	Unaudited 30th June 2022 HK\$'000	Audited 31st December 2021 HK\$'000
Reportable segment assets	735,683	706,020
Unallocated assets:		
Interests in associates	1,158,456	1,191,768
Deferred income tax assets	88	1,293
Tax recoverable	14,017	12,415
Bank balances and cash	628,477	603,947
Unallocated corporate assets	418,916	371,234
Total assets per condensed consolidated statement of financial position	2,955,637	2,886,677

Liabilities	Unaudited 30th June 2022 HK\$'000	Audited 31st December 2021 HK\$'000
Reportable segment liabilities	619,630	500,629
Unallocated liabilities:		
Current income tax liabilities	10,515	2,768
Deferred income tax liabilities	170,262	169,209
Unallocated corporate liabilities	176,337	223,746
Total liabilities per condensed consolidated statement of financial position	976,744	896,352

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	Unaudited Six months ended 30th June 2022 HK\$'000	2021 HK\$'000
Hong Kong	1,041,625	1,031,628
Mainland China	1,642	1,520
Macau	12,966	17,097
Taiwan	8,447	7,610
Thailand	29,144	27,026
	1,093,824	1,084,881

NOTES TO THE INTERIM FINANCIAL INFORMATION (Cont'd)

For the six months ended 30th June 2022

6 Revenue and Segment Information (Cont'd)

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

Information about major customers

The Group has one customer (six months ended 30th June 2021: two customers) with whom transaction exceeded 10% of the Group's revenue amounted to approximately HK\$167,373,000 during the six months ended 30th June 2022 (six months ended 30th June 2021: HK\$252,280,000).

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, investment properties and deposits for property, plant and equipment, 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	Unaudited 30th June 2022 HK\$'000	Audited 31st December 2021 HK\$'000
Hong Kong	346,863	355,246
United States of America ("US")	1,140,531	1,172,303
Singapore	17,142	18,736
Mainland China	52,740	4,816
Macau	4,120	1,183
Taiwan	759	79
Thailand	459	124
	1,562,614	1,552,487

(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:

Timing of revenue recognition	Unaudited Six months ended 30th June 2022 HK\$'000	2021 HK\$'000
At a point in time	617,961	679,444
Over time	475,863	405,437
Revenue from external customers	1,093,824	1,084,881

Revenue relates to performance obligation that are unsatisfied as at 30th June 2022 amounted to approximately HK\$1,399,616,000 (As at 30th June 2021: HK\$1,138,954,000) are expected to be recognised within one to five years.

NOTES TO THE INTERIM FINANCIAL INFORMATION (Cont'd)

For the six months ended 30th June 2022

7 Other Income

	Unaudited Six months ended 30th June	
	2022 HK\$'000	2021 HK\$'000
Interest on bank deposits	113	27
Rental income from investment properties	1,360	1,227
Others	451	825
	1,924	2,079

8 Other Loss, Net

	Unaudited Six months ended 30th June	
	2022 HK\$'000	2021 HK\$'000
Loss on deemed disposal of partial interests in an associate	4,082	114,463
Exchange loss, net	1,653	138
	5,735	114,601

9 Finance Income

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

10 Profit/(Loss) Before Income Tax

	Unaudited Six months ended 30th June	
	2022 HK\$'000	2021 HK\$'000
Profit/(Loss) before income tax is arrived at after charging/(crediting):		
Depreciation:		
Property, plant and equipment - owned assets	8,897	8,084
Property, plant and equipment - right-of-use assets	3,493	3,374
ECL allowance of trade receivables	399	339
Reversal of provision for ECL allowance of trade receivables	-	(522)
Employee benefit expenses (excluding directors' emoluments)	261,579	233,289

NOTES TO THE INTERIM FINANCIAL INFORMATION (Cont'd)

For the six months ended 30th June 2022

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

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

	Unaudited Six months ended 30th June	
	2022 HK\$'000	2021 HK\$'000
Profit/(Loss) attributable to equity holders of the Company	11,310	(92,730)

	Number of shares	
	30th June 2022 '000	30th June 2021 '000
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share (Note (a))	833,645	831,676
Effect of dilutive potential ordinary shares – Share options (Note (b))	4,031	—
Weighted average number of ordinary shares for the purpose of diluted earnings/(loss) per share	837,676	831,676

	Unaudited Six months ended 30th June	
	2022 HK cents	2021 HK cents
Earnings/(Loss) per share		
– Basic	1.36	(11.15)
– Diluted	1.35	(11.15)

Notes:

- (a) The 833,645,000 ordinary shares are derived from the weighted average number of ordinary shares in issue during the six months ended 30th June 2022.

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.

- (b) The calculation of the diluted earnings per share for the six months ended 30th June 2022 has taken into account the effect of the share options of the Company granted in 2012 and 2017 but has not taken into account the dilutive instruments issued by the Group's associates as they are considered as anti-dilutive.

The calculation of the diluted loss per share for the six months ended 30th June 2021 has not taken into account the effect of the share options of the Company granted in 2012 and 2017 and the dilutive instruments issued by the Group's associates as they are considered as anti-dilutive.

NOTES TO THE INTERIM FINANCIAL INFORMATION (Cont'd)

For the six months ended 30th June 2022

14 Property, Plant and Equipment

During the six months ended 30th June 2022, additions to property, plant and equipment, mainly for computer equipment and right-of-use assets – office premises, was approximately HK\$7,108,000 (six months ended 30th June 2021: HK\$9,600,000). During the six months ended 30th June 2022, no addition to right-of-use assets (six months ended 30th June 2021: HK\$5,739,000) and right-of-use assets with reassessment of lease term was approximately HK\$4,935,000 (six months ended 30th June 2021: nil), of which all are related to office premises.

The Group's land and buildings were stated at valuations made at 31st December 2021 less depreciation. The land and buildings were last revalued by an independent professional valuer at 31st December 2021 on market value basis which was determined by reference to market evidence of recent transactions for similar properties. As at 30th June 2022, 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 2022, 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\$30,806,000 (31st December 2021: HK\$31,840,000).

As at 30th June 2022, the Group had pledged land and buildings with carrying amount of approximately HK\$163,431,000 (31st December 2021: HK\$166,700,000) to secure Group's bank borrowings as disclosed in Note 21.

15 Investment Properties

The investment properties of the Group were last revalued at 31st December 2021 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 2022, 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 2022, the Group had pledged investment properties with carrying amount of HK\$54,300,000 (31st December 2021: HK\$54,300,000) to secure Group's bank borrowing as disclosed in Note 21.

16 Interests in Associates

	Unaudited 30th June 2022 HK\$'000	Audited 31st December 2021 HK\$'000
Listed	1,140,531	1,172,303
Unlisted	17,925	19,465
	1,158,456	1,191,768

	Unaudited 30th June 2022 HK\$'000	Audited 31st December 2021 HK\$'000
At beginning of the period/year	1,191,768	1,769,196
Additional interest in an associate	-	25,909
Deemed disposal of partial interest in an associate (Note (i))	(4,082)	(176,471)
Disposal of interest in an associate (Note (ii))	-	(403,147)
Share of results of associates	(33,897)	(30,427)
Share of other comprehensive loss of associates	(2,272)	(924)
Exchange realignment	6,939	7,632
At end of the period/year	1,158,456	1,191,768

NOTES TO THE INTERIM FINANCIAL INFORMATION (Cont'd)

For the six months ended 30th June 2022

16 Interests in Associates (Cont'd)

Notes:

- (i) During the six months ended 30th June 2022, certain restricted stock units and performance stock units granted by Grid Dynamics Holdings, Inc. ("GDH") to its employees were vested and certain employees had exercised the vested stock options of GDH. As a result, the Group's interest in GDH was diluted from 22.15% as at 31st December 2021 to 22.0% as at 30th June 2022, and an aggregate loss on deemed disposal of interests in associates of HK\$4,082,000 was recognised by the Group (Note 8).
- (ii) During the year ended 31st December 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. The disposal was completed on 6th July 2021.

17 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 2022 HK\$'000	Audited 31st December 2021 HK\$'000
Trade receivables – gross	164,103	179,961
Less: ECL allowance	(8,708)	(8,483)
Trade receivables – net	155,395	171,478

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

	Unaudited 30th June 2022 HK\$'000	Audited 31st December 2021 HK\$'000
0 - 30 days	82,078	87,954
31 - 60 days	26,841	47,096
61 - 90 days	19,687	19,663
Over 90 days	35,497	25,248
	164,103	179,961

NOTES TO THE INTERIM FINANCIAL INFORMATION (Cont'd)

For the six months ended 30th June 2022

18 Other Receivables, Deposits and Prepayments

	Unaudited 30th June 2022 HK\$'000	Audited 31st December 2021 HK\$'000
Other receivables	3,167	2,108
Deposits	6,525	4,896
Prepayments	18,891	12,962
Amount due from ultimate holding company	832	832
Amounts due from fellow subsidiaries	497	405
Amounts due from associates	1,223	1,501
Other receivables, deposits and prepayments - gross	31,135	22,704
Less: ECL allowance	(832)	(832)
Other receivables, deposits and prepayments - net	30,303	21,872

19 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 2022 HK\$'000	Audited 31st December 2021 HK\$'000
Current	196,122	180,403
Within 30 days	55,726	51,341
31 - 60 days	7,657	13,522
61 - 90 days	2,153	1,473
Over 90 days	10,189	11,769
	271,847	258,508

20 Other Payables and Accruals

	Unaudited 30th June 2022 HK\$'000	Audited 31st December 2021 HK\$'000
Other payables	7,178	5,871
Accruals	115,591	149,591
Amount due to ultimate holding company	1,233	1,276
Amount due to an associate	20	-
	124,022	156,738

NOTES TO THE INTERIM FINANCIAL INFORMATION (Cont'd)

For the six months ended 30th June 2022

21 Bank Borrowings

	Unaudited 30th June 2022 HK\$'000	Audited 31st December 2021 HK\$'000
Current		
Secured bank borrowings – repayable within one year or on demand	78,696	101,099

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 3.39% (31st December 2021: 3.39 %) per annum as at 30th June 2022.

As at 30th June 2022, the bank borrowings are secured by:

- (1) the legal charges over the Group's land and buildings with carrying amount of approximately HK\$163,431,000 (31st December 2021: HK\$166,700,000) (Note 14);
- (2) the legal charges over the Group's investment properties with carrying amount of HK\$54,300,000 (31st December 2021: HK\$54,300,000) (Note 15);
- (3) the guarantee given by the Company and certain subsidiaries of the Group up to a limit of HK\$330,000,000 (31st December 2021: HK\$330,000,000);
- (4) assignment of rental and sales proceeds from the Group's land and buildings and investment properties; and
- (5) assignment of insurance of all insurance policies (other than third party liabilities and public liabilities) over the Group's land and buildings and investment properties.

The banking facilities of term loan is subject to the 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 2022 and 31st December 2021.

NOTES TO THE INTERIM FINANCIAL INFORMATION (Cont'd)

For the six months ended 30th June 2022

22 Share Capital

	Number of shares	Amount HK\$' 000
Ordinary shares of HK\$0.10 each Authorised: At 31st December 2021 and 30th June 2022	2,000,000,000	200,000
Issued and fully paid: At 1st January 2021	830,307,964	83,031
Issue of ordinary shares upon exercise of share options	3,276,228	327
At 31st December 2021 and 1st January 2022	833,584,192	83,358
Issue of ordinary shares upon exercise of share options	112,300	11
At 30th June 2022	833,696,492	83,369

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

23 Contingent Liabilities

As at 30th June 2022, performance bonds of approximately HK\$102,663,000 (31st December 2021: HK\$102,540,000) have been issued by the bank on behalf of the Group to customers as security of contracts.

24 Capital Commitments

	Unaudited 30th June 2022 HK\$'000	Audited 31st December 2021 HK\$'000
Contracted but not provided for: Capital expenditure in respect of property, plant and equipment	2,955	367

25 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 2022

26 Related Party Transactions

As at 30th June 2022, Hong Kong Teamsun owns 67.66% (31st December 2021: 67.67%) of the Company's issued shares. The remaining 32.34% (31st December 2021: 32.33%) of the Company's issued shares were widely held. The ultimate holding company of the Company is Teamsun.

(a) Transactions with related parties:

Nature of transactions	Unaudited Six months ended 30th June	
	2022 HK\$'000	2021 HK\$'000
Fellow subsidiaries:		
Service income charged by the Group	15	9
Service fee charged to the Group	171	63
The associates:		
Sales by the Group	1,154	1,041
Purchases by the Group	3,797	2,107
Other income charged by the Group	33	33
Rental income charged by the Group	199	194

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 2022 amounted to approximately HK\$3,556,000 (six months ended 30th June 2021: HK\$2,968,000).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

For the six months ended 30th June 2022, total revenue of the Group was HK\$1,093.8 million, representing a 0.8% increase from the corresponding period last year, in which product sales was decreased by 10.6% to HK\$540.0 million while service revenue was increased by 15.2% to HK\$553.8 million. In addition, product sales and service revenue contributed 49.4% and 50.6% to total revenue respectively, compared to 55.7% and 44.3% for the corresponding period last year.

For the six months ended 30th June 2022, commercial and public sector sales contributed 39.3% and 60.7% to total revenue respectively, compared to 41.5% and 58.5% for the corresponding period last year.

Gross profit for the six months ended 30th June 2022 was HK\$128.9 million, an increase of HK\$11.6 million or 9.9% compared with the same period last year. The increases were mainly attributable to growth in orders newly secured in Hong Kong, Macau and Asia Pacific, as compared to last year.

During the period under review, the Group recorded a profit attributable to the Company's equity holders of HK\$11.3 million, turning the loss in the same period of last year into profit. It was mainly because of the significant drop in loss on deemed disposal of partial interests in an associate, compared to the loss of HK\$114.5 million recorded in the same period last year.

For the six months ended 30th June 2022, orders newly secured by the Group amounted to approximately HK\$1,295.4 million, representing a 7.6% increase from the corresponding period last year. As at 30th June 2022, the Group's order book balance was approximately HK\$1,399.6 million. The Group's net cash stood at approximately HK\$628.5 million with a working capital ratio of 1.74:1. The Group maintained a healthy financial position. As at 30th June 2022, the outstanding borrowings amounted to HK\$78.7 million.

Adjusted EBITDA for the six months ended 30th June 2022 was HK\$66.7 million, an increase of 1.8% compared with the same period last year. The "Adjusted EBITDA" excludes certain items that are non-cash or non-recurring in nature. It is a non-HKFRS financial measures used by the Company's management to evaluate the operating performance and trends of the Group's core business, to make strategic decisions regarding the allocation of capital and investments. "Adjusted EBITDA" is not a measure required by or presented in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The use of it has limitations as an analytical tool, and should not be considered in isolation from, or as a substitute for analysis of, our results or operations or financial condition as reported under HKFRS.

MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

The reconciliations from "Profit/(Loss) for the period" to "Adjusted EBITDA" for six months ended 30th June 2022 and 2021 are as follows:

	Unaudited Six months ended 30th June	
	2022 HK\$'000	2021 HK\$'000
Profit/(loss) for the period – HKFRS measure	11,310	(92,730)
Interest expenses	1,550	2,211
Interest income	(113)	(27)
Income tax expenses	10,023	9,534
Profit/(loss) before interest and tax	22,770	(81,012)
Adjustments for non-cash items:		
Depreciation and amortisation	12,390	11,458
Equity-settled share-based payments expense	61	203
Share of results of associates	33,897	19,911
Loss on deemed disposal of partial interest in an associate	4,082	114,463
Adjustments for non-recurring items:		
Government grants	(6,531)	–
One-off professional fees	–	480
Adjusted EBITDA – Non-HKFRS measure	66,669	65,503

Core Business Review

In the first half of 2022, the Group's core business performed steadily despite the lingering pandemic outbreak. The adjusted EBITDA recorded an increase of 1.8% as compared to same period last year. The increases are mainly attributable to growth in orders newly secured in Hong Kong, Macau and Asia Pacific, as compared to same period last year.

The Group's orders newly secured, revenue, adjusted EBITDA, and adjusted net profit recorded HK\$1,295.4 million, HK\$1,093.8 million, HK\$66.7 million, and HK\$44.4 million respectively, an increase of 7.6%, 0.8%, 1.8%, and 0.5% compared to the same period of last year respectively.

Revenue of the Group's three DevSecOps business remained broadly stable compared to the same period last year. The services of DevSecOps business outside of the DevSecOps business (see detailed description below) was systems integration.

MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

Innovative Solutions Business

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

During the reporting period, the service orders newly secured in the innovative solutions business increased as compared to last year. The main growth drivers came from professional services and orders for applications development. The Group's Offshore Delivery Excellence Center (ODEC) newly established last year in Mainland China recruited 60% more staff compared to the same period last year, successfully maintaining stable delivery capability and meeting the rapidly growing labour needs. During this reporting period, its service revenue recorded HK\$225.0 million, an increase of 30.3% compared to the same period last year.

The Group continued to support the government's fight against the pandemic and assist in promoting the Smart City Blueprint, including enhancing digital government service for two governmental disciplined forces. This year, the government issued the five-year-long "Standing Offer Agreement for Quality Professional Services 5 (SOA-QPS5)", initiating higher tender requirements for technical assessment weighting more than the previous years. While the Group ranked first in terms of market share in this sector during the first half of 2022, which reflects the Group's increasing capability in information technology service was aligned with the government's requirements of relevant services.

Intelligent Cybersecurity Services Business

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

The service orders newly secured in the intelligent cybersecurity services business delivered strong momentum as compared to the same period last year, with an increase of nearly 50%. During this reporting period, the service revenue reached HK\$84.4 million. The business growth was mainly driven by enterprises' needs in seeking continuous operation, remote work, automation, and centralized and managed security solutions during the pandemic.

The Group continued to successfully capture the market's demand for new cybersecurity solution, including the provision of IoT cybersecurity solutions for a university, new managed security services under the hybrid cloud environment (including the Security Operation Center (SOC) service) for a leading fintech company, and cybersecurity solutions featuring micro-segmentation under cloud environment and DevOps integration for one of the largest charity organizations in Hong Kong.

Integrated Managed Services Business

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

The service orders newly secured in the integrated managed services business recorded a double-digit growth compared to the same period last year during this reporting period, with service revenue reaching HK\$230.1 million. The main growth drivers was contributed by ITSM information technology managed services and orders benefiting from government policies.

MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

This business delivered outstanding performance in respective industries. In regard to the government, the Group continued to provide information technology services to support the fight against the pandemic. In respect of the logistics and transportation industry, the Group also successfully forayed into the market with its first order secured through providing ITSM services with a cloud-based environment management system. In addition, the Group has already introduced automation services to enable customers to access more convenient and interactive ITSM services.

New Business - Industry-specific, DevSecOps, as-a-Service

By the end of last year, the Group launched “ASL Marketplace”, a cloud-based comprehensive online platform to showcase its latest one-stop service capability in cloud-native as-a-Service and DevSecOps integration. In the first half of 2022, the Group not only elevated the platform in the aspect of technology for the customer experience enhancement but also prepared for the launch of new products in full swing.

Moreover, the Group’s Unified Operation Center (UOC) is a delivery system that integrates DevSecOps professional IT services, which can solve continuous operation, maintenance and management optimization problems during the digital transformation journey for customers. Leveraging UOC’s quality services and remarkable reputation, the Group secured renewal orders. Orders secured during this reporting period involved local and even multinational centralized IT managed services, involving enterprise customers from various industries.

With respect to services and solutions for specific industries, the Group has already introduced a partner specialized in providing solutions for the financial industry, given that the Group’s solid customer base in the financial sector, to further consolidate its service capability and professional knowledge in this sector and it will make announcement in due course.

With its unique competitiveness in the provision of DevSecOps services, the Group received the “10 Best IT Solution Providers of 2022” award from a renowned technology magazine, testifying its capability has gained recognition in the industry.

Business of Associates

Grid Dynamics Holdings, Inc. (“GDH”), an associate of the Company with business in Europe and the U.S., recorded a total revenue of US\$148.7 million (equivalent to approximately HK\$1,167.6 million) in the first half of 2022 and its non-GAAP EBITDA in the first half of 2022 was US\$24.7 million (equivalent to approximately HK\$193.6 million) according to Form 10-Q for the six months ended 30th June 2022 of GDH published on U.S. Securities and Exchange Commission website, beating market expectation. GDH’s revenue in the second quarter increased 8.3% on a sequential basis and 71.3% on a year-over-year basis as growth trends could be seen in all of its verticals. Furthermore, world-renowned brands Apple and Nike were the two largest customers of GDH.

Geopolitical factors presented certain impacts on GDH’s operation. After making efforts, GDH already terminated its operation in Russia. Most of the delivery resources together with delivery personnel from Ukraine were relocated to the research and development centers in peripheral countries in effort to smoothly liaise with customers. Meanwhile, GDH would gradually establish and expand the offshore delivery resources in India, Mexico, and Poland to support further development of business.

MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

In the first half of 2022, GDH cooperated with several tech giants in the United States such as AWS, Google Cloud, and Microsoft Azure and introduced different partners to launch more advanced digital transformation services. Such cooperation brought immense business opportunities. Among them, GDH's cooperation with selflogi even won the MACH Alliance Award for Best Health/Pharma Project.

i-Sprint Holdings Limited and its subsidiaries ("i-Sprint"), one of the major associates in Asia Pacific and as an international leading supplier of management, unified authentication, and access control solutions, recorded stable performance during this reporting period. It recorded a slight increase in revenue, recording approximately HK\$57.5 million, while EBITDA recorded approximately HK\$8.8 million. i-Sprint continued to receive orders from major customers in different regions and industries. During this reporting period, there were 30 new customers, which is close to the total of last year. Moreover, i-Sprint not only won the Top 10 Identity and Access Management Solutions Providers of 2022, but also its AR code, which is a bank-level, anti-counterfeiting, and copy-preventing QR code, had obtained patents in the United States, Mainland China, and Japan, showing its innovative technology has gained international recognition.

Outlook and Prospects

The development prospects of the Asia Pacific economic circle face many risk factors. Coupled with the lingering pandemic in Hong Kong, supply chain issues, the acute shortage of technology talents caused by immigration, and the rapid increase of labour costs, the Group's business is expected to face multiple pressures and challenges in the future. To respond to the ever-changing market conditions, the Group will continue to remain resilient and agile, and seize business opportunities brought about by the pandemic simultaneously.

During the transition, the Group will make continuous transformation, promote the development of DevSecOps integrated IT services, and integrate its services into "Unified Technology Services". The Group's overall development direction will be industry-oriented. It will perfect a strong partner network (including the building of a cloud partner ecosystem), utilize its constantly-improving service-level agreement (SLA) standard and talents' technical qualification, combine the overall service delivery with service-oriented, self-branded, automated, and hybrid cloud platform - Unified Operation Center (UOC) and Security Operation Center (SOC), and flexibly make use of the resources in the Offshore Delivery Excellence Centers in Mainland China to fulfil the market needs of local or cross-regional customers for centralized IT managed services and cybersecurity.

In addition, the Group has already rolled out two new products in August this year - LearnIoTaaS (IoT Learning as-a-Service) and VEventaaS (Virtual Event Management as-a-Service) on the cloud-native ASL Marketplace to respectively fulfil the needs of STEM education measures and distance business. In future, the Group will make continuous updates to ASL Marketplace with enriched delivery content and enhanced platform (such as including automation services) for our customers to enjoy better customer experiences from a series of our self-branded as-a-Service.

Finally, the Group will focus on the sustainable development goals of all core businesses and seize development opportunities in the Guangdong-Hong Kong-Macao Greater Bay Area market, striving to become a trustworthy unified technology service partner which provides technology and professional service to customers.

MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

Financial Resources and Liquidity

As at 30th June 2022, the Group's total assets of HK\$2,955.6 million were financed by current liabilities of HK\$800.5 million, non-current liabilities of HK\$176.2 million and equity attributable to equity holders of the Company of HK\$1,978.9 million. The Group had a working capital ratio of approximately 1.74:1.

As at 30th June 2022, the Group had an aggregate composite banking facility from banks of approximately HK\$324.1 million (31st December 2021: HK\$346.6 million). The Group had pledged land and buildings in an aggregate amount of HK\$163.4 million (31st December 2021: HK\$166.7 million), investment properties with a carrying amount of HK\$54.3 million (31st December 2021: 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\$102.7 million as at 30th June 2022 (31st December 2021: HK\$102.5 million). The Group's gearing ratio (total borrowings over equity attributable to equity holders of the Company) was 4.0% as at 30th June 2022 (31st December 2021: 5.1%).

Material Acquisition and Disposal

References are made to the announcements of the Company dated 28th February 2022 and 3rd March 2022 in relation to, among other matters, discloseable transaction in relation to the acquisition of a property in Guangzhou by Guangzhou Automated Systems Limited (an indirect wholly-owned subsidiary of the Company).

Save as disclosed above, during the six months ended 30th June 2022, neither the Company nor any of its subsidiaries had other material acquisition or disposal.

Treasury Policies

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

Foreign Exchange Exposure

The Group mainly earns revenue and incurs costs in HKD and USD. Foreign exchange exposure to USD of the Group will continue to be minimal as long as the policy of the Government of the Hong Kong Special Administrative Region to link HKD to USD remains in effect. There was no material exposure to fluctuations in exchange rates and therefore no related hedging financial instrument was applied during the six months ended 30th June 2022 (six months ended 30th June 2021: same).

MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

Contingent Liabilities

As at 30th June 2022, performance bonds of approximately HK\$102.7 million (31st December 2021: HK\$102.5 million) had been issued by the bank on behalf of the Group to customers as security of contracts.

Capital Commitments

As at 30th June 2022, the Group had contracted capital commitment in respect of property, plant and equipment of approximately HK\$3.0 million (31st December 2021: HK\$0.4 million).

Employee and Remuneration Policies

As at 30th June 2022, the Group, excluding its associates, employed 1,449 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.

ADDITIONAL INFORMATION

Dividend

The Directors did not recommend the payment of an interim dividend for the six months ended 30th June 2022 (six months ended 30th June 2021: Nil).

Disclosure of Interests

Directors' Interests in Shares and Underlying Shares

As at 30th June 2022, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "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 the Directors and chief executives of the Company 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") in Appendix 10 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange, to be notified to the Company and the Stock Exchange ("Directors' Interests in Shares and Underlying Shares"), were as follows:

(a) Shares

Name of Companies	Directors	Personal interests	Family interests	Corporate interests	Other	Total	Approximate percentage of shareholding
Beijing Teamsun Technology Co., Ltd. ("Teamsun")	Wang Weihang	58,221,939	-	-	-	58,221,939	5.30%
Grid Dynamics Holdings, Inc. ("GDH")	Wang Weihang	18,584 ¹	-	-	-	18,584	0.03%
	Wang Yueou	18,584 ¹	-	-	-	18,584	0.03%

(b) Underlying shares

Name of Companies	Directors	Personal interests	Family interests	Corporate interests	Other	Total	Approximate percentage of shareholding
The Company	Wang Yueou	4,620,000 ²	-	-	-	4,620,000	0.55%
	Cui Yong	1,320,000 ²	-	-	-	1,320,000	0.16%
GDH	Wang Yueou	42,397 ³	-	-	-	42,397	0.06%

ADDITIONAL INFORMATION (Cont'd)

Disclosure of Interests (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 2020.

Save as mentioned above, as at 30th June 2022, none of the Directors and the chief executives of the Company had any Directors' Interests in Shares and Underlying Shares.

Interests of Substantial Shareholders in Shares and Underlying Shares

As at 30th June 2022, so far as the Directors and chief executives of the Company are aware, 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 which were recorded in the register of interests required to be kept by the Company under Section 336 of the SFO:

(a) Shares

Name of shareholders	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	67.66%
Teamsun	Interest of controlled corporation	Long Position	564,110,657 ¹	67.66%

Note:

1. 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)

Interests of Substantial Shareholders in Shares and Underlying Shares (Cont'd)

Save as mentioned above, as at 30th June 2022, 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 1st January 2022	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	Adjusted during the period	At 30th June 2022
Other Employees	19.3.2012	19.3.2013 to 18.3.2022	0.704	185,700	-	-	(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 period from 1st January 2022 to 18th March 2022.
3. The weighted average closing price of the share of the Company immediately before the date on which the share options were exercised was not applicable.

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 30th June 2022
				At 1st January 2022	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	Adjusted during the period	
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	10,742,300	-	(33,800)	(179,575)	-	-	10,528,925
	28.4.2017	(Note 1)	0.909	7,260,000	-	-	-	-	-	7,260,000
	13.12.2017	(Note 1)	0.867	785,550	-	(78,500)	-	-	-	707,050
Total				24,727,850	-	(112,300)	(179,575)	-	-	24,435,975

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 2022, the weighted average closing price of the share of the Company immediately before the date on which the share options were exercised was HK\$1.18.

ADDITIONAL INFORMATION (Cont'd)

Purchase, Sale or Redemption of Listed Securities

During the six months ended 30th June 2022, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Audit Committee

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

Update on Directors' Information

Pursuant to Rule 13.51B(1) of the Listing Rules, the change in information of Directors of the Company is set out below:

1. Mr. Wang Weihang, the Chairman of the Board, has entered into a service agreement which entitled to an annual basic salary and allowances of HK\$2,000,000 and performance-related incentive payment based on measurable performance contribution of the Group and other benefits in kind with effect from 1st June 2022.
2. Mr. Deng Jianxin, an Independent Non-executive Director, was a non-executive director of Jiangxi Bank Co., Ltd., a company listed on Main Board of the Stock Exchange (Stock Code: 1916) from November 2016 to June 2022.
3. Ms. Or Siu Ching, Rerina, an Independent Non-executive Director, retired as a senior vice-president of Schneider Electric SE, a company listed on the Euronext Paris Stock Exchange (Stock Code: SU) with effect from February 2022. Also, Ms. Or completed her term of office as a member of Energy Advisory Committee of The Government of Hong Kong Special Administrative Region with effect from July 2022.

Compliance with the Model Code for Securities Transactions by Directors

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 2022, and they all confirmed that they have fully complied with the required standards set out in the Model Code.

ADDITIONAL INFORMATION (Cont'd)

Compliance with the Corporate Governance Code

The Company has complied with the Corporate Governance Code (the “CG Code”) set out in Appendix 14 to the Listing Rules throughout the six months ended 30th June 2022, except as noted below:

With respect to CG Code provision C.1.6, a Non-Executive Director was unable to attend the annual general meeting of the Company held on 30th May 2022 due to other commitments.

As at 24th August 2022, 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.