THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action you should take, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Automated Systems Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

AUTOMATED

AUTOMATED SYSTEMS HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 771)

VERY SUBSTANTIAL ACQUISITION IN RELATION TO THE ACQUISITION OF GRID DYNAMICS INTERNATIONAL, INC. AND NOTICE OF SPECIAL GENERAL MEETING

A notice convening the SGM of Automated Systems Holdings Limited to be held at 15th Floor, Topsail Plaza, 11 On Sum Street, Shatin, New Territories, Hong Kong on Wednesday, 22nd March 2017 at 10:00 a.m. is set out on pages 152 and 153 of this circular. Whether or not you intend to attend the SGM, you are requested to complete and return the enclosed proxy form in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment.

Completion and return of the proxy form will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

Hong Kong, 6th March 2017

CONTENTS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

"Acquisition"	the acquisition of the Target Company pursuant to the Merger Agreement
"Announcement"	the announcement of the Company dated 19th December 2016 in relation to, among other matters, the Acquisition
"Board"	the board of Directors
"Business Day"	any day except Saturday, Sunday or any other day on which commercial banks located in San Francisco, California are authorized or required by law to be closed for business
"Bye-laws"	the bye-laws of the Company
"California General Corporation Law"	the General Corporation Law of the State of California (as amended, modified and revised from time to time)
"CFIUS Approval"	the approval of applicable US governmental authorities pursuant to the Committee on Foreign Investment in the United States
"close associate(s)"	has the meaning ascribed to it under the Listing Rules
"Closing"	closing of the Merger
"Closing Date"	the date on which the Closing takes place
"Company"	Automated Systems Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 771)
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Director(s)"	the director(s) of the Company
"EBIT"	earnings before interest and taxes
"EBITDA"	earnings before interest, taxes, depreciation and amortisation

"Earnout Period Commencement Date"	either (i) the first day of the month in which the Closing Date occurs, in the event the Closing Date occurs on or before the 15th day of the month, or (ii) the first day of the month following the month in which the Closing Date occurs, in the event the Closing Date occurs on or after the 16th day of the month
"Enlarged Group"	the Company and its subsidiaries immediately after the Closing
"Fully Diluted Share Number"	aggregate number of Target Shares outstanding immediately prior to the time of the Merger becoming effective in accordance with the California General Corporate Law (other than Target Shares owned by the Target Company which are to be cancelled and retired in accordance with the terms of the Merger Agreement), on a converted to common stock basis, plus the aggregate number of Target Shares issuable upon the exercise in full of all vested options of the Target Company
"GDPBT"	an amount equivalent to the profit before tax calculated under US GAAP, with reference to, among others, the profit before tax calculation derived from the audited financial statements of the Target Group for the year ended 31st December 2015 after giving pro forma effect to any sale, lease, transfer or other disposition during the earnout period (i.e. to be adjusted on the assumption that the dispositions had not taken place)
"GD Revenue"	an amount equivalent to the revenue calculated under US GAAP with reference to, among others, the revenue calculation derived from the Target Group's audited financial statements for the year ended 31st December 2015 after giving pro forma effect to any sale, lease, transfer or other disposition during the earnout period (i.e. to be adjusted on the assumption that the dispositions had not taken place)
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong
"Hong Kong"	The Hong Kong Special Administrative Region of the People's Republic of China

"HKFRSs"	Hong Kong Financial Reporting Standards
"Investment Offer"	an offer by the Company to the holders of preferred stock of the Target Company, pursuant to which the Company shall offer to purchase US$20,000,000 (equivalent to approximately HK$155,130,000) worth of shares of the preferred stock of the Target Company, at a per share purchase price equal to US$118,000,000 (equivalent to approximately HK$915,267,000) divided by the Fully Diluted Share Number, from the holders of preferred stock of the Target Company on a pro rata basis among such holders with a right of reallocation among themselves in the event that any such holder(s) desires not to sell its shares to the Company in connection with such offer
"Latest Practicable Date"	3rd March 2017, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
"Long Stop Date"	31st March 2017 (or 30th April 2017 if it is deemed to be extended where (i) the CFIUS Approval has not been obtained, (ii) the Company has obtained all approvals and commitments necessary for a bank loan to fund the Merger but cannot complete the wire transfer of the said loan; or (iii) the Company has not obtained the approval from the Stock Exchange for the Merger and the Shareholders have not voted against the Merger)
"Material Adverse Effect"	any event, occurrence, fact, condition or change that is, or would reasonably be expected to become, individually or in the aggregate, materially adverse to (a) the business, results of operations, condition (financial or otherwise) or assets of the Target Company, or (b) the ability of the Target Company to consummate the transactions contemplated hereby on a timely basis, in each of (a) and (b) taken as a whole, as defined in detail in the Merger Agreement
"Merger"	the merger between the Target Company and the Merger Sub whereby the Merger Sub will be merged with and into the Target Company, resulting the Target Company as the surviving corporation and wholly-owned by the Purchaser, on the terms and subject to the conditions set out in the Merger Agreement

"Merger Agreement"	the agreement and plan of merger entered into on 16th December 2016 amongst the Company, the Purchaser, the Merger Sub, the Target Company and the Securityholder Representative in relation to the Merger
"Merger Sub"	GDD International Merger Company, a corporation incorporated in the State of California, the United States and an indirect wholly-owned subsidiary of the Company
"Notice"	the notice of the SGM set out on pages 152 to 153 of this circular
"P/E ratio"	price-earnings ratio
"Placing of CB"	the proposed placing of convertible bonds in an aggregate principal amount of up to HK$350,000,000, the details of which are set out in the announcement of the Company dated 12th January 2017 and the circular of the Company dated 24th February 2017
"Preferred Shareholder Conversion Consent"	written consent executed by the requisite holders of preferred stock of the Target Company that, effective as of immediately prior to the Closing, such holders shall convert all shares of preferred stock of the Target Company into common stock of the Target Company in accordance with the articles of incorporation or bylaws of the Target Company
"Purchaser"	GDD International Holding Company, a corporation incorporated in the State of Delaware, the United States and an indirect wholly-owned subsidiary of the Company
"Requisite Target Company Vote"	the affirmative vote or consent of the shareholders of the Target Company representing (i) a majority of the outstanding Target Shares; (ii) a majority of the shares of the common stock of the Target Company; (iii) a majority of the shares of the preferred stock of the Target Company; and (iv) a majority of the shares of the series A-1 preferred stock of the Target Company
"Rights Issue"	the issue of rights Shares by the Company on the basis of one (1) rights Share for every two (2) existing Shares held on the record date to the qualifying Shareholders by way of rights or to holders of nil-paid rights Shares at the subscription price of HK$1.10 per rights share, pursuant to the terms and conditions of the issue, the details of which are set out in the prospectus of the Company dated 3rd February 2017

"Securityholder(s)"	holder(s) of Target Shares and/or vested company options of the Target Company
"Securityholder Representative"	BGV II, LP, solely in its capacity as a representative of Securityholders
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM"	the special general meeting of the Company to be convened and held for Shareholders to consider and, if thought fit, approve the transactions contemplated by the Merger Agreement, including the Merger
"Share(s)"	ordinary share(s) of par value HK$0.10 each in the share capital of the Company (or such other nominal amount as shall result from a sub-division, consolidation, reclassification, or reconstruction of the share capital of the Company, from time to time)
"Shareholder(s)"	holder(s) of Share(s) in issue
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Company"	Grid Dynamics International, Inc., a limited liability company incorporated in the State of California, the United States
"Target Group"	Target Company and its subsidiaries
"Target Shares"	all shares of common stock and preferred stock of the Target Company
"Teamsun"	Beijing Teamsun Technology Co., Ltd.(北京華勝天成科技股份有限公司), the ultimate holding company of the Company
"Teamsun Hong Kong"	Teamsun Technology (HK) Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of Teamsun
"US" or "United States"	the United States of America
"US GAAP"	US Generally Accepted Accounting Principles

"US$"	United States dollar, the lawful currency of the United States
"%"	per cent

For illustration purposes only, figures in US$ have been converted to HK$ at the rate of US$1 = HK$7.7565.

AUTOMATED SYSTEMS HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 771)

Executive Directors:
Mr. Wang Weihang
Mr. Wang Yueou *(Chief Executive Officer)*

Non-Executive Directors:
Mr. Li Wei *(Chairman)*
Mr. Cui Yong

Independent Non-Executive Directors:
Mr. Pan Xinrong
Mr. Deng Jianxin
Ms. Ye Fang

Registered Office:
Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

Head office and principal place of business in Hong Kong:
15th Floor, Topsail Plaza
11 On Sum Street
Shatin
New Territories
Hong Kong

Hong Kong, 6th March 2017

To the Shareholders,

Dear Sir or Madam,

VERY SUBSTANTIAL ACQUISITION IN RELATION TO THE ACQUISITION OF GRID DYNAMICS INTERNATIONAL, INC. AND NOTICE OF SPECIAL GENERAL MEETING

INTRODUCTION

Reference is made to the Announcement. On 16th December 2016 (after trading hours), the Company, the Purchaser and the Merger Sub entered into the Merger Agreement with the Target Company and the Securityholder Representative, pursuant to which the Company agreed to acquire the Target Company for total cash consideration of up to approximately US$118,000,000 (equivalent to approximately HK$915,267,000), subject to the terms and conditions set out in the Merger Agreement. The Acquisition is proposed to be effected by way of a merger of Merger Sub with and into the Target Company, with the Target Company surviving the Merger as an indirect wholly-owned subsidiary of the Company.

As certain of the relevant percentage ratios applicable to the Company exceed 100%, the entering into of the Merger Agreement constitutes a very substantial acquisition 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.

The purpose of this circular is to provide you with, among other things, (i) further information in respect of the Acquisition, (ii) accountants' report of the Target Group; (iii) management discussion and analysis of the Target Group; (iv) unaudited pro forma financial information of the Enlarged Group; and (v) the Notice.

THE ACQUISITION

The principal terms and conditions of the Merger Agreement are set out below.

1. Date

16th December 2016

2. Parties

(a) the Company;

(b) the Purchaser;

(c) the Merger Sub;

(d) the Target Company; and

(e) the Securityholder Representative.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Target Company, the Securityholders, the Securityholder Representative and their respective ultimate beneficial owners are third parties independent of the Company and connected persons of the Company.

3. Merger

The Company has agreed to acquire the Target Company by way of a merger to be consummated in accordance with the California General Corporation Law, subject to the terms and conditions of the Merger Agreement. The Acquisition is proposed to be effected by way of the Merger whereby the Merger Sub will be merged with and into the Target Company, with the Target Company surviving the Merger as an indirect wholly-owned subsidiary of the Company.

Following the satisfaction or waiver of all conditions set forth in the Merger Agreement, the parties will file a certificate of merger (the "**Certificate of Merger**") with the Secretary of State of the State of California, at which date and time (the "**Effective Time**") the Merger will become effective, the Target Company will survive the Merger and automatically become an indirect subsidiary of the Company, and the Merger Sub will cease to exist.

Upon Closing, (a) all property, rights, privileges, immunities, powers, franchises, licenses and authority of the Target Company and the Merger Sub shall vest in the Target Company as the surviving entity, (b) all debts, liabilities, obligations, restrictions and duties of the Target Company and the Merger Sub will be assumed by the Target Company as the surviving entity, and (c) the articles of incorporation, bylaws and directors and officers of the Merger Sub as in effect immediately prior to the Effective Time will automatically become the articles of incorporation, bylaws and directors and officers, respectively, of the Target Company as the surviving entity.

When the Merger becomes effective, all of the shares of capital stock of the Target Company will be automatically cancelled and the Target Company's shareholders will be entitled to receive their pro rata portion of the Merger Consideration (as define below), payable in accordance with the terms of the Merger Agreement. At the same time, all vested options to purchase common stock of the Target Company will participate in the pro rata distribution of the Merger Consideration on the same basis as the Target Company's shareholders, less an amount equal to the exercise prices of the stock options. Each share of common stock of the Merger Sub issued and outstanding immediately prior to the filing date of the Certificate of Merger will be automatically converted into one share of common stock of the Target Company as the surviving entity.

If the Merger is completed, any shareholder of the Target Company that has not voted in favor of, or consented to, the Merger, and has properly exercised their appraisal rights in accordance with Section 1300 of the California General Corporation Law will be entitled to obtain a judicial appraisal of the fair market value of their shares of the Target Company's capital stock (the "**Dissenting Shareholder**"). Such Dissenting Shareholders shall receive either (a) the fair market value of their shares of the Target Company's capital stock as determined by a court of competent jurisdiction, if such fair market value is determined by the court to be higher than the per share merger consideration or (b) the per share Merger Consideration if the court determines that the per share Merger Consideration is a fair price.

4. Consideration

Pursuant to the terms of the Merger Agreement, the total cash consideration to be paid by the Company will be up to approximately US$118,000,000 (equivalent to approximately HK$915,267,000) (the "**Merger Consideration**"), comprising:

(a) a purchase price (on a net cash and net debt basis *(Note)*) of approximately US$100,000,000 (equivalent to approximately HK$775,650,000) to be paid by the Company, in cash, upon Closing (the "**Purchase Price**"), US$2 million of which may be paid on or before the first anniversary of the Closing; and

Note: The net cash and net debt basis means that the Acquisition excludes the Target Group's (i) the cash and cash equivalents; and (ii) indebtedness owed to third parties, prior to the Closing Date. If the Target Group has any cash or cash equivalents prior to the Closing Date, the Purchase Price will be adjusted by adding the same amount. If the Target Group has any outstanding indebtedness due to any third parties prior to the Closing Date, such amount will be fully settled by the Company on the Closing Date and the Purchase Price to be paid by the Company will be reduced accordingly.

(b) an earnout payment in the sum of up to US$18,000,000 (equivalent to approximately HK$139,617,000) to be paid by the Company, in cash, in two installments with each installments to be paid no later than 10 Business Days following the date upon which the determination of the earnout payment for each earnout period set out below becomes final and binding upon the Company and the Securityholder Representative, subject to the Target Group meeting the agreed GD Revenue target and the GDPBT target in respect of each relevant earnout period (the "**Earnout Payment**"). The details and calculation of the Earnout Payment are as follows:

(i) if, in the period beginning on the Earnout Period Commencement Date, and ending on the day immediately prior to the first anniversary of the Earnout Period Commencement Date ("**Year One**"), the Target Company has GD Revenue of at least approximately US$63,000,000 (equivalent to approximately HK$488,659,500), the Target Company shall have earned an Earnout Payment (the "**Year One Revenue Earnout Payment**") and each Securityholder as at the Closing Date shall be entitled to receive a portion of the Year One Revenue Earnout Payment in accordance with its pro rata Target Share. The Year One Revenue Earnout Payment equals to:

(1) if GD Revenue for Year One is less than approximately US$70,000,000 (equivalent to approximately HK$542,955,000) (the "**Year One Revenue Target**"):

$$\text{US\$4,500,000 (equivalent to approximately HK\$34,904,250)} \times \frac{\text{GD Revenue for Year One}}{\text{Year One Revenue Target}}$$

(2) if GD Revenue for Year One is equal to or greater than the Year One Revenue Target: US$4,500,000 (equivalent to approximately HK$34,904,250)

(ii) if, the Target Company, operating as a wholly-owned subsidiary of the Company, in Year One has GDPBT of at least approximately US$14,000,000 (equivalent to approximately HK$108,591,000), the Target Company shall have earned an Earnout Payment (the "**Year One PBT Earnout Payment**") and each Securityholder as at the Closing Date shall be entitled to receive a portion of the Year One PBT Earnout Payment in accordance with its pro rata Target Shares. The Year One PBT Earnout Payment equals to:

(1) if GDPBT for Year One is less than approximately US$15,000,000 (equivalent to approximately HK$116,347,500) (the "**Year One PBT Target**"):

$$\text{US\$4,500,000 (equivalent to approximately HK\$34,904,250)} \times \frac{\text{GDPBT for Year One}}{\text{Year One PBT Target}}$$

(2) if GDPBT for Year One is equal to or greater than the Year One PBT Target: US$4,500,000 (equivalent to approximately HK$34,904,250)

(iii) if, in the period beginning on the day immediately following the first anniversary of the Earnout Period Commencement Date and ending on the day immediately prior to the second anniversary of the Earnout Period Commencement Date ("**Year Two**"), the Target Company has GD Revenue of at least approximately US$82,000,000 (equivalent to approximately HK$636,033,000), the Target Company shall have earned an Earnout Payment (the "**Year Two Revenue Earnout Payment**") and each Securityholder as at the Closing Date shall be entitled to receive a portion of the Year Two Revenue Earnout Payment in accordance with its pro rata Target Shares. The Year Two Revenue Earnout Payment equals to:

(1) if GD Revenue for Year Two is less than approximately US$91,000,000 (equivalent to approximately HK$705,841,500) (the "**Year Two Revenue Target**"):

$$\text{US\$4,500,000 (equivalent to approximately HK\$34,904,250)} \times \frac{\text{GD Revenue for Year Two}}{\text{Year Two Revenue Target}}$$

(2) if GD Revenue for Year Two is equal to or greater than the Year Two Revenue Target: US$4,500,000 (equivalent to approximately HK$34,904,250)

(iv) if, the Target Company, operating as a wholly-owned subsidiary of the Company, in Year Two has GDPBT of at least approximately US$18,000,000 (equivalent to approximately HK$139,617,000), the Target Company shall have earned an Earnout Payment (the "**Year Two PBT Earnout Payment**") and each Securityholder as at the Closing Date shall be entitled to receive a portion of the Year Two PBT Earnout Payment in accordance with its pro rata Target Shares. The Year Two PBT Earnout Payment equals to:

(1) if GDPBT for Year Two is less than approximately US$20,000,000 (equivalent to approximately HK$155,130,000) (the "**Year Two PBT Target**"):

$$\begin{array}{c}\text{US\$4,500,000} \\ \text{(equivalent to} \\ \text{approximately} \\ \text{HK\$34,904,250)}\end{array} \quad \text{X} \quad \frac{\text{GDPBT for Year Two}}{\text{Year Two PBT Target}}$$

(2) if GDPBT for Year Two is equal to or greater than the Year Two PBT Target: US$4,500,000 (equivalent to approximately HK$34,904,250)

On or before the date which is 60 days after the last day of each of the Year One and the Year Two, the Company shall prepare and deliver to the Securityholder Representative a written statement setting out its determination of GD Revenue and GDPBT (the figures will be derived from management accounts of the Target Company; in the event that audited accounts is available, the Company may also prepare the statement based on the audited accounts) for the applicable year and its calculation of the resulting Earnout Payment. The calculation of GD Revenue and GDPBT shall be determined in accordance with US GAAP, applied and calculated in a manner consistent with such calculations derived from the Target Company's audited financial statements for the year ended 31st December 2015. If the Company and the Securityholder Representative are unable to reach agreement on any such calculation, all unresolved disputed items shall be promptly referred to the an independent accountant to be appointed by the Company and the Securityholder Representative by mutual agreement, and the determination of such independent accountant shall be final and binding on the parties.

Basis of the Merger Consideration

The Merger Consideration was agreed after arm's length negotiation between the Target Company and the Group on normal commercial terms after taking into account the benefits of the Acquisition as disclosed in the paragraph headed "Reasons for and benefits of the Acquisition" below and the recent profitability of the Target Company.

The Purchase Price was determined by having taken into account:

(a) the human capital of top talent from well-known engineering centers and technical knowhow open-source technology (including but not limited to knowhow in developing, integrating and managing next-generation digital cloud platform in information technology ("**IT**")) that are possessed by the Target Company, being an IT-related services provider;

(b) the comparable trading multiples publicly available in the US market, with reference to the financial performance of the Target Company:

(i) EV/revenue multiple of 2.17, as compared to comparable group average of 2.32;

(ii) EV/EBIT multiple of 9.5, as compared to comparable group average of 14.2;

(iii) EV/EBITDA multiple of 8.8, as compared to comparable group average of 12.2; and

(iv) P/E multiple of 14.8, as compared to comparable group average of 18.5.

Note: EV means enterprise value; EBIT means earnings before interest and taxes; EBITDA means earnings before interest, taxes, depreciation and amortization; and P/E means price to earnings.

Based on the selection criterion of comparable group below, the Board believes comparable group average multiples reasonably indicate the fair market value of the Target Company. The Purchase Price reflects lower multiples compared to the comparable group average, indicating that the Target Company was purchased at a discount to the fair market value.

The comparable group includes the following companies:

No.	Name	Description of Principal Business	EV/revenue	EV/EBIT	EV/EBITDA	P/E
1.	Company A	a company engaged in the provision of IT, consulting, and business process outsourcing services	2.13	12.3	10.7	15.9
2.	Company B	a company engaged in the provision of digital transformation, IT and knowledge process outsourcing services.	2.07	7.7	7.2	no meaning *(note)*
3.	Company C	a provider of software product engineering, technology consulting and digital expertise	2.51	15.0	13.8	21.1
4.	Company D	a provider of software development services and IT solutions	2.29	24.6	13.3	19.0
5.	Company E	an technology services provider, which focuses on delivering software solutions that leverage emerging technologies and related market trends	4.62	25.8	22.4	37.5
6.	Company F	a provider of IT consulting, technology and outsourcing services	0.73	9.9	15.8	14.7
7.	Company G	a consulting, technology and outsourcing company, which provides end-to-end business solutions thereby enabling clients to enhance business performance	2.76	11.1	10.1	15.8
8.	Company H	a global IT, consulting and outsourcing company	2.40	13.9	11.8	17.8
9.	Company I	an IT services, digital and business solutions company	3.26	12.7	11.9	16.1
10.	Company J	a global IT services company	2.18	10.8	10.0	13.7
11.	Company K	a global IT solutions company, which engages in independent testing, infrastructure management, technical support, and IT services	1.25	12.2	8.8	15.4
12.	Company L	a provider of software product development services	1.61	14.5	10.1	16.7

Note: It is usually caused by negative earnings and a negative multiple does not provide any meaning.

The multiples of the twelve comparable companies were derived from the data from FactSet Research Systems Inc. (trading as FactSet), a multinational financial data and analytic software provider company, as of 14th November 2016.

The Board believes that the comparable group shares similar business model with the Target Company, correctly reflects the current market consideration of IT companies operating in the same domain, and thus serves as a reasonable group to determine the Purchase Price. The Board is aware that the above comparables were all derived from public companies whose shares are traded on open market. Notwithstanding that the Target Company is not a public company and thus its shares would not enjoy the benefit of marketability similar to the above comparable companies, when selecting these comparable companies, factors taken into consideration include (without limitation):

(i) Business model: The comparables and the Target Company all operate the offshore IT services model, i.e., they mostly provide services to enterprise customers in the United States by leveraging more cost-effective talents outside the United States and their engineering pool mainly comes from two geographical regions, Eastern Europe and India;

(ii) Financial model: Given the similar business model, the financial performance of the comparables are also comparable to the Target Company. Their gross margins range from 30% to 50%, as compared to the Target Company's gross margin of 48%. Their operating margins ranges from 10% to 30%, as compared to the Target Company's operating margin of 23%;

(iii) Risk exposures: Serving the same group of enterprise customers primarily in the United States and utilizing the same group of offshore talent pool, they share the same level of risk profile including operating risks, customers risks and foreign exchange risks, etc.; and

(iv) Listing market: As the Target Company is only a private company, there is the no public and direct assessment of fair market value of the Target Company itself. The Board understands that it is a market practice to derive a fair valuation of a private company based on trading multiples of comparable group of listed companies. As the Target Company is a company incorporated in the United States and mostly provides services to enterprise customers in the United States, the majority of the comparables with the similar business model with the Target Company are listed in the stock market in the United States. Therefore, the Board believes that it could reasonably determine the current market valuation of the Target Company in the United States by choosing the comparable group with a majority of the comparables are listed in the stock market in the United States.

In light of the above, notwithstanding the shares of the Target Company are not listed in any stock exchange, the Board considers that the comparables serve as fair, reasonable and meaningful reference and basis in considering the Purchase Price and the value of the Target Company.

(c) the Target Company's historical financial performance over the past 3 years, including (i) revenue growth of 25.08% for the year ended 31st December 2014, 30.86% for the year ended 31st December 2015, and 44.87% for the nine months ended 30th September 2016, each when compared to the corresponding preceding year/period, (ii) stability of gross and operating margin profit, and (iii) profitability and free cash flow;

(d) the Group's target of improving its profitability by exploring other potential business opportunities that could create synergies with the existing business of the Group; and

(e) extensive market research and analysis with reference to market data from various sources including without limitation to independent online platforms, industry reports such as IBISWorld (a global business intelligence leader specialising in industry market research and procurement and purchasing research reports) on IT consulting in the United States and forecast alert of worldwide IT spending from Gartner Inc. (a research and advisory firm in the United States, which provides information technology related insight for IT and other business leaders located across the world).

The calculations of Earnout Payment (including the Year One Revenue Target, the Year One PBT Target, the Year Two Revenue Target and the Year Two PBT Target) were determined between the Company and the Target Company prior to the execution of the Merger Agreement on 16th December 2016 by reference to, among others, the latest audited accounts of the Target Group for the year ended 31st December 2015, the revenue growth potential of the Target Group, as well as market trends of cloud-based IT solutions widely adopted in enterprise environments.

Notwithstanding that the premium of the Merger Consideration over the net asset value of the Target Group as at 30th September 2016, the Board is of the view that the net assets value of the Target Group comprises tangible assets but not intangible assets (for example, goodwill, trademarks, copyrights, which are considered to be of a higher importance for companies in the offshore IT services model), and that the net asset value shall not be considered singly as a determining factor of the Merger Consideration, which the Board considers to be in line with practice when analysing the value of companies in the offshore IT services model.

Accordingly, the Board is of the view that the Merger Consideration is fair and reasonable, and in the interests of the Company and Shareholders as a whole.

5. Conditions precedent

Conditions to the obligations of each party

The obligations of each party to the Merger Agreement to consummate the transactions contemplated thereunder shall be subject to the fulfilment, at or prior to Closing, of each of the following conditions (which may not be waived by any party to the Merger Agreement):

(a) The Merger Agreement shall have been duly adopted and the Merger shall have been duly approved by the Requisite Target Company Vote.

(b) The Merger Agreement shall have been duly adopted and the Merger shall have been duly approved by a majority of the Shareholders at the SGM.

(c) No governmental authority shall have enacted, issued, promulgated, enforced or entered any governmental order which is in effect and has the effect of making the transactions contemplated under the Merger Agreement illegal, otherwise restraining or prohibiting consummation of any material transactions or causing any of the material transactions contemplated under the Merger Agreement to be rescinded following completion thereof.

(d) Each of the Company and the Target Company shall have received all consents, authorizations, orders and approvals from governmental authorities in form and substance reasonably satisfactory to the Company and the Target Company and no such consent, authorization, order and approval shall have been revoked.

(e) No actions shall have been commenced against any of the parties to the Merger Agreement (other than the Securityholder Representative) that would prevent the Closing.

(f) The transactions contemplated under the Merger Agreement shall have received CFIUS Approval, without any material alteration or material modifications of the terms of the Merger Agreement or of the structure or ownership of the Target Company and its subsidiaries, or the assets held by such entities.

To the best of the Directors' knowledge, the required approvals from governmental authorities under condition (d) above include: (1) Committee on Foreign Investment in the United States ("**CFIUS**") Filing, which the Company and the Target Company are required to make a joint application to the CFIUS for prior approval and/or clearance on the impact of economic and national security of an acquisition which results in foreign control over a U.S. business, (2) Russian Federal Anti-Monopoly Service Filing, which the Company is required to make application to file with the Federal Antimonopoly Service for prior approval of the acquisition of rights which would allow the Company to control the conduct of business of Russian entities owned by the Target Company, (3) Hart-Scott-Rodino Filing, which the Company is required to complete a premerger notification filing required under U.S. Hart-Scott-Rodino Anti-trust Improvements Act of 1976 for an Acquiring Person to the U.S. Department of Justice and the U.S. Federal Trade Commission as the present transaction is likely to fall within the size-of-transaction test, i.e. USD80.8million ("**HSR Filing**").

Conditions to the obligations of the Company, the Purchaser and the Merger Sub

The obligations of the Company, the Purchaser and the Merger Sub shall be subject to the fulfilment or the Company's waiver, at or prior to the Closing, of each of the following conditions:

(a) The representations and warranties of the Target Company in the Merger Agreement shall be true and correct in all material respects or in all respects as set out in the Merger Agreement.

(b) The Target Company shall have duly performed and complied in all material respects with all agreements, covenants and conditions required by the Merger Agreement to be performed or complied with by it prior to or on the Closing Date.

(c) All approvals, consents and waivers in the Merger Agreement shall have been received, and executed counterparts thereof shall have been delivered to the Company at or prior to the Closing.

(d) From the date of the Merger Agreement, there shall not have occurred any Material Adverse Effect.

(e) The Target Company shall have delivered each of the closing deliverables in the Merger Agreement.

(f) Holders of no more than ten percent (10%) of the outstanding Target Shares as of immediately prior to the effective time of the Merger, in the aggregate, shall have exercised, or remain entitled to exercise, statutory appraisal rights pursuant to Section 1300 of the California General Corporation Law with respect to the Target Shares.

(g) The Company shall have received from each key executive a duly executed non-competition agreement. Such agreements shall be in full force and effect, and none of the key executives shall have attempted (whether formally or informally) to terminate, rescind or repudiate such agreement.

(h) Securityholders holding at least ninety percent (90%) of the Fully Diluted Share Number shall have executed and delivered to the Company the joinder agreement to be negotiated in good faith between the Company and the Target Company and agreed to prior to the Closing and all such joinder agreements shall be in full force and effect.

(i) The Company shall have received the Preferred Shareholder Conversion Consent, which shall be effective as of immediately prior to Closing.

(j) Any issued and outstanding warrants of the Target Company will be terminated prior to Closing.

Conditions to the Obligations of the Target Company

The obligations of the Target Company shall be subject to the fulfilment or the Target Company's waiver, at or prior to the Closing, of each of the following conditions:

(a) The representations and warranties of the Company, Purchaser and Merger Sub contained in the Merger Agreement shall be true and correct in all material respects or all respects as set out in the Merger Agreement.

(b) The Company, the Purchaser and the Merger Sub shall have duly performed and complied in all material respects with all agreements, covenants and conditions required by the Merger Agreement to be performed or complied with by them prior to or on the Closing Date; *provided that*, with respect to agreements, covenants and conditions that are qualified by materiality, the Company, the Purchaser and the Merger Sub shall have performed such agreements, covenants and conditions, as so qualified, in all respects.

(c) The Company shall have delivered each of the closing deliverables in the Merger Agreement.

Status of the conditions precedent

As at the Latest Practicable Date, none of the conditions set forth above had been fulfiled in full or waived, and the Company was not aware of any matter which would render such conditions being unable to be fulfiled.

In the event the Merger Agreement is terminated due to certain conditions not satisfied by the Long Stop Date, (i) the Company or the Target Company is liable to pay a termination fee to the other party in the amount of up to US$3,000,000 (equivalent to approximately HK$23,269,500) unless, among others, such failure shall be due to the failure of the claiming party to comply in any material respect with the Merger Agreement, and (ii) the Company shall pay the Target Company the reasonable fee and expenses for obtaining the CFIUS Approval. However, where the termination is due to the failure to obtain due approval by a majority of the Shareholders at the SGM as a result of Teamsun's inability to obtain its own shareholders' approval of the transactions contemplated under the Merger Agreement, the Company shall pay a termination fee of US$2,000,000 (equivalent to approximately HK$15,513,000) to the Target Company or make and consummate the Investment Offer, at the Company's election. The Company shall be entitled to receive a termination fee of US$3,000,000 (equivalent to approximately HK$23,269,500) if the termination is by the Company due to the Target Company's inability (i) to adopt the Merger Agreement and approve the Merger by the Requisite Target Company Vote or (ii) to receive all consents, authorizations, orders and approvals from governmental authorities referred to in the Merger Agreement and no such consent, authorization, order and approval shall have been revoked.

Upon termination, the Merger Agreement shall forthwith become void and there shall be no obligation on the part of any party to the Merger Agreement except:

(a) confidentiality obligations, rights in event of termination and other rights in accordance with the Merger Agreement; and

(b) that nothing in the Merger Agreement shall relieve any party from liability for any willful breach of any provision.

6. Cash Distribution prior to the Closing

On or prior to the last date of the period of the last regularly prepared balance sheet of the Target Company prior to the effective time of the Closing, the Target Company will make a distribution of cash to its Securityholders in an amount sufficient to ensure that the total assets of the Target Company are less than US$15,600,000 (approximately HK$121,001,000) as at the effective time for the Closing. The said amount was determined in accordance with the threshold of the test on total asset for the relevant HSR Filing (i.e. US$15,600,000) imposed by the US Government at the relevant time of entering into of the Merger Agreement. As the Purchase Price will be on a net cash and net debt basis, the amount of cash distribution, if conducted, will be determined by the Target Company singly and is not material to the Acquisition. It is expected that as at the Closing Date, the Target Company will have a working capital of US$7 million, any excess or deficit shall be contributed by the Company for distribution to the Securityholders or disbursed to the Company, respectively.

7. Closing

Subject to the terms and conditions of the Merger Agreement, the Closing shall take place no more than five (5) Business Days after the last of the conditions to the Closing set forth in the Merger Agreement having been satisfied or waived (other than conditions which, by their nature, are to be satisfied on the Closing Date), or at such other time or on such other date or at such other place as the Target Company and the Company may mutually agree upon in writing.

8. Financing of the Merger

The Acquisition will be funded by a combination of the Group's internal resources, loan facilities provided by commercial banks, and equity financing activities, including by way of the Rights Issue and the Placing of CB, the details of which are set out below:

Date of announcement/ prospectus	Event	Net proceeds	Intended use of proceeds for the Acquisition
12th January 2017 and 3rd February 2017	Rights Issue	Approximately HK$189,170,000	Approximately HK$170,253,000
12th January 2017	Placing of CB	Approximately HK$345,968,000	Approximately HK$311,371,000

As at the Latest Practicable Date, save for the Rights Issue and the Placing of CB, no further equity financing for the purpose of funding the Acquisition is contemplated, nor has any agreement been entered into in this relation by the Company. The Company has obtained and intends to obtain loan(s) from commercial banks(s) in the aggregate principal amount up to HK$300,000,000 to fund the Acquisition.

INFORMATION ON THE GROUP

The Group is engaged in the delivery of comprehensive one-stop IT services with core business in systems integration, maintenance support, managed services and applications development to clients across various industries (including but not limited to banking and financing, telecom, retail, transportation, education and government) mainly in Hong Kong and other locations (including Macau, mainland China, Thailand, Taiwan, Singapore and Malaysia).

At present, the Group is principally focusing on five key solutions and services pillars (i.e. infrastructure, security, data intelligence, mobile and cloud). Of the five key pillars that the Group is principally focusing on, infrastructure is the foundation of the Company and represents a legacy of 40 plus years of successful business operations in Hong Kong while security is the central key pillar to all the other four pillars of solutions and services, which is vital for the Group to deploy infrastructure and applications effectively.

The solutions and services of the five key pillars including, among others, set out as below:

(1) Infrastructure: provision of infrastructure platform, networking and endpoint computing & messaging to advance with new technologies; and provision of infrastructure services including relocation service, life cycle IT management and IT service desk for daily business operation of customers;

(2) Security: provisions of application security, data security, network security and management, security risk assessment and audit, security managed service and relevant security maintenance service;

(3) Data intelligence: digital marketing and business automation through data warehousing to big data analytics;

(4) Mobile: mobile applications development, enterprise mobile management, architecture design and mobile app enablement; and

(5) Cloud: IaaS (Infrastructure as a Service, which provides virtualized computing resources over the Internet), PaaS (Platform as a Service, which provides a platform allowing customers to develop, run and manage applications) and SaaS (Software as a Service, which provides cloud based software).

INFORMATION ON THE TARGET GROUP

Founded in 2006, the Target Group is headquartered in Menlo Park, California of the United States. Staffed with more than 600 employees and has a strong offshore delivery team in Eastern Europe, the Target Group has a total of six offices in the USA and throughout Eastern Europe.

As as the Latest Practicable Date, the authorized and issued and outstanding capital of the Target Company consists of: (A) 15,000,000 shares of common stock, 1,488,673 shares of which are issued and outstanding; and (B) 8,190,000 shares of preferred stock, amongst which (i) 2,590,000 shares of which are designated series A-1 preferred stock, 2,500,000 of which are issued and outstanding, (ii) 5,000,000 shares of which are designated series A-2 preferred stock, 5,000,000 of which are issued and outstanding, and (iii) 600,000 shares of which are designated series B preferred stock, 318,101 of which are issued and outstanding.

The Target Group is a provider of open, scalable, next-generation e-commerce technology solutions in the areas of omni-channel digital platforms (such as designing and developing web catalogs, search systems and mobile applications), cloud enablement, big data analytics and continuous delivery. It has highly skilled engineers on cloud project infrastructure design and delivery, big data analytics, QA automation (such as automating the customers' functional and performance testing on their websites, mobile applications and e-commerce system by using open-source frameworks), cloud engineering, UI (i.e. user-interface), cloud engineering, UI (i.e. user-interface)/full stack engineering (such as designing and developing a complex websites and mobile applications to adjust their look-and-feel based on different platforms e.g. a desktop workstation, a mobile phone or tablet device), releases engineering/ DevOps (such as automating, provisioning and configuration of virtual servers according to the expected load for the purposes of in-house as well as cloud deployment), search engine development. The Target Group particularly focuses on advancement of its core technologies. Its engineering team maintains high specialization in several technical disciplines and some are even committers to high-profile open source projects such as Hadoop, Solr, and OpenStack. The Target Group constantly evolves its core disciplines to stay with or ahead of the market. The Target Group's technical leadership in these core disciplines is constantly launching new tools and frameworks, running certification training, and formalizing new technical blueprints.

The Target Group has a track record of success and is well-known in providing transformative, cloud solutions for enterprises customers in retail, finance, media and technology sectors with an aim to revamp their missional critical systems, provide higher quality software and automate application managed services, and speed up their business innovation cycle.

A summary for the audited financial results of the Target Group for each of the three years ended 31st December 2013, 2014 and 2015 and the nine months ended 30th September 2016, prepared in conformity with the HKFRSs, is set out below:

	For the year ended 31st December			For the nine months ended 30th September
	2013	**2014**	**2015**	**2016**
Revenue	US$24,278,120	US$30,365,933	US$39,737,962	US$40,348,554
(HK$ equivalent approximately)	(HK$188,313,238)	(HK$235,533,359)	(HK$308,227,502)	(HK$312,963,559)
Profit	US$1,797,871	US$1,505,499	US$5,984,159	US$4,893,061
(HK$ equivalent approximately)	(HK$13,945,186)	(HK$11,677,403)	(HK$46,416,129)	(HK$37,953,028)

The audited consolidated net assets of the Target Group as at 30th September 2016 (prepared in conformity with the HKFRSs) amounted to approximately US$16,297,794 (equivalent to approximately HK$126,413,839).

Please also refer to Appendixes II and III for further information of the Target Group.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The rapid rise of a new generation of digital technologies – including cloud, mobile, big data and analytics and social business, collectively called the "third platform" technologies as defined by International Data Corporation ("**IDC**") – is disrupting every industry. The traditional IT enterprise and application architecture can no longer meet today's digital needs. The Company is of the view that clients increasingly develop their business applications by using third platform technologies to reduce costs, streamline operational processes and improve business agility. According to IDC, virtually all of enterprises' new strategic IT investments through 2020 will be built on third platform technologies and solutions.

In response to this new IT ecosystem, IT services players have to acquire the ability to bring a full suite of service capabilities that includes integration of cloud, mobile, analytics and security delivered 'as a service' which is agile, people-oriented and innovative to enable an enterprise to succeed on its digital transformation journey.

In view of the market trend, the Directors are of the view that the following benefits will be accrued from the Acquisition and synergy will be created between the principal businesses of the Target Group and that of the Group:

(1) Quickly establish the Group's business as a digital business enabler

By integrating the Target Group's experts, resources and technologies with the Group's marketing, logistics and a huge global IT vendor network to the local market, the Group plans to rapidly develop next-generation integrated IT solutions that (i) build on agile, efficient technology infrastructure; (ii) blend existing or new clients' business models; and (iii) use disruptive digital technologies, allowing it to flexibly accommodate clients' needs and provide the best products, solutions and services to achieve clients' desired business outcomes. The Company believes that the Acquisition will enable the Group to quickly take up the role as a major IT services partner in the third platform technologies in Greater China.

(2) Rapidly capture market opportunities brought by big data analytics

As cloud computing and Internet of Things continues to disrupt traditional business models, companies increasingly turn to IT services providers who have experts, domain knowledge and technologies to drive value from large volumes and diverse types of data, known as big data, for customer experience enhancement, business process improvement and revenue generation. The supply of highly-skilled big data professionals and a proven track record across diverse industries of the Target Group allows the Group to capture big data market opportunities for business expansion.

(3) Bring strong cross-selling opportunities in retail and financial services sector

The emergence of new market trends, like omni-channel and Fintech in the retail and financial sectors respectively, presents good market opportunities. The Acquisition can reinforce the Group's leading position and exposure in these two verticals. The Target Group's omni-channel platforms have been proven for eight years and well-recognised by many US local leaders with a global presence of which half are from retail and financial services sectors. By combining the Group's well-established customer network, which includes government agencies, prestigious universities, telecommunications giants, transportation enterprises, major financial institutions and leading international corporations, and its dedicated sales force together with the Target Group's experience, domain expertise and professionals, the Company believes the Acquisition will bring deeper market penetration and broaden its customer base in the aforementioned sectors.

(4) Enhance operational efficiency

The Target Group's successful onshore/offshore business model and its capabilities on DevOps (a new superior IT service delivery, and agile application development methodologies, practices and industry-specific tools) are expected to bring higher productivity, improve quality and minimise risk in application development for the Group. Meanwhile, the Group will benefit from a greater talent pool by combining resources from the offshore centers of the Target Group and the Group. Hence, the Group will be able to deliver sophisticated yet cost-effective and quality services.

(5) Extend our managed services business into total IT outsourcing

The Target Group's automated cloud delivery platform can extend its managed services business from currently managing hardware and software infrastructure to total IT outsourcing by including the provision of high-end Business Process Outsourcing services.

(6) Capture e-commerce opportunities in mainland China

The synergy from the Acquisition will also position the Group to capture the enormous e-commerce opportunities arising from the third platform technologies in one of the fastest growing economy in the world, mainland China. In addition, the Group believes that the Acquisition can accelerate the capability of the Group as well as Teamsun and its subsidiaries to help clients transforming their customer experiences, core business process, partner relationships, and supporting IT systems in their digital development.

The Board is of the view that the Acquisition can lay a solid foundation for the Group's long-term development. It can also help to expand the Group's geographical coverage beyond Asia Pacific. The Directors will continue to explore other business opportunities that may enhance and benefit the Group's current mix of business operations. As at the Latest Practicable Date, the Directors do not have any plan, arrangement, understanding, intention or negotiation underway regarding any potential transaction which will involve disposal, downsizing or termination of the existing businesses and/or major operating assets of the Group.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Merger Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Group's strategy for the Target Group

The Group's strategy is to expand the Target Group's business into Asia market while fueling the Group's business spanning from Greater China to the United States, or even to certain European countries where the Target Group currently has operation in by cross-selling service competency.

The Group relies on competent staff to provide quality services and capture the increasing business opportunities arisen from the third platform technologies. To retain the existing key management team and employees of the Target Group, the Company and the Target Company have agreed to devise and adopt a retention plan that will give cash for a value up to US$10,000,000 to the employees of the Target Group.

FINANCIAL EFFECTS OF THE ACQUISITION

Upon Closing, the Target Company will become a wholly owned subsidiary of the Company and the financial results of the Target Group will be consolidated into the consolidated accounts of the Group. The unaudited pro forma financial information of the Enlarged Group illustrating the financial effects of the Acquisition on the assets, liabilities and earnings of the Group is set out in Appendix IV to this circular.

Assets

The unaudited consolidated total assets of the Group as at 30th June 2016 amounted to approximately HK$1,172,030,000. As if the Acquisition had been completed on 30th June 2016, the unaudited pro forma consolidated total assets of the Enlarged Group as set out in Appendix IV to this circular would have been increased to approximately HK$1,370,244,000.

Liabilities

The unaudited consolidated total liabilities of the Group as at 30th June 2016 amounted to approximately HK$467,234,000. As if the Acquisition had been completed on 30th June 2016, the unaudited pro forma consolidated total liabilities of the Enlarged Group as set out in Appendix IV to this circular would have been increased to approximately HK$673,982,000.

Earnings

For the year ended 31st December 2015, the audited consolidated net profit of the Group amounted to approximately HK$19,704,000. According to the unaudited pro forma consolidated statement of comprehensive income of the Enlarged Group as set out in the Appendix IV to this circular, immediately after Closing, the financial results of the Target Group will be consolidated with those of the Group, and the unaudited pro forma consolidated net profit of the Enlarged Group would have been increased to approximately HK$52,192,000.

LISTING RULES IMPLICATIONS

As certain of the relevant percentage ratios applicable to the Company exceed 100%, the entering into of the Merger Agreement constitutes a very substantial acquisition 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. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, no Shareholders have any material interest in the Merger, it is expected that no Shareholders will be required to abstain from voting at the SGM on the resolution to approve the Merger Agreement and the transactions contemplated thereunder.

VOTING BY WAY OF POLL

Pursuant to Bye-law 70, at any general meeting, a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand of a poll) demanded:

(a) by the chairman of the meeting; or

(b) by at least three Shareholders present in person or by a duly authorised corporate representative or by proxy for the time being entitled to vote at the meeting; or

(c) by any Shareholder or Shareholders present in person or by a duly authorised corporate representative or by proxy and representing not less than one-tenth of the total voting rights of all the Shareholders having the right to vote at the meeting; or

(d) by any Shareholder or Shareholders present in person or by a duly authorised corporate representative or by proxy and holding Shares in the Company conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the Shares conferring that right.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands.

The chairman of the SGM will demand a poll on the resolution proposed at the SGM.

The Company will announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules.

SGM

The Notice is set out on pages 152 to 153 of this circular.

There is enclosed a proxy form for use at the SGM. A Shareholder entitled to attend and vote at the SGM may appoint another person as his/her proxy to attend and vote instead of him/her, and on a poll, votes may be given either personally or, in the case of a Shareholder being a corporation by its authorised representative or by proxy in accordance with the Bye-laws. A Shareholder who is the holder of two or more Shares may appoint more than one proxy to attend the SGM. A proxy need not be a Shareholder. If more than one proxy is so appointed, the appointment shall specify the number of Shares in respect of which each such proxy is so appointed. Whether or not Shareholders intend to be present at the SGM, Shareholders are requested to complete the proxy form and return it to the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than 48 hours before the time for holding the SGM.

Completion and return of the proxy form will not preclude the Shareholders from attending and voting in person at the SGM or any adjournment thereof should Shareholders so wish.

RECOMMENDATION OF THE BOARD

Having taken into account, among other things, the reasons for and benefits of the Acquisition, the financial performance of the Target Group and the basis of the Merger Consideration as set out above, the Board considers that the terms and conditions of the Merger Agreement are fair and reasonable and is in the interest of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the Merger Agreement and the transactions contemplated thereunder.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in Appendices I to V to this circular.

Shareholders and potential investors in the Company should note that the consummation of the Merger is subject to the fulfilment of certain conditions, including, among other things, the approval of the Shareholders, the approval of the shareholders of Teamsun and the approval of the Shareholders of the Target Company, and that the Merger Agreement may be terminated in certain circumstances. Accordingly, there is no assurance that the Merger will be completed. Shareholders and potential investors in the Company should exercise caution when dealing in the Shares.

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

FINANCIAL INFORMATION OF THE GROUP FOR EACH OF THE THREE YEARS ENDED 31ST DECEMBER 2013, 2014 AND 2015 AND THE SIX MONTHS ENDED 30TH JUNE 2016

The published audited consolidated financial statements of the Group for the three years ended 31st December 2013, 2014 and 2015 and the unaudited condensed consolidated financial statements for the six months ended 30th June 2016 are disclosed in the annual reports of the Company for the three years ended 31st December 2013, 2014 and 2015 and the interim report of the Company for the six months ended 30th June 2016 respectively. The said annual reports and the interim report of the Company are available on both the website of the Stock Exchange (http://www.hkex.com.hk) and the website of the Company (http://www.asl.com.hk).

(a) Annual report of the Company for the year ended 31st December 2013:

http://www.hkexnews.hk/listedco/listconews/SEHK/2014/0415/LTN201404151094.pdf

(b) Annual report of the Company for the year ended 31st December 2014:

http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0415/LTN20150415769.pdf

(c) Annual report of the Company for the year ended 31st December 2015:

http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0413/LTN20160413634.pdf

(d) Interim report of the Company for the six months ended 30th June 2016:

http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0913/LTN20160913319.pdf

MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

Set out below is the management discussion and analysis of the Target Group for each of the three years ended 31st December 2013, 2014 and 2015, and the six months ended 30th June 2016, as extracted from the annual reports and interim report of the Company for the relevant period:

(i) For the year ended 31st December 2013

Financial results

For the year ended 31st December 2013, revenue of the Group was HK$1,613.0 million, lower by 3.6% compared to the same period last year.

For the year ended 31st December 2013, product sales and service revenue were HK$890.5 million and HK$722.5 million, decreasing by 1.6% and 6.0% respectively compared with the corresponding period last year. Product sales and service revenue contributed 55.2% and 44.8% to total revenue respectively, compared to 54.1% and 45.9% with the corresponding period last year.

For the year ended 31st December 2013, commercial and public sector sales contributed 47.0% and 53.0% to revenue respectively, compared to 46.6% and 53.4% for the corresponding period in 2012.

During the year under review, the Group operated under challenging operating conditions. Gross profit margin and profit after income tax for the full year of 2013 were 9.3% and HK$17.3 million, lower by 2.8% and 58.1% respectively compared with the corresponding period last year. Reference is made to the Company's announcement dated 19th March 2014. The decrease in profit after income tax was mainly due to the unexpectedly high delivery costs associated with a sizable business contract of the Group which caused a significant drop in the gross profit margin. In addition, the increasingly prudent customer spending in information technology ("**IT**") and intensified market competition also led to a drop in full year's gross profit margin and new orders secured in the first half of 2013. The new orders, however, picked up in the second half of the year. Upon the implementation of various measures relating to resources integration, cost reduction and enhancement of operating efficiency, the Group has achieved an initial positive momentum which resulted in a fall in overall operating costs to partially offset the impacts of gross profit drop. We believe that there are still rooms to improve the operational efficiency. With our diversified business development, we expect such strategy will help alleviate the possible impact of the above-mentioned contract and the overall operating environment on the business performance.

For the year ended 31st December 2013, orders newly secured by the Group amounted to approximately HK$1,686.9 million. As of 31st December 2013, the order book balance was approximately HK$840.3 million, an increase of HK$10.5 million compared with the corresponding period last year. The Group's net cash stood at approximately HK$114.7 million with a working capital ratio of 1.73:1. The Group maintained a healthy balance sheet and outstanding borrowings amounted to HK$49.3 million as at 31st December 2013. The above amounts excluded orders, cash and cash equivalents and short-term borrowings of disposal group classified as held for sale.

Business Review

Despite the challenging environment in 2013, the Group continued to provide a wide spectrum of business solutions and IT services for both public and commercial sectors with its solid foundation, accumulated operation and technical experience over the past forty years as well as our unrelenting efforts to seize business opportunities.

The Group, during the year, continued to gain trust and support from public sector and stood out at the top IT services provider in terms of the aggregate contract value in providing quality professional services among other industry peers. The Group continued to garner and provide implementation of numerous orders for the government to accommodate different government IT initiatives such as web accessibility, electronic information management and the government human resources management services.

In the commercial sector, the Group grasped opportunities arising from IT infrastructure, solutions and services to meet different market demands. The major orders recorded during the year included provisioning business intelligence solutions to theme parks, revamping storage system for a pan-Asian retail brand, and upgrading enterprise content management for a renowned local bank. The Group also expanded its business in the aviation sector by extending its customer base and securing sizeable contracts.

For the business activities outside Hong Kong, the buoyant gambling industry in Macau stimulated the demand for computing facilities and IT solutions. Of note was a sizeable order received from an integrated gaming resort in Cotai for the provision of core network infrastructure. Across the Taiwan Strait, the Group continued to take advantage of the cross-territories opportunities by supplying IT infrastructure to a Shenzhen subsidiary of one of the world's largest electronic contract manufacturers in Taiwan.

Outlook and Prospects

The Group demonstrated its capability of implementing the stated strategy through an inorganic growth to accelerate the Group's development. In February 2014, the Group successfully completed the subscription by bringing a strategic investor, Great Ally Investments Limited (the "**Strategic Investor**") (a subsidiary of Peregrine Greater China Capital Appreciation Fund, L.P.), to subscribe for 118,973,914 new shares of i-Sprint Innovations Pte Ltd ("**i-Sprint**") (representing 41.67% of the enlarged issued share capital of i-Sprint) at a consideration of US$9,850,000 (equivalent to approximately HK$76,833,000).

This strategic investment allows the Group to record an unaudited oneoff investment gain. Following the subscription, i-Sprint ceased to be a subsidiary of the Group, yet the Group remains as the largest single shareholder of i-Sprint by holding 48.22% of i-Sprint's issued share capital. Notably, the Group believes that we will benefit from the subscription in different aspects. For instance, the Strategic Investor possesses abundant experience and professional knowledge in investment and will bring expertise in planning for the initial public offering of i-Sprint's shares in the near future, thus enabling us to materialise the investment in i-Sprint at the earliest opportunity. In addition, the future collaboration between the Strategic Investor and ASL will bring synergies to the Group.

Apart from looking for inorganic growth opportunities, the Group will continue developing its IT solutions business, value-added services, as well as expanding its regional business. Capitalising on our multi-vendor expertise and strong track records, we will in particular concentrate on the business of maintenance, networking, security infrastructure, help desk outsourcing and managed services. Meanwhile, the Group will further hone its business model in response to market trends and actively capture any regional opportunities arising from the prevailing IT trends to facilitate the sustainable development of the Group.

Regarding the cross-territories business, the Group will continue to leverage the presence in China and service delivery capability of our ultimate holding company, Beijing Teamsun Technology Co., Ltd., to enhance our service quality and satisfy the diverse business needs of our customers.

In response to the challenging business environment over the previous year and in the year ahead, we have undertaken a series of measures, including enhancing our operational model, strengthening major account sales strategy while maintaining stringent cost control policies. In addition, the Group will strive for the development of potential business, including business in Macau and the above-mentioned business areas. The Group believes that those measures are able to accelerate product time-to-market, enhance business agility and flexibility and raise our service quality.

We will also endeavour to attract and retain more talents which are vital for the Group as an IT services provider. These appropriate measures are expected to facilitate the Group to be more responsive to the market changes, improve our operating margins and accelerate our business growth in the long run.

Financial Resources and Liquidity

As at 31st December 2013, the Group's total assets of HK$1,115.1 million were financed by current liabilities of HK$471.0 million, non-current liabilities of HK$35.5 million and shareholders' equity of HK$608.6 million. The Group had a working capital ratio of approximately 1.73:1.

As at 31st December 2013, the Group had an aggregate composite banking facility from banks of approximately HK$310.0 million (2012: HK$137.8 million). The Group had pledged leasehold land and buildings and investment properties in an aggregate amount of HK$267.4 million (2012: HK$226.3 million) and restricted bank deposits of approximately HK$0.1 million (2012: HK$4.0 million) for banking facilities and performance bonds granted to the Group respectively. The performance bonds issued by the Group to customers as security of contracts were approximately HK$44.0 million as at 31st December 2013 (2012: HK$55.0 million). The Group's gearing ratio (total borrowings over total equity) was 8.1% as at 31st December 2013 (2012: 0.5%), the calculated gearing ratio excluded short-term borrowings of disposal group classified as held for sale.

Treasury Policies

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

Foreign Exchange Exposure

The Group mainly earns revenue and incurs costs in USD and HKD. Foreign exchange exposure to USD of the Group will continue to be minimal as long as the policy of the Government of the Hong Kong Special Administrative Region to link HKD to USD remains in effect. There was no material exposure to fluctuations in exchange rates and therefore no related hedging financial instrument was applied during the year ended 31st December 2013 (2012: same).

Contingent Liabilities

As at 31st December 2013, bank deposits held as security for banking facilities and performance bonds amounted to approximately HK$0.1 million (2012: HK$4.0 million). As at 31st December 2013, performance bonds of HK$44.0 million (2012: HK$55.0 million) had been issued by the Group to customers as security of contracts.

Corporate guarantee to vendors as security for goods supplied to the Group amounted to approximately HK$44.5 million as at 31st December 2013 (2012: HK$44.5 million). The amount utilised against goods supplied as at 31st December 2013 which was secured by the corporate guarantee was approximately HK$1.1 million (2012: HK$0.9 million).

Capital Commitments

As at 31st December 2013, the Group had no contracted capital commitments (2012: HK$0.4 million).

Major Customers and Suppliers

During the year ended 31st December 2013, the five largest customers and single largest customer of the Group accounted for approximately 20.1% and 7.9%, respectively, of the Group’s revenue. The five largest suppliers and single largest supplier of the Group accounted for approximately 39.8% and 11.5%, respectively, of the Group’s purchases.

At no time during the year ended 31st December 2013 did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company’s issued share capital) has an interest in any of the Group’s five largest customers or suppliers.

Employee and Remuneration Policies

As at 31st December 2013, the Group, excluding its associates, employed 1,475 permanent and contract staff in Hong Kong, mainland China, Taiwan, Macau, Thailand, Singapore and Malaysia. The Group remunerates its employees based on their performance, working experience and the prevailing market conditions. Bonuses are granted on a discretionary basis. Other employee benefits include mandatory provident fund, insurance, medical coverage and share options scheme.

(ii) For the year ended 31st December 2014

Financial results

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

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

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

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

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

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

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

Business Review

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

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

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

Outlook and Prospects

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

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

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

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

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

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

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

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

Financial Resources and Liquidity

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

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

Treasury Policies

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

Foreign Exchange Exposure

The Group mainly earns revenue and incurs costs in HKD and USD. Foreign exchange exposure to USD of the Group will continue to be minimal as long as the policy of the Government of the Hong Kong Special Administrative Region to link HKD to USD remains in effect. There was no material exposure to fluctuations in exchange rates and therefore no related hedging financial instrument was applied during the year ended 31st December 2014 (2013: same).

Contingent Liabilities

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

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

Capital Commitments

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

Major Customers and Suppliers

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

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

Employee and Remuneration Policies

As at 31st December 2014, the Group, excluding its associates, employed 1,284 permanent and contract staff in Hong Kong, China, Taiwan, Macau, Thailand, Singapore and Malaysia. The Group remunerates its employees based on their performance, working experience and the prevailing market conditions. Bonuses are granted on a discretionary basis. Other employee benefits include mandatory provident fund, insurance, medical coverage and share options scheme.

(ii) For the year ended 31st December 2015

Financial Results

For the year ended 31st December 2015, total revenue of the Group was HK$1,506.0 million, representing a 5.0% increase from last year, which was evenly contributed by the increase in both product sales and service revenue. As compared with last year, product sales was increased by 5.0% to HK$845.8 million while service revenue was increased by 5.1% to HK$660.2 million. For the year ended 31st December 2015, product sales and service revenue contributed 56.2% and 43.8% to total revenue respectively, which was the same for last year.

For the year ended 31st December 2015, commercial and public sector sales contributed 45.9% and 54.1% to total revenue respectively, compared to 44.4% and 55.6% last year.

For the year ended 31st December 2015, upon the implementation of various measures relating to human resources integration, effectiveness of operational efficiency, business streamlining and ongoing marketing promotion, the Group has achieved a positive momentum by an increase in revenue and a fall in overall operating costs, which resulted in significant increase in net profit of the Group's core IT business of 84.9% as compared to last year. The gross profit margin for the year was 9.5%, an increase of 1.5% compared to last year. In addition, the share of loss of associates, i-Sprint Innovations Pte Ltd ("**i-Sprint**") and its subsidiaries ("**i-Sprint Group**"), by the Group was decreased by 71.5% as i-Sprint Group continued improving in its business development which resulted in an increase in its revenue of 33.0% and a significant decrease of its net loss of 68.0%.

During the year under review, the Group recorded profit attributable to the Company's equity holders of HK$19.7 million, a drop of 30.9% compared to last year of HK$28.5 million. The drop was mainly due to the one-off gain on the deemed disposals of the Group's partial interests in i-Sprint HK$5.3 million of the current year, compared to HK$44.7 million of last year. Details of the deemed disposals in the current year and last year were disclosed in the Company's announcements dated 28th January 2014, 4th February 2014, 12th February 2014 and 31st March 2015.

For the year ended 31st December 2014, a business contract of a wholly-owned subsidiary of the Group had been terminated, details of which were disclosed in the Company's announcements dated 19th March 2014 and 21st May 2014. During the year under review, the Group had adopted a prudent approach and further provision was made in view of the potential financial impact that might incur. The possible impact arising from the termination of the business contract on the Group's results for future financial periods is subject to negotiation.

For the year ended 31st December 2015, orders newly secured by the Group amounted to approximately HK$1,606.7 million. As at 31st December 2015, the order book balance was approximately HK$897.1 million, an increase of 14.5% from HK$783.3 million of last year. The Group's cash stood at approximately HK$173.0 million with a working capital ratio of 1.75:1. The Group maintained a healthy financial position and outstanding borrowings amounted to HK$20.0 million as at 31st December 2015.

Business Review

During the year, the Group recorded steady growth in its overall business development.

The Board recommended a bonus issue ("**Bonus Issue**") of shares of HK$0.1 each in the capital of the Company on the basis of one (1) bonus share ("**Bonus Shares**"), credited as fully paid, for every ten (10) existing shares held by the shareholders of the Company whose names appear on the register of members on Monday, 30th May 2016. It is believed that the Bonus Issue will enhance the liquidity on capital level.

With regard to the core infrastructure business, order book balance and its revenue compared to last year increased 28.1% and 5.0% respectively and its gross profit margin also increased 2.4%. The Group's infrastructure business was also continuously supported through our business with the Office of the Government Chief Information Officer ("**OGCIO**") where we supply network products and server systems and provide related services to various government departments under a standing offer agreement. Those exemplify our competence in systems integrations and our credibility among our customers.

In the development of the managed service business, progressive results had been made especially in financial services, entertainment and engineering industries. Various contracts had been entered for long-term managed services with high-value and thereby bringing recurring income to the Group. Of note, we successfully expanded our managed service solution to a Hong Kong-based full-service commercial bank where we supply sophisticated large-scale managed services.

For the data intelligence business, the Group rode on the trend of big data management, analytics and application development and had made a breakthrough during the year. Taking an example, a project was awarded relating to a mass record management system with data as a foundation to provide value-added application solutions. The Group believes that such award may enhance our business portfolio on content management system in sizeable projects and strengthen our competitive advantage in bidding for similar government projects in future.

This also shows data intelligence technologies penetrate different industries and how businesses use big data to create value and optimise their decision making process and thereby further influences corporate views on the value of data, its business models and development map. As a service provider with 40 plus years' experience in systems integration and one-stop infrastructure service solutions, we recognise that keeping up with the times to provide our service solutions by using big data technology is a must. We will continue to respond the market in a timely and efficient manner to help our customers achieve business success.

Besides, the Group's efforts in security business also yielded encouraging results. During the year under review, the Group offered comprehensive security services to various customers in both private and public sectors as usual. As for the public sector supported by OGCIO, we provided services for a Standing Offer Agreement for Quality Professional Services 3 (SOA-QPS3) relating to review of government IT security related regulations, policies and guidelines for three consecutive times. In the meantime, we enhanced our investment in the infrastructure business and established not only ACoE in early 2015, but also the Security Operation Centre *Plus* ("**SOC+**") in the second half of the year. We believe such investment may indeed sustain the development growth on security business.

Outlook and Prospects

We anticipate the overall external environment remains full of challenges in a short period of time due to the slowdown in sentiment seen in surrounding economic environment and the overall challenges in Hong Kong market. Notwithstanding the foregoing, the Group continues to have confidence with capability to become a trustworthy and professional IT partner. We will continue focus on our core business development and thereby strengthen our ability of market risk taking. For example, the Group has planned to enhance our Offshore Delivery Excellence Center ("**ODEC**") in Guangzhou. Such arrangement may broaden our talent pool especially for IT applications development and bring the Group with cost effectiveness results to cope with the business challenge arising from increasing labour costs in Hong Kong. In addition, such arrangement may further enhance our service delivery capability and optimise our solutions business service delivery. This also strengthens our foundation on business development in mainland China, particularly in South China region.

Looking forward, the Group will continue to ride on 5 key solutions and services pillars (i.e. Infrastructure, Security, Data Intelligence, Mobile and Cloud) and thereby grasp the business opportunities in the fast-changing market. We stay focus on our core businesses and keep going on the provision of one-stop innovative integrated IT services in both public and private sectors in Hong Kong and the Greater China region so as to help our customers making agile and innovative businesses. We believe our focus will sustain the overall business of the Group with orderly and steady growth.

Financial Resources and Liquidity

As at 31st December 2015, the Group's total assets of HK$1,175.1 million were financed by current liabilities of HK$447.3 million, non-current liabilities of HK$44.5 million and shareholders' equity of HK$683.4 million. The Group had a working capital ratio of approximately 1.75:1.

As at 31st December 2015, the Group had an aggregate composite banking facility from banks of approximately HK$180.0 million (2014: HK$310.8 million). The Group had pledged leasehold land and buildings of HK$105.5 million (2014: HK$259.7 million) and no investment properties were pledged (2014: investment properties with carrying amount of HK$50.2 million) and no bank deposits held as security (2014: approximately HK$0.8 million) for banking facilities and performance bonds granted to the Group respectively. The performance bonds issued by the Group to customers as security of contracts were approximately HK$52.3 million as at 31st December 2015 (2014: HK$46.5 million). The Group's gearing ratio (total borrowings over total equity) was 2.9% as at 31st December 2015 (2014: 6.3%).

Treasury Policies

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

Foreign Exchange Exposure

The Group mainly earns revenue and incurs costs in HKD and USD. Foreign exchange exposure to USD of the Group will continue to be minimal as long as the policy of the Government of the Hong Kong Special Administrative Region to link HKD to USD remains in effect. There was no material exposure to fluctuations in exchange rates and therefore no related hedging financial instrument was applied during the year ended 31st December 2015 (2014: same).

Contingent Liabilities

As at 31st December 2015, the Group had no bank deposits held as security for banking facilities and performance bonds (2014: approximately HK$0.8 million). As at 31st December 2015, performance bonds of HK$52.3 million (2014: HK$46.5 million) had been issued by the bank on behalf of the Group to customers as security of contracts.

Capital Commitments

As at 31st December 2015, the Group had contracted capital commitments amounting to approximately HK$0.2 million (2014: HK$1.2 million).

Major Customers and Suppliers

During the year ended 31st December 2015, the five largest customers and single largest customer of the Group accounted for approximately 21.9% and 8.1%, respectively, of the Group's revenue. The five largest suppliers and single largest supplier of the Group accounted for approximately 36.0% and 8.5%, respectively, of the Group's purchases.

At no time during the year ended 31st December 2015 did a Director, their close associate or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the number of the Company's issued shares) has an interest in any of the Group's five largest customers or suppliers.

Employee and Remuneration Policies

As at 31st December 2015, the Group, excluding its associates, employed 1,250 permanent and contract staff in Hong Kong, 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.

(ii) For the six months ended 30th June 2016

Financial Results

For the six months ended 30th June 2016, total revenue of the Group was HK$776.5 million, representing a 0.9% increase from the corresponding period last year. As compared with the corresponding period last year, product sales was decreased by 3.9% to HK$436.3 million while service revenue was increased by 7.8% to HK$340.2 million. For the six months ended 30th June 2016, product sales and service revenue contributed 56.2% and 43.8% to total revenue respectively, compared to 59.0% and 41.0% for the corresponding period last year. For the six months ended 30th June 2016, commercial and public sector sales contributed 42.5% and 57.5% to total revenue respectively, compared to 41.7% and 58.3% for the corresponding period last year.

Gross profit margin for the first six months was 10.7%, an increase in gross profit by 26.7% compared to the corresponding period last year. Such increase was mainly attributable to the ongoing implementation of various measures relating to human resources integration, effectiveness of operational efficiency and marketing promotion.

During the period under review, the Group recorded a profit attributable to the Company's equity holders of HK$18.3 million, a rise of 124.3% compared to the corresponding period last year of HK$8.1 million. The positive momentum was mainly driven by an increase in the order book by 11.9% and a decrease in operating costs by 1.9%. Simultaneously, the share of loss of associates by the Group was decreased by 32.4%.

For the six months ended 30th June 2016, orders newly secured by the Group amounted to approximately HK$761.9 million. As at 30th June 2016, the order book balance was approximately HK$867.8 million, an increase of HK$92.4 million compared to the corresponding period last year. The Group's net cash stood at approximately HK$219.0 million with a working capital ratio of 1.86:1. The Group maintained a healthy financial position and outstanding borrowings amounted to HK$20.0 million as at 30th June 2016.

Business Review

The Group, continuously focusing on five key solutions and services pillars (i.e. Infrastructure, Security, Data Intelligence, Mobile and Cloud) in 2016, has been consistent in its development strategy and has made remarkable progress during the period under review. In respect of the managed service business, the result was particularly impressive. As there is an increasing demand for enhancing operational efficiency from the public and private sectors in Hong Kong and the Greater China region, the Group has successfully introduced a "customer-oriented" concept to various locally-based enterprises through providing long-term IT managed services and those enterprises may outsource their IT support and management operations from their internal IT departments. This has considerably increased the business flexibility of those enterprises and, with the performance pledge made by the Group, further increased their support service standard and coverage.

Following the establishment of ACoE and SOC+ last year, the Group has expanded its Service Center and improved its IT infrastructure to meet customers' buoyant demand for IT Service Management (ITSM), resulting in the provision of one-stop IT managed service support for customers during the period under review. Running 24 hours a day throughout the year, the Service Center is not only providing clients with a more convenient and reliable central service platform, but also swifts support for different IT problems. The Center is highly scalable and capable of responding promptly to the fast-changing market. Moreover, the Center has been accredited with the ISO 20000-1:2011 International Standard for IT Service Management System certification and the ISO 9001:2008 Quality Management System certification, thus highlighting the Group's competence in delivering IT services that meet the international standards. The establishment of the Service Center further shows the Group's competency to conduct more large-scale and sophisticated projects, as well as offer a wide spectrum of extensive services and support. The Center also helps to underscore the Group's determination to grasp the aforementioned emerging opportunities in managed services.

The Group has persistently focused on the provision of IT-related professional services and has long identified the South China region as a market with enormous development potential. Correspondingly, the Group has expanded its ODEC in Guangzhou in the first half year. This arrangement has broadened the talent pool for application development and substantially enhanced the cost effectiveness of projects and quality of service delivery.

Outlook and Prospects

The rapid growth of Cloud and big data is being followed by rising cases of cyber attacks and hacker invasions, which have already caused enterprises to incur tremendous losses and brought widespread concerns to society. International Data Corporation (IDC) expects that 55% of enterprises in the Asia Pacific region (excluding Japan) will rely on third parties to manage their internal security infrastructure by the end of 2017. It is therefore expected that SOC+, with provision of comprehensive managed security solution services which was set up in July last year, would continue to benefit from this trend. Moreover, to raise the level of cybersecurity of banks in Hong Kong, the Hong Kong Monetary Authority launched the "Cybersecurity Fortification Initiative" in May this year. The Initiative is a supervisory requirement, under which banks in Hong Kong have to implement IT security-related measures to protect themselves from unexpected cyber attacks. With the Group's well-established reputation in the security market, a loyal customer base, the well-equipped SOC+, and a professional security team comprising over 100 certified staff, the Group has a definite advantage in being one of the few competent managed security services providers in the market. The Group is fully capable of offering flexible and reliable local services regarding system security assessment, security infrastructure, network surveillance, issues management and security strategy formulation consultancy, etc. We have confidence to our ability to assist corporations in developing a regulated and safe IT environment which meets international standards.

As an IT company with substantial techniques, the Group is continuously searching for opportunities to advance IT development. The Group has entered into an agreement with a leading new-energy vehicle integrated service provider in Mainland China in mid-2016 for setting up a joint venture. Under the agreement, a research and development center will be established, and we expect both will benefit from the synergies generated by sharing and complementing of the resources. Through the new corporation, it will not only provide stable and high-standard technical support to each other, but also further expand the ODEC's talent pool, which was enlarged at the beginning of the year, and will improve its service delivery level and capacity. The cooperation will potentially help opening up business opportunities in Mainland China, particularly in South China region, for the long-term development of the Group.

Looking ahead, since more uncertainties will be arisen in the macro environment, such as the sluggish global economy, global political tension and Brexit as well as slow economic growth of Hong Kong; the Group will face more challenges and pressures, such as maintaining or further enhancing the service quality to sustain its competitive edge, despite possibly lower order prices. Nevertheless, the Group will strenuously consolidate its leading position in the IT industry and leverage its competitiveness through the development of innovative technologies and grasping new opportunities for the development of the Group in the future.

Financial Resources and Liquidity

As at 30th June 2016, the Group's total assets of HK$1,172.0 million were financed by current liabilities of HK$422.7 million, non-current liabilities of HK$44.5 million and shareholders' equity of HK$704.8 million. The Group had a working capital ratio of approximately 1.86:1. As at 30th June 2016, the Group had an aggregate composite banking facility from banks of approximately HK$170.0 million (31st December 2015: HK$180.0 million). The Group had pledged leasehold land and buildings in an aggregate amount of HK$103.8 million (31st December 2015: HK$105.5 million) and restricted bank deposit HK$0.5 million (31st December 2015: nil) for performance bonds granted to the Group. The performance bonds issued by the Group to customers as security of contracts were approximately HK$53.6 million as at 30th June 2016 (31st December 2015: HK$52.3 million). The Group's gearing ratio (total borrowings over total equity) was 2.8% as at 30th June 2016 (31st December 2015: 2.9%).

Treasury Policies

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

Foreign Exchange Exposure

The Group mainly earns revenue and incurs costs in HKD and USD. Foreign exchange exposure to USD of the Group will continue to be minimal as long as the policy of the Government of the Hong Kong Special Administrative Region to link HKD to USD remains in effect. There was no material exposure to fluctuations in exchange rates and therefore no related hedging financial instrument was applied during the six months ended 30th June 2016 (six months ended 30th June 2015: same).

Contingent Liabilities

As at 30th June 2016, the Group had HK$0.5 million restricted bank deposit held as security for performance bonds (31st December 2015: nil). As at 30th June 2016, performance bonds of approximately HK$53.6 million (31st December 2015: HK$ 52.3 million) had been issued by the bank on behalf of the Group to customers as security of contracts.

The Group is involved in disputes arising in the ordinary course of business. In accordance with the Group's policies, the Group will make a provision for a liability when it has a present obligation as a result of a past event, it is probable that an outflow of resources will be required from the Group to settle the obligation and the amount can be reasonably estimated. Having reviewed outstanding claims of the Group, a provision for customers' claim of HK$6.3 million was consequently recognised in condensed consolidated statement of profit or loss within other (loss)/ gain, net.

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

Capital Commitments

As at 30th June 2016, the Group had no contracted capital commitment (31st December 2015: HK$0.2 million).

Employee and Remuneration Policies

As at 30th June 2016, the Group, excluding its associates, employed 1,259 permanent and contract staff in Hong Kong, Mainland China, Taiwan, Macau, and Thailand. The Group remunerates its employees based on their performance, working experience and the prevailing market conditions. Bonuses are granted on a discretionary basis. Other employee benefits include mandatory provident fund, insurance, medical coverage and share option scheme.

INDEBTEDNESS STATEMENT

The Group

Bank borrowings

As at 31st January 2017, being the latest practicable date for the purpose of this indebtedness statement, the Group had bank borrowings of HK$10,000,000 (unguaranteed) which were secured by the Group's leasehold land and building. The carrying amount of the leasehold land and building as at 31st January 2017, which were pledged to secure to Group's bank borrowings amounted to approximately HK$106,957,000.

Contingent liabilities

As at 31st January 2017, performance bonds of approximately HK$64,851,000 (unguaranteed) have been issued by the banks on behalf of the Group to customers as security of contracts. As at 31st January 2017, the Group had restricted bank deposit of approximately HK$501,000 and leasehold land and buildings with carrying amount of approximately HK$106,957,000 held as security for performance bonds.

Commitments

As at 31st January 2017, the Group had capital commitments, which were contracted but not provided for, in respect of property, plant and equipment of approximately HK$217,000.

The Target Group

Indebtedness

As at the close of business on 31st January 2017, being the latest practicable date for the purpose of this indebtedness statement, the Target Group had total outstanding finance leases of approximately US$26,000 which were secured by its motor vehicles with no guarantee provided.

Banking facilities and guarantees

As at the close of business on 31st January 2017, being the latest practicable date for the purpose of this indebtedness statement, the Target Company had obtained a banking facility in the amount of US$10,000,000, of which, approximately US$1,833,000 was utilised as at 31st January 2017, being revolving loan from a bank which was secured by all assets of the Target Company with no guarantee provided.

Contingent liabilities

As at the close of business on 31st January 2017, being the latest practicable date for the purpose of this indebtedness statement, the Target Group had no contingent liabilities.

Capital commitment

As at the close of business on 31st January 2017, being the latest practicable date for the purpose of this indebtedness statement, the Target Group had no capital commitment.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal trade and other payables in the ordinary course of business, the Enlarged Group did not have any other outstanding mortgages, charges, debentures, loan capital issued or agreed to be issued, bank loans and overdrafts, debt securities issued and outstanding, and authorised or otherwise created but unissued or other similar indebtedness, finance leases or hire purchase commitments, which are either guaranteed, unguaranteed, secured or unsecured, liabilities under acceptance (other than normal trade bills) or acceptance credits, guarantees or other material contingent liabilities as at 31st January 2017. At the Latest Practicable Date, the Directors are not aware of any material adverse changes in the indebtedness position and contingent liabilities of the Enlarged Group since the close of business on 31st January 2017.

WORKING CAPITAL

The Directors are of the opinion that, following Closing and in the absence of unforeseeable circumstances, after taking into account the Enlarged Group's business prospects, internal resources and available credit facilities, the Enlarged Group will have sufficient working capital for its present requirements for at least the next 12 months from the date of this circular.

NO MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31st December 2015, the date to which the latest published audited consolidated financial statements of the Group were made up.

FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

In light of the market trend as set out under the paragraph headed "Reasons for and benefits of the Acquisition" in the letter from the Board of this circular, the Group decided to make an important move — expanding the Group's business to seize the opportunity in gaining profits from the increasing demand on third platform technologies through the Acquisition.

The Group will continue to focus on its goal of being a trustworthy and professional IT services provider after the Acquisition. Upon completion of the Acquisition, the Enlarged Group will be able to further expand its business beyond Asia Pacific and its services segment. The Directors believe that the Enlarged Group will be able to diversify its business as well as broaden its revenue stream through the Acquisition. The Enlarged Group will proactively look for the benefits of the technical diversity within the workforce so as to equip itself with pioneering and well-honed skills. Meanwhile, the Enlarged Group will also seize the opportunities arising from digital transformation and third platform technologies.

Concerning the human resources in the Target Group, the Directors noted that it puts emphasis on recruiting and retaining skillful and competent employees so as to secure its position in and penetrate deeply into the third platform technologies market. Therefore, a failure of recruiting top talents or retaining key employees of the Target Group may undermine the competitiveness of the Target Group. Such failure may also adversely affect the development of the new projects and the delivery of services of the existing projects of the Target Group, which may be detrimental to the financial position of the Target Group. In view of this, the Group and the Target Group have agreed to devise and adopt a retention plan for the existing management and employees of the Target Group.

Admittedly, there is approximately 60% of the Target Group's revenue generated from its top three customers (namely Customer A, B and C as mentioned in session B3 in Appendix II). The Target Company's top three customers for the year ended 31st December 2016 are two department stores and one financial service company in the United States. Contractually, the Target Company and the top three customers entered into Master Services Agreements (MSAs) in conjunction with Statements of Work (SOWs), respectively, that outline staffing, costs, expectations, requirements, and special terms on a project-to-project basis. There is no guarantee that for the business relationship between those customers and the Target Group will continue indefinitely. With respect to this, there may be a significant impact on the revenue of the Target Group and a direct effect on the financial performance of the Enlarged Group if those customers' contracts were not renewed in any event. Therefore, the Target Group is committed to increasing the service level for its existing customers so as to build and maintain a sustainable relationship with them. Furthermore, the Target Group has established and implemented a strategic plan to attract new customers so as to diversify its customer base for the purpose of long-term development.

As new technologies are disrupting the world, more and more enterprises require speedy service delivery to meet with fast changing customer needs. Therefore, a new generation of application development process (such as user-interface (UI) design, user-experience (UX) design), and service delivery model (DevOps) is gaining traction. Examples of adoption of this technology advancement are seen in domain initiatives such as e-Commerce, Fintech and Smart City. Hence, the Group foresees a positive prospect lies in retail, finance and government sectors its existing business.

Looking ahead, the Enlarged Group will strenuously consolidate its leading position in the IT industry and leverage its competitive edge through grasping new market opportunities in innovative technologies trend.

The following is the text of a report from Mazars CPA Limited, Certified Public Accountants, for the purpose of incorporation in this circular.

MAZARS

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The Directors
Automated Systems Holdings Limited

Dear Sirs,

We set out below our report on the financial information of Grid Dynamics International, Inc. ("**Target Company**") and its subsidiaries (collectively referred to as the "**Target Group**") (the "**Financial Information**") for inclusion in the circular of Automated Systems Holdings Limited (the "**Company**) dated 6th March 2017 (the "**Circular**") in connection with the proposed acquisition of 100% equity interest in Target Company and its subsidiaries (the "**Proposed Acquisition**"). The Financial Information comprises the consolidated statements of financial position of the Target Group at 31st December 2013, 2014 and 2015 and 30th September 2016, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Target Group for each of the three years ended 31st December 2013, 2014 and 2015 and the nine months ended 30th September 2016 (the "**Relevant Periods**") and a summary of significant accounting policies and other explanatory information.

Target Company was incorporated in the State of California in the United States of America ("**US**" or "**United States**") in September 2006. The principal activities of Target Company are the provision of next-generation e-commerce platform solutions in the areas of search, big data analytics, omni-channel services, DevOps and cloud enablement to companies in the retail, finance technology sectors. As at the end of the Relevant Periods, Target Company has direct and indirect interests in the subsidiaries as set out in note 26 in section B below. The Target Group prepares its consolidated financial statements in accordance with accounting principles generally accepted in the United States. Target Company and its subsidiaries have adopted 31st December as its financial year end date for statutory financial reporting purpose. The statutory audited financial statements for the Relevant Periods were audited by Moss Adams LLP Certified Public Accountants pursuant to separate terms of engagement with Target Company.

Basis of preparation

For the purpose of this report, the directors of Target Company have prepared the consolidated financial statements of the Target Group for the Relevant Periods in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") (the "**Underlying Financial Statements**"). The Underlying Financial Statements for the Relevant Periods were audited by us in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA.

The Financial Information has been prepared by the directors of the Company based on the Underlying Financial Statements, with no adjustments made thereon and in accordance with HKFRSs issued by HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

Directors' responsibility for the Financial Information

The directors of the Company are responsible for the preparation of the Financial Information which gives a true and fair view in accordance with HKFRSs issued by the HKICPA, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility for the Financial Information

Our responsibility is to express an opinion on the Financial Information based on our procedures performed in accordance with the Auditing Guideline No. 3.340 "*Prospectuses and the Reporting Accountant*" issued by the HKICPA and to report our opinion to you. We have not audited any financial statements of the Target Group in respect of any period subsequent to 30th September 2016.

Opinion in respect of the Financial Information of the Relevant Periods

In our opinion, for the purpose of this report and on the basis of preparation as set out in Section B below, the Financial Information gives a true and fair view of the financial position of the Target Group as at 31st December 2013, 2014 and 2015 and 30th September 2016 and of its financial performance and cash flows for the Relevant Periods.

Review of Corresponding Financial Information

For the purpose of this report, we have also reviewed the unaudited corresponding financial information of the Target Group comprising the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the nine months ended 30th September 2015 and other explanatory information (the "**Corresponding Financial Information**"), for which the directors of the Company are responsible, 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 HKICPA.

The directors of the Company are responsible for the preparation of the Corresponding Financial Information in accordance with the same basis adopted in respect of the Financial Information. Our responsibility is to express a conclusion on the Corresponding Financial Information based on our review.

A review 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 HKSAs 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 on the Corresponding Financial Information.

Based on our review, for the purpose of this report, nothing has come to our attention that causes us to believe that the Corresponding Financial Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

A. FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Year ended 31st December			Nine months ended 30th September	
		2013	**2014**	**2015**	**2015**	**2016**
	Note	*US$*	*US$*	*US$*	*US$*	*US$*
					(unaudited)	
Revenue	*4*	24,278,120	30,365,933	39,737,962	27,913,900	40,348,554
Cost of services rendered		(14,511,939)	(16,733,177)	(18,976,572)	(13,455,083)	(21,516,994)
Gross profit		9,766,181	13,632,756	20,761,390	14,458,817	18,831,560
Other income	*5*	200,000	49,911	27,748	49,729	4,266
Administrative and other operating expenses		(6,439,720)	(8,734,050)	(8,925,184)	(6,229,819)	(7,664,127)
Selling expenses		(666,774)	(2,117,216)	(2,875,064)	(1,856,110)	(2,779,149)
Finance cost	*6*	(127,536)	(204,656)	(169,609)	(135,818)	(116,490)
Profit before taxation	*6*	2,732,151	2,626,745	8,819,281	6,286,799	8,276,060
Income tax expense	*9*	(934,280)	(1,121,246)	(2,835,122)	(2,238,224)	(3,382,999)
Profit for the year/period		1,797,871	1,505,499	5,984,159	4,048,575	4,893,061
Other comprehensive income for the year/period		–	–	–	–	–
Total comprehensive income for the year/period		1,797,871	1,505,499	5,984,159	4,048,575	4,893,061

A. FINANCIAL INFORMATION *(Continued)*

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		At 31st December			At 30th September
		2013	2014	2015	2016
	Note	*US$*	*US$*	*US$*	*US$*
Non-current assets					
Property, plant and equipment	*12*	728,828	594,978	781,760	797,211
Intangible assets	*13*	–	–	681,028	555,078
Deferred tax assets	*19*	290,721	619,491	435,020	548,150
Goodwill	*14*	–	–	990,338	990,338
Promissory note	*15*	694,444	842,259	–	–
Other non-current assets	*16*	2,050	6,502	5,266	5,266
Shareholder note receivable	*17*	12,492	12,492	12,492	6,867
		1,728,535	2,075,722	2,905,904	2,902,910
Current assets					
Trade and other receivables	*18*	5,191,922	5,926,734	6,281,018	9,488,426
Promissory note – current portion	*15*	368,442	200,604	–	–
Cash and bank balances		1,167,288	1,829,837	9,536,133	9,902,299
		6,727,652	7,957,175	15,817,151	19,390,725
Current liabilities					
Trade and other payables	*20*	2,068,362	1,625,465	2,004,949	3,465,876
Bank loans and other borrowings – current portion	*21*	2,083,754	3,031,286	1,000,000	1,000,000
Deferred rental payments – current portion	*22*	75,087	142,169	141,473	137,017
Tax payables		1,067,852	422,827	116,596	97,561
		5,295,055	5,221,747	3,263,018	4,700,454
Net current assets		1,432,597	2,735,428	12,554,133	14,690,271
Total assets less current liabilities		3,161,132	4,811,150	15,460,037	17,593,181
Non-current liabilities					
Bank loans and other borrowings	*21*	–	–	1,916,667	1,166,667
Warrant liability	*23*	27,518	27,518	99,083	78,132
Deferred rental payments	*22*	95,160	79,839	63,124	50,588
Deferred tax liabilities	*19*	142,384	118,782	–	–
		265,062	226,139	2,078,874	1,295,387
NET ASSETS		2,896,070	4,585,011	13,381,163	16,297,794
Capital and reserves					
Share capital	*24*	2,061,298	2,071,124	4,534,224	4,672,690
Reserves		834,772	2,513,887	8,846,939	11,625,104
TOTAL EQUITY		2,896,070	4,585,011	13,381,163	16,297,794

A. FINANCIAL INFORMATION *(Continued)*

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share Capital			Reserves			
	Convertible preferred stock	Common stock	Sub Total	Additional paid-in capital	Accumulated (losses) profits	Sub Total	Total
	US$	*US$*	*US$*	*US$*	*US$*	*US$*	*US$*
	(Note 24)	*(Note 24)*					
At 1st January 2013	1,827,000	207,586	2,034,586	130,037	(1,223,255)	(1,093,218)	941,368
Profit and total comprehensive income for the year	–	–	–	–	1,797,871	1,797,871	1,797,871
Transactions with owners:							
Contributions and distributions							
Issue of common stocks upon exercise of share options	–	26,712	26,712	–	–	–	26,712
Repurchase of common stocks *(Note 24(c))*	–	–	–	(4,863)	–	(4,863)	(4,863)
Equity-settled share based payments	–	–	–	134,982	–	134,982	134,982
Total transactions with owners	–	26,712	26,712	130,119	–	130,119	156,831
At 31st December 2013 and 1st January 2014	1,827,000	234,298	2,061,298	260,156	574,616	834,772	2,896,070
Profit and total comprehensive income for the year	–	–	–	–	1,505,499	1,505,499	1,505,499
Transactions with owners:							
Contributions and distributions							
Issue of common stocks upon exercise of share options	–	9,826	9,826	–	–	–	9,826
Equity-settled share based payments	–	–	–	173,616	–	173,616	173,616
Total transactions with owners	–	9,826	9,826	173,616	–	173,616	183,442
At 31st December 2014 and 1st January 2015	1,827,000	244,124	2,071,124	433,772	2,080,115	2,513,887	4,585,011

A. FINANCIAL INFORMATION *(Continued)*

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY *(Continued)*

	Share Capital			Reserves			
	Convertible preferred stock	**Common stock**	**Sub Total**	**Additional paid-in capital**	**Accumulated profits**	**Sub Total**	**Total**
	US$	*US$*	*US$*	*US$*	*US$*	*US$*	*US$*
	(Note 24)	*(Note 24)*					
At 31st December 2014 and 1st January 2015	1,827,000	244,124	2,071,124	433,772	2,080,115	2,513,887	4,585,011
Profit and total comprehensive income for the year	–	–	–	–	5,984,159	5,984,159	5,984,159
Transactions with owners:							
Contributions and distributions							
Issue of Series B convertible preferred stocks	1,490,493	–	1,490,493	–	–	–	1,490,493
Issue of common stocks for acquisition of subsidiaries *(Note 27)*	–	858,331	858,331	–	–	–	858,331
Issue of common stocks upon exercise of share options	–	114,276	114,276	–	–	–	114,276
Equity-settled share based payments	–	–	–	348,893	–	348.893	348,893
Total transactions with owners	1,490,493	972,607	2,463,100	348,893	–	348,893	2,811,993
At 31st December 2015 and 1st January 2016	3,317,493	1,216,731	4,534,224	782,665	8,064,274	8,846,939	13,381,163

A. FINANCIAL INFORMATION *(Continued)*

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY *(Continued)*

	Share Capital			Reserves			
	Convertible preferred stock	**Common stock**	**Sub Total**	**Additional paid-in capital**	**Accumulated profits**	**Sub Total**	**Total**
	US$	*US$*	*US$*	*US$*	*US$*	*US$*	*US$*
	(Note 24)	*(Note 24)*					
At 31st December 2015 and 1st January 2016	3,317,493	1,216,731	4,534,224	782,665	8,064,274	8,846,939	13,381,163
Profit and total comprehensive income for the period	–	–	–	–	4,893,061	4,893,061	4,893,061
Transactions with owners:							
Contributions and distributions							
Issue of common stocks upon exercise of share options	–	138,466	138,466	–	–	–	138,466
Dividends paid *(Note 10)*	–	–	–	–	(2,568,752)	(2,568,752)	(2,568,752)
Equity-settled share based payments	–	–	–	453,856	–	453,856	453,856
Total transactions with owners	–	138,466	138,466	453,856	(2,568,752)	(2,114,896)	(1,976,430)
At 30th September 2016	3,317,493	1,355,197	4,672,690	1,236,521	10,388,583	11,625,104	16,297,794

A. FINANCIAL INFORMATION *(Continued)*

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY *(Continued)*

	Share Capital			Reserves			
	Convertible preferred stock	**Common stock**	**Sub Total**	**Additional paid-in capital**	**Accumulated profits**	**Sub Total**	**Total**
	US$	*US$*	*US$*	*US$*	*US$*	*US$*	*US$*
	(Note 24)	*(Note 24)*					
(Unaudited)							
At 31st December 2014 and 1st January 2015	1,827,000	244,124	2,071,124	433,772	2,080,115	2,513,887	4,585,011
Profit and total comprehensive income for the period	–	–	–	–	4,048,575	4,048,575	4,048,575
Transactions with owners:							
Contributions and distributions							
Issue of Series B convertible preferred stocks	1,490,493	–	1,490,493	–	–	–	1,490,493
Issue of common stocks for acquisition of subsidiary *(Note 27)*	–	858,331	858,331	–	–	–	858,331
Equity-settled share based payments	–	–	–	72,956	–	72,956	72,956
Total transactions with owners	1,490,493	858,331	2,348,824	72,956	–	72,956	2,421,780
At 30th September 2015	3,317,493	1,102,455	4,419,948	506,728	6,128,690	6,635,418	11,055,366

A. FINANCIAL INFORMATION *(Continued)*

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31st December			Nine months ended 30th September	
	2013	2014	2015	2015	2016
	US$	*US$*	*US$*	*US$*	*US$*
				(unaudited)	
OPERATING ACTIVITIES					
Profit before taxation	2,732,151	2,626,745	8,819,281	6,286,799	8,276,060
Adjustments for:					
Depreciation of property, plant and equipment	97,457	502,551	341,951	279,530	325,247
Amortisation of intangible assets	–	–	69,972	27,989	125,950
Allowance for doubtful debts	11,889	483,468	38,610	38,610	–
Interest income	–	(89,304)	(42,775)	(42,775)	–
Interest expense	127,536	204,656	169,609	135,818	116,490
Loss on disposal of property, plant and equipment	9,273	1,790	–	5,249	–
Share-based compensation expense	134,982	173,616	348,893	72,956	453,856
Changes in working capital:					
Trade and other receivables	(2,409,074)	(1,218,280)	(237,495)	(270,961)	(3,207,408)
Promissory note	(292,873)	20,023	–	–	–
Other non-current assets	(2,050)	(4,452)	1,236	1,235	–
Trade and other payables	(145,919)	(442,897)	201,632	184,454	1,450,275
Deferred rental payment	127,040	51,761	(17,411)	(13,058)	(16,992)
Warrant liability	–	–	71,565	72,987	(20,951)
Shareholder note receivable	–	–	–	–	5,625
Cash generated from operation	390,412	2,309,677	9,765,068	6,778,833	7,508,152
Interest paid	(121,554)	(190,299)	(152,026)	(118,235)	(113,531)
Income tax paid	(14,765)	(2,118,643)	(2,938,182)	(2,141,781)	(3,507,471)
Net cash from operating activities	254,093	735	6,674,860	4,518,817	3,887,150
INVESTING ACTIVITIES					
Interest received	–	89,304	–	–	–
Purchase of property, plant and equipment	(762,017)	(370,491)	(492,239)	(305,745)	(340,698)
Proceeds of sale of property, plant and equipment	12,128	–	–	–	–
Cash acquired upon acquisition of subsidiary – Tonomi, Inc. *(Note 27)*	–	–	40,704	40,704	–
Net cash used in investing activities	(749,889)	(281,187)	(451,535)	(265,041)	(340,698)

A. FINANCIAL INFORMATION *(Continued)*

CONSOLIDATED STATEMENTS OF CASH FLOWS *(Continued)*

	Year ended 31st December			Nine months ended 30th September	
	2013	**2014**	**2015**	**2015**	**2016**
	US$	*US$*	*US$*	*US$*	*US$*
				(unaudited)	
FINANCING ACTIVITIES					
Proceeds from new bank loans	1,020,000	940,000	3,000,000	–	–
Repayment of bank loans	(3,175)	–	(3,121,798)	–	(750,000)
Proceeds from issue of common stocks upon exercise of share options	14,220	9,826	114,276	–	138,466
Repurchase of common stocks	(4,863)	–	–	–	–
Repayment of obligations under finance leases	(35,670)	(6,825)	–	–	–
Dividend paid	–	–	–	–	(2,568,752)
Issue of Series B convertible preferred stock *(Note 24)*	–	–	1,490,493	1,490,493	–
Net cash from (used in) financing activities	990,512	943,001	1,482,971	1,490,493	(3,180,286)
Net increase in cash and cash equivalents	494,716	662,549	7,706,296	5,744,269	366,166
Cash and cash equivalents at beginning of year/period	672,572	1,167,288	1,829,837	1,829,837	9,536,133
Cash and cash equivalents at end of year/period, represented by bank balances and cash	1,167,288	1,829,837	9,536,133	7,574,106	9,902,299

B. NOTES TO FINANCIAL INFORMATION OF THE TARGET GROUP

1. CORPORATE INFORMATION

Grid Dynamics International, Inc. ("**Target Company**") was incorporated in the State of California in the United States in September 2006. Its principal place of business is located in Menlo Park, California, the United States.

The principal activities of Target Company are the provision of next-generation e-commerce platform solutions in the areas of search, big data analytics, omni-channel services, DevOps and cloud enablement to companies in the retail, finance technology sectors. The information of Target Company' subsidiaries are set out in Note 26 below.

In the opinion of the directors of Target Company, at the date of approving the Financial Information, Target Company did not have any holding company.

2. PRINCIPAL ACCOUNTING POLICIES

Statement of compliance

The Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), and accounting principles generally accepted in Hong Kong. In addition, the Financial Information also complies with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Application of HKFRSs

The HKICPA has issued a number of new/revised HKFRSs during the Relevant Period. For the purpose of preparing the Financial Information, the Target Group has consistently adopted all HKFRSs that are relevant to their operations and are effective for the Relevant Period.

At the date of this report, the HKICPA has issued the following new/revised HKFRSs that are not yet effective, which the Target Group has not early adopted.

Amendments to HKAS 7	Disclosure Initiative[1]
HKFRS 15 and Clarifications to HKFRS 15	Revenue from Contracts with Customers [2]
HKFRS 9 (2014)	Financial Instruments [2]
HKFRS 16	Leases [3]

[1] Effective for annual periods beginning on or after 1st January 2017
[2] Effective for annual periods beginning on or after 1st January 2018
[3] Effective for annual periods beginning on or after 1st January 2019

The Target Group is in the process of assessing the impact of adopting the above standards and amendments to existing standards to the Target Group but not yet in a position to state whether these new/revised HKFRSs would have material impact on the Financial Information.

A summary of the principal accounting policies adopted by the Target Group in the preparation of the Financial Information is set out below.

B. NOTES TO FINANCIAL INFORMATION OF THE TARGET GROUP *(Continued)*

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Basis of measurement

The measurement basis used in the preparation of the Financial Information is historical cost, except for the warrant liability, which is measured at fair value, as explained in the accounting policies set out below.

Basis of consolidation

The Financial Information comprises the financial statements of Target Company and its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting period as that of Target Company using consistent accounting policies.

All intra-group balance, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full. The results of the subsidiaries are consolidated from the date on which the Target Group obtains control and continue to be consolidated until the date that such control ceases.

Subsidiaries

A subsidiary is an entity that is controlled by the Target Group. The Target Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Target Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control.

In Target Company's statements of financial position presented in note 33 below, investment in subsidiaries is stated at cost less impairment losses. The carrying amount of the investment is reduced to its recoverable amount on an individual basis, if it is higher than the recoverable amount. The results of subsidiaries are accounted for by Target Company on the basis of dividends received and receivable.

Business combination

The results of subsidiaries acquired of during the Relevant Period are included in the consolidated statement of comprehensive income from the effective date of acquisition. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Target Group.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Target Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition date fair value.

Contingent consideration

Any contingent consideration to be transferred by the Target Group as the acquirer in a business combination is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates with the corresponding gain or loss being recognised in profit or loss.

B. NOTES TO FINANCIAL INFORMATION OF THE TARGET GROUP *(Continued)*

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Goodwill

Goodwill arising on an acquisition of a subsidiary is measured at the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previously held equity interest in the acquiree over the acquisition date amounts of the identifiable assets acquired and the liabilities assumed of the acquired subsidiary.

Goodwill on acquisition of a subsidiary is recognised as a separate asset and is carried at cost less accumulated impairment losses, which is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment test and determination of gain or loss on disposal, goodwill is allocated to cash-generating units. An impairment loss on goodwill is not reversed.

On the other hand, any excess of the acquisition date amounts of identifiable assets acquired and the liabilities assumed of the acquired subsidiary over the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree, if any, after reassessment, is recognised immediately in profit or loss as an income from bargain purchase.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Repairs and maintenance are charged to profit or loss during the year in which they are incurred.

Depreciation is provided to write off the cost less accumulated impairment losses of property, plant and equipment over their estimated useful lives as set out below from the date on which they are available for use and after taking into account their estimated residual values, using the straight-line method at the following rates per annum.

Leasehold improvements	7 years or over the remaining lease term of the relevant leases whichever is shorter.
Machinery and automobiles	5 years
Furniture and fixtures	3 years
Computer and equipment	3 years
Software	3 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset calculated as the difference between the net disposal proceeds and the carrying amount of the item is included in profit or loss in the year in which the item is derecognised.

B. NOTES TO FINANCIAL INFORMATION OF THE TARGET GROUP *(Continued)*

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Intangible assets

Research and development costs

Research costs are expensed as incurred. Costs incurred on development activities, which involve the application of research findings to a plan or design for the production of new or substantially improved products and processes, are capitalised if the product or process is technically and commercially feasible and the Target Group has sufficient resources to complete the development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in profit or loss as an expense as incurred. When the asset is available for use, the capitalised development costs are amortised on a straight-line basis over a period which reflects the pattern in which the related economic benefits are recognised.

Technical know-how

Technical know-how acquired in acquisition of subsidiaries or businesses are capitalised at fair value at the acquisition date. Technical know-how with finite useful lives are carried at cost less accumulated amortisation and impairment losses. Amortisation is provided on the straight-line basis over the estimated useful lives of five years.

Customer relationships

Customer relationships acquired acquisition of subsidiaries or businesses are capitalised at fair value at the acquisition date. Customer relationships with finite useful lives are carried at cost less accumulated amortisation and impairment losses. Amortisation is provided on the straight-line basis over the estimated useful lives of three years.

Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when and only when the Target Group becomes a party to the contractual provisions of the instruments and on a trade date basis.

A financial asset is derecognised when and only when (i) the Target Group's contractual rights to future cash flows from the financial asset expire or (ii) the Target Group transfers the financial asset and either (a) the Target Group transfers substantially all the risks and rewards of ownership of the financial asset, or (b) the Target Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but it does not retain control of the financial asset.

A financial liability is derecognised when and only when the liability is extinguished, that is, when the obligation specified in the relevant contract is discharged, cancelled or expires.

Classification and measurement

Financial assets or financial liabilities are initially recognised at their fair value plus, in the case of financial assets or financial liabilities not carried at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial assets or financial liabilities.

B. NOTES TO FINANCIAL INFORMATION OF THE TARGET GROUP *(Continued)*

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Loans and receivables

Loans and receivables including trade and other receivables, promissory note, non-current other receivables, bank balances and cash are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are not held for trading. They are measured at amortised cost using the effective interest method, except where receivables are interest-free loans and without any fixed repayment term or the effect of discounting would be insignificant. In such case, the receivables are stated at cost less any impairment loss. Amortised cost is calculated by taking into account any discounts or premiums on acquisition, over the period to maturity. Gains and losses arising from derecognition, impairment or through the amortisation process are recognised in profit or loss.

Financial liabilities

The Target Group's financial liabilities include trade and other payables bank loans and other borrowings. All financial liabilities except for derivatives are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

Warrant liability

The Target Group issued a warrant to a bank to purchase maximum 90,000 shares of Target Company's preferred stock with maturity at July 2018. The holder may choose to purchase the Series A-1 preferred stock at exercise price US$1 per share or exchange number of preferred stock with reference to the fair value of the preferred stock at the exercise date of the warrant. The initial fair value of the warrants, as determined using the Black-Scholes Option Pricing Model, was approximately US$28,000 and was recorded as a debt discount and was amortised to interest expense through the maturity date of the bank loan agreement. The warrant was subsequently measured at fair value, with any changes in fair value recognised in profit or loss as other income or expense.

Impairment of financial assets

At the end of each reporting period, the Target Group assesses whether there is objective evidence that financial assets are impaired. The impairment loss of financial assets carried at amortised cost is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. Such impairment loss is reversed in subsequent periods through profit or loss when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Cash equivalents

For the purpose of the consolidated statements of cash flows, cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

B. NOTES TO FINANCIAL INFORMATION OF THE TARGET GROUP *(Continued)*

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to Target Company and when the revenue and costs, if applicable, can be measured reliably and on the following basis:

Work-for-hire contracts income is recognised when services are provided to the customer, collection of the fees is reasonably assured and the amount of fees to be paid by the customer is fixed or determinable. Fixed fee arrangements income is recognised using a milestone method, assuming all other revenue recognition criteria have been met, and such milestone method approximates a percentage-of-completion basis of recognition.

Interest income from financial assets is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Impairment of other assets other than goodwill

At the end of each reporting period, the Target Group reviews internal and external sources of information to assess whether there is any indication that its property, plant and equipment and intangible assets may be impaired or impairment loss previously recognised no longer exists or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its fair value less costs of disposal and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Target Group estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. cash-generating unit).

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised as an expense in profit or loss immediately.

A reversal of impairment loss is limited to the carrying amount of the asset or cash-generating unit that would have been determined had no impairment loss been recognised in prior periods. Reversal of impairment loss is recognised as income in profit or loss immediately.

The accounting policy for recognition and reversal of the impairment loss for goodwill is stated in the accounting policy for goodwill in the earlier part of this note.

Foreign currency translation

Items included in the financial statements of each of the Target Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Financial Information is presented in the currency of United States dollars, which is also the Target Group's functional currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

B. NOTES TO FINANCIAL INFORMATION OF THE TARGET GROUP *(Continued)*

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Borrowing costs

Borrowing costs incurred, net of any investment income on the temporary investment of the specific borrowings, that are directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised as an expense in the period in which they are incurred.

Share capital

Common stocks are classified as equity. Preferred stocks are classified as liabilities if they are redeemable at a specific date or at the shareholders' option; or if dividend payments are not discretionary. Preferred stocks that are not redeemable, or are redeemable only at Target Company' option; and any dividend payments are discretionary, are classified as equity.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Target Group at the lower of the fair value of the leased assets and the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as finance lease obligation. Finance charges, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to profit or loss over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease.

Lease incentives are recognised in profit or loss are as integral part of the net consideration agreed for the use of the leased asset.

Employee benefits

Short-term employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees.

B. NOTES TO FINANCIAL INFORMATION OF THE TARGET GROUP *(Continued)*

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Employee benefits *(Continued)*

Defined contribution plans

The Target Group offers a defined contribution retirement benefit plan under section 401(k) of the Inland Revenue Code of the United States for substantially all of its United States based employees who are eligible to participate in. The scheme is a qualified profit-sharing plan that allows employees to contribute a portion of their wages to individual accounts up to 60% of their eligible compensation, subject to the maximum allowed by Internal Revenue Service.

The Target Group is not required to make contributions to the plan but can make discretionary contributions. The Target Group has not made any contributions to the 401(k) plan during the Relevant Period.

Contributions to the defined contribution retirement plans are recognised are expensed as incurred.

Share-based compensation

Equity-settled transactions

The Target Group operates share option scheme, under which the Target Group receives services from employees, non-employee directors, and parties other than employees in exchange for the grant of rights over shares or shares of Target Company as remuneration in form of equity-settled transactions. The cost of such transaction with employees is measured by reference to the fair value of the equity instruments at the grant date whereas the transactions with parties other than employees are measured at fair value of the goods or services received at the date the Target Group obtains the goods or the counterparty renders the services, except where the fair value cannot be reliably estimated, in which case they are measured at the fair value of the equity instruments granted.

The cost of equity-settled transactions are recognised as expense in profit or loss over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied, or recognised in full as expense in profit or loss at the grant date when the share options granted vest immediately, and credited to reserve under equity for grant of share options.

During the vesting period, the number of share options that is expected to vest ultimately is reviewed. Any adjustment to the cumulative fair value recognised in prior periods is charged/credited to profit or loss for the year of review, with a corresponding adjustment to the reserve within equity.

For share options granted, the total amount to be expensed is determined by reference to the fair value of the share options at the grant date by using the Black-Scholes Option Pricing Model, taking into account the terms and conditions of the transactions.

When the share options are exercised, the amount previously recognised in reserve will be transferred to share capital. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in reserve will be transferred to retained profits.

B. NOTES TO FINANCIAL INFORMATION OF THE TARGET GROUP *(Continued)*

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Taxation

The charge for current income tax is based on the results for the period as adjusted for items that are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each reporting period between the tax bases of assets and liabilities and their carrying amounts in the Financial Information. However, any deferred tax arising from initial recognition of goodwill; or other asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting profit nor taxable profit or loss is not recognised.

The deferred tax liabilities and assets are measured at the tax rates that are expected to apply to the period when the asset is recovered or the liability is settled, based on the tax rates and tax laws that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax assets are recognised to the extent it is probable that future taxable profits will be available against which the deductible temporary differences, tax losses and credits can be utilised.

Deferred tax is provided on temporary differences arising on investment in subsidiary, except where the timing of the reversal of the temporary differences is controlled by the Target Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Segment reporting

Operating segments, and the amounts of each segment item reported in the Financial Information, are identified from the financial information provided regularly to the Target Group's senior executive management for the purpose of allocating resources to, and assessing the performance of, the Target Group's various lines of business and geographical locations.

Individual material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of services, the type or class of customers, the methods used to provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

Related parties

A related party is a person or entity that is related to the Target Group.

(a) A person or a close member of that person's family is related to the Target Group if that person:

  (i) has control or joint control over the Target Group;

  (ii) has significant influence over the Target Group; or

  (iii) is a member of the key management personnel of the Target Group.

B. NOTES TO FINANCIAL INFORMATION OF THE TARGET GROUP *(Continued)*

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Related parties *(Continued)*

(b) An entity is related to the Target Group if any of the following conditions applies:

(i) The entity and the Target Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Target Group or an entity related to the Target Group. If the Target Group is itself such a plan, the sponsoring employers are also related to the Target Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Target Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(a) that person's children and spouse or domestic partner;

(b) children of that person's spouse or domestic partner; and

(c) dependants of that person or that person's spouse or domestic partner.

In the definition of a related party, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture.

Critical accounting estimates and judgements

Estimates and assumptions concerning the future and judgements are made by the Target Group's management in the preparation of the Financial Information. They affect the application of the Target Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. Where appropriate, revisions to accounting estimates are recognised in the period of revision and future periods, in case the revision also affects future periods.

B. NOTES TO FINANCIAL INFORMATION OF THE TARGET GROUP *(Continued)*

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Key sources of estimation uncertainty

Allowance for bad and doubtful debts

The provisioning policy for bad and doubtful debts of the Target Group is based on the evaluation by management of the collectability of the trade receivable. A considerable amount of judgement is required in assessing the ultimate realisation of this receivable, including assessing the current creditworthiness and the past collection history of the customer. If the financial conditions of the customer were to deteriorate, resulting in an impairment of its ability to make payments, additional allowance will be required.

When the Target Group's management determines the debtors are uncollectible, they are written off against the allowance account for debtors. The carrying amount of receivables after provision for impairment amounted to US$4,998,658, US$5,356,290, US$4,673,620 and US$8,160,391 as at 31st December 2013, 2014 and 2015 and 30th September 2016 respectively.

Useful lives and impairment losses of property plant and equipment and intangible assets

The directors of the Target Gropu review the useful lives and depreciation/amortisation method of property, plant and equipment and intangible assets at the end of each Relevant Period, through careful consideration with regards to expected usage, wear-and-tear and potential technical obsolescence to usage of the assets.

In determining whether an asset is impaired or the event previously causing the impairment no longer exists, the directors of the Target Group have to assess whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence. If any such indication exists, the recoverable amounts of the asset would be determined by reference to value in use and fair value less costs to sell. Value in use is determined using the discounted cash flow method.

Income taxes

The Target Group is subject to income tax in the United States and the countries in which the Target Group operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Target Group recognises liabilities for anticipated tax based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will have impact on the income tax and deferred tax provision in the period in which such determination is made.

Employee share-based compensations

The Target Group records employee compensation expense associated with share-based payment awards based on fair value of the share option at the date of grant. The Target Group engages independent professional qualified valuer to perform the fair value of the share options. The directors of the Target Group review the valuation performed by external valuer and use their estimation to determine whether the valuation techniques applied are appropriate to the circumstances of the Target Group.

B. NOTES TO FINANCIAL INFORMATION OF THE TARGET GROUP *(Continued)*

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Key sources of estimation uncertainty *(Continued)*

Warrant liability

The valuation of the warrant liability was determined using the most recent transaction prices for the preferred stock utilising the Black-Scholes option pricing model. The Target Group is required to make assumptions regarding a number of complex and subjective variables in estimating the fair value of the warrant liability. The assumptions used are described in note 29.

Goodwill impairment

The Target Group determines whether goodwill is impaired at least on an annual basis or more frequently if there is any indication of impairment loss. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Target Group to make an estimate of the expected cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Details of the estimates used to calculate the recoverable amount are given in note 14.

3. SEGMENT INFORMATION

Reportable segments

The management of the Target Group has determined the reportable segments based on the reports that are used to make strategic decisions and are reviewed by the chief operating decision-maker. The directors of Target Group are identified as the chief operating decision-maker. During the Relevant Periods, since the Target Group was operating only one reportable segment (i.e. e-commerce platform solution service), no segment information has been presented.

Geographical information

The Target Group operates in the following principal geographical areas: the United States and Europe (i.e. Ukraine, Poland and Russia) during the Relevant Periods.

The following table sets out information about the geographical location of the Target Group's revenue from external customers. The geographical location of customers is based on the location at which the customer is located.

	Revenue from external customers				
	Year ended 31st December			Nine months ended 30th September	
	2013	**2014**	**2015**	**2015**	**2016**
	US$	*US$*	*US$*	*US$* (unaudited)	*US$*
The United States	24,259,202	30,300,585	39,494,439	27,727,288	40,185,629
Europe	18,918	65,348	244,523	186,612	162,925
	24,278,120	30,365,933	39,737,962	27,913,900	40,348,554

B. NOTES TO FINANCIAL INFORMATION OF THE TARGET GROUP *(Continued)*

3. SEGMENT INFORMATION *(Continued)*

Information about major customers

Details of the entities accounting for 10% or more of aggregate revenue of the Target Group during the Relevant Periods are as follows:

Revenue from external customers	Year ended 31st December			Nine months ended 30th September	
	2013	2014	2015	2015	2016
	US$	*US$*	*US$*	*US$*	*US$*
				(unaudited)	
Customer A	11,185,709	15,384,034	17,469,200	12,553,396	13,830,923
Customer B	7,595,449	7,003,550	9,255,361	6,488,477	8,987,100
Customer C	–	680,484	3,608,930	2,858,736	3,081,283
	18,781,158	23,068,068	30,333,491	21,900,609	25,899,306
Total revenue	24,278,120	30,365,933	39,737,962	27,913,900	40,348,554
Percentage to total revenue	77%	76%	76%	78%	64%

4. REVENUE

	Year ended 31st December			Nine months ended 30th September	
	2013	2014	2015	2015	2016
	US$	*US$*	*US$*	*US$*	*US$*
				(unaudited)	
License fee	–	–	108,000	65,000	369,500
Services income	24,278,120	30,365,933	39,629,962	27,848,900	39,979,054
Total revenue	24,278,120	30,365,933	39,737,962	27,913,900	40,348,554

5. OTHER INCOME

	Year ended 31st December			Nine months ended 30th September	
	2013	2014	2015	2015	2016
	US$	*US$*	*US$*	*US$*	*US$*
				(unaudited)	
Interest income	–	89,304	42,775	42,775	–
Sundry income	200,000	(39,393)	(15,027)	6,954	4,266
Total other income	200,000	49,911	27,748	49,729	4,266

B. NOTES TO FINANCIAL INFORMATION OF THE TARGET GROUP *(Continued)*

6. PROFIT BEFORE TAXATION

Profit before taxation is stated after charging (crediting) the following items:

	Year ended 31st December			Nine months ended 30th September	
	2013	2014	2015	2015	2016
	US$	*US$*	*US$*	*US$*	*US$*
				(unaudited)	
Finance costs					
Interest on bank loans and other borrowings	127,536	204,656	169,609	135,818	116,490

	Year ended 31st December			Nine months ended 30th September	
	2013	2014	2015	2015	2016
	US$	*US$*	*US$*	*US$*	*US$*
				(unaudited)	
Other items					
Staff costs (including directors' remuneration *(Note 7)*):					
Salaries and allowance	2,760,799	4,719,573	5,768,839	4,243,869	4,966,461
Share-based compensation expenses	134,982	173,616	348,893	72,956	453,856
Contributions to defined contribution plans	–	–	–	–	–
	2,895,781	4,893,189	6,117,732	4,316,825	5,420,317
Auditor's remuneration	25,667	102,699	154,623	91,573	100,532
Allowance for doubtful debts	11,889	483,468	38,610	38,610	–
Depreciation of property, plant and equipment	97,457	502,551	341,951	279,530	325,247
Amortisation of intangible assets	–	–	69,972	27,989	125,950
Exchange (gain) loss, net	(44,519)	(102,471)	24,234	(128,513)	(224,120)
Research and development costs	102,964	643,668	1,043,766	682,873	1,068,404
Operating lease payments	489,682	668,972	1,130,147	858,041	927,025

B. NOTES TO FINANCIAL INFORMATION OF THE TARGET GROUP *(Continued)*

7. DIRECTORS' REMUNERATION

The aggregate amounts of emoluments paid and payable to the directors of Target Company during the Relevant Periods are as follows:

	Fees	Salaries and allowances	Contributions to defined contribution retirement scheme	Share-based compensation	Total
	US$	*US$*	*US$*	*US$*	*US$*
Year ended 31st December 2013					
Independent non-executive directors					
– Johnson, Alexandra	–	–	–	–	–
– Livschitz, Leonard	–	–	–	–	–
– Livschitz, Victoria	–	252,884	–	–	252,884
– Morozov, Pavel	–	–	–	–	–
	–	252,884	–	–	252,884
Year ended 31st December 2014					
Independent non-executive directors	–	–	–	–	–
– Johnson, Alexandra	–	–	–	–	–
– Livschitz, Leonard	–	12,833	–	9,319	22,152
– Livschitz, Victoria	–	–	–	–	–
– Morozov, Pavel	–	–	–	–	–
– Remedios, Michael	–	–	–	21,397	21,397
	–	12,833	–	30,716	43,549
Year ended 31st December 2015					
Executive directors					
– Livschitz, Leonard	–	372,267	–	75,299	447,566
– Livschitz, Victoria	–	193,750	–	50,010	243,760
	–	566,017	–	125,309	691,326
Independent non-executive directors					
– Ashkabov, Magomed	–	–	–	–	–
– Benhamou, Eric	–	–	–	–	–
– Johnson, Alexandra	–	–	–	19,311	19,311
– Morozov, Pavel	–	–	–	–	–
– Remedios, Michael	–	–	–	–	–
– Swigart, Paul	–	–	–	–	–
	–	–	–	19,311	19,311
	–	566,017	–	144,620	710,637

B. NOTES TO FINANCIAL INFORMATION OF THE TARGET GROUP *(Continued)*

7. DIRECTORS' REMUNERATION *(Continued)*

	Fees	Salaries and allowances	Contributions to defined contribution retirement scheme	Share-based compensation	Total
	US$	*US$*	*US$*	*US$*	*US$*
Nine months ended 30th September 2016					
Executive directors					
– Livschitz, Leonard	–	370,319	–	40,620	410,939
– Livschitz, Victoria	–	314,944	–	97,555	412,499
	–	685,263	–	138,175	823,438
Independent non-executive directors					
– Ashkabov, Magomed	–	–	–	–	–
– Benhamou, Eric	–	–	–	13,642	13,642
– Johnson, Alexandra	–	–	–	70,384	70,384
– Swigart, Paul	–	–	–	6,821	6,821
	–	–	–	90,847	90,847
	–	685,263	–	229,022	914,285
Nine months ended 30th September 2015 (unaudited)					
Executive directors					
– Livschitz, Leonard	–	259,767	–	57,607	317,374
– Livschitz, Victoria	–	–	–	–	–
	–	259,767	–	57,607	317,374
Independent non-executive directors					
– Benhamou, Eric	–	–	–	–	–
– Johnson, Alexandra	–	–	–	–	–
– Morozov, Pavel	–	–	–	–	–
– Remedios, Michael	–	–	–	–	–
	–	–	–	–	–
	–	259,767	–	57,607	317,374

There was no arrangement under which the directors waived or agreed to waive any emolument during the Relevant Periods. In addition, no remuneration was paid by the Target Group to any director as an inducement to join or upon joining the Target Group or as compensation for loss of office during the Relevant Periods.

B. NOTES TO FINANCIAL INFORMATION OF THE TARGET GROUP *(Continued)*

7. DIRECTORS' REMUNERATION *(Continued)*

There are no loans, quasi-loans or other dealings in favour of the directors that were entered into or subsisted during the Relevant Periods.

After consideration, the directors are of the opinion that no transactions, arrangements and contracts of significance in relation to the Target Group's business to which the Target Group was a party and in which a director of the Target Group had a material interest, whether directly or indirectly, subsisted at the end of each reporting period during the Relevant Periods or at any time during the Relevant Periods.

8. FIVE HIGHEST PAID INDIVIDUALS

During the Relevant Periods, the number of directors included in the five highest paid individuals of the Target Group is as follows. Details of directors' emoluments are set out in note 7 above.

	Number of individuals				
	Year ended 31st December			Nine months ended 30th September	
	2013	**2014**	**2015**	**2015**	**2016**
				(unaudited)	
Directors	1	–	1	1	2
Non-directors	4	5	4	4	3
	5	5	5	5	5

The aggregate amounts of emoluments of the remaining highest paid individuals, who are employees of the Target Group, are as follows:

	Year ended 31st December			Nine months ended 30th September	
	2013	**2014**	**2015**	**2015**	**2016**
	US$	*US$*	*US$*	*US$*	*US$*
				(unaudited)	
Salaries and allowances	813,222	1,275,609	990,837	772,312	624,719
Contributions to defined contribution retirement schemes	–	–	–	–	–
	813,222	1,275,609	990,837	772,312	624,719

B. NOTES TO FINANCIAL INFORMATION OF THE TARGET GROUP *(Continued)*

8. FIVE HIGHEST PAID INDIVIDUALS *(Continued)*

The emoluments of the above highest paid individual other than directors fell within the following band:

	Number of individuals				
	Year ended 31st December			Nine months ended 30th September	
	2013	2014	2015	2015	2016
				(unaudited)	
HK$1,000,001 – HK$1,500,000 (approximately US$128,205 – US$192,308)	2	–	–	2	1
HK$1,500,001 – HK$2,000,000 (approximately US$192,308 – US$256,410)	2	4	3	2	2
HK$2,000,001 – HK$2,500,000 (approximately US$256,410 – US$320,513)	–	1	1	–	–
	4	5	4	4	3

During the Relevant Periods, no remuneration was paid by the Target Group to any of the five highest paid individuals as an inducement to join or upon joining the Target Group, or as a compensation for loss of office.

9. TAXATION

The Target Group is subject to the US Federal and State Income Tax and income tax in other countries in which the Target Group operates on assessable income at prevailing tax rate of these tax jurisdictions during the Relevant Periods.

	Year ended 31st December			Nine months ended 30th September	
	2013	2014	2015	2015	2016
	US$	*US$*	*US$*	*US$*	*US$*
				(unaudited)	
Current tax					
– US Federal Income Tax	834,970	1,080,235	2,341,867	1,874,345	2,937,062
– US State Income Tax	201,047	271,414	15,869	257,597	375,078
– Overseas tax	46,600	121,969	274,215	152,953	176,296
	1,082,617	1,473,618	2,631,951	2,284,895	3,488,436
Deferred taxation					
– US Federal Income Tax	(137,829)	(297,957)	133,762	(115,607)	(33,432)
– US State Income Tax	(22,395)	(76,156)	67,263	24,883	2,464
– Overseas tax	11,887	21,741	2,146	44,053	(74,469)
	(148,337)	(352,372)	203,171	(46,671)	(105,437)
Tax charge for the year/period	934,280	1,121,246	2,835,122	2,238,224	3,382,999

B. NOTES TO FINANCIAL INFORMATION OF THE TARGET GROUP *(Continued)*

9. TAXATION *(Continued)*

The income tax has been provided at the US Federal income tax rate of 34%, in accordance with the relevant tax laws in the US during the Relevant Periods. Taxes on assessable income outside the US have been calculated at the applicable tax rates prevailing in other countries/jurisdictions in which the Target Group operates, based on the existing legislation, interpretations and practices. A reconciliation of income tax expenses calculated by applying the US Federal income tax rate to profit before tax to income tax expense is as follows:

Reconciliation of income tax expense

	Year ended 31st December			Nine months ended 30th September	
	2013	**2014**	**2015**	**2015**	**2016**
	US$	*US$*	*US$*	*US$* (unaudited)	*US$*
Profit before taxation	2,732,151	2,626,745	8,819,281	6,286,799	8,276.060
Applicable tax rate	34%	34%	34%	34%	34%
Income tax at applicable tax rate	928,931	893,093	2,998,556	2,137,512	2,813,860
Non-deductible expenses	55,176	46,379	136,301	59,871	252,538
Differences in overseas tax rates	(24,841)	55,208	(195,869)	(52,418)	135,909
Recognition of previously unrecognised deferred tax assets	(153,703)	(709)	(178,647)	–	(15,009)
State Income Taxes	128,717	127,275	194,781	157,657	249,178
Others	–	–	(120,000)	(64,398)	(53,477)
Income tax expense for the year/period	934,280	1,121,246	2,835,122	2,238,224	3,382,999

10. DIVIDENDS

On 15th April 2016, an interim dividend of common stock in respect of 2016 of US$0.14 per share, dividends of convertible preferred stocks of US$0.16 per Series A-1 and Series A-2 preferred stock and US$0.377238 per Series B preferred stock, amounting to approximately US$2,569,000 in total, was proposed by the board of directors of Target Company and paid during the nine months ended 30th September 2016.

Except for the above, no dividends have been declared by the directors of Target Company during the Relevant Periods.

11. EARNINGS PER SHARE

Earnings per share has not been presented as such information is not considered meaningful for the purpose of the Financial Information.

B. NOTES TO FINANCIAL INFORMATION OF THE TARGET GROUP *(Continued)*

12. PROPERTY, PLANT AND EQUIPMENT

	Computer and equipment	Machinery and automobiles	Furniture and fixtures	Software	Leasehold improvements	Total
	US$	*US$*	*US$*	*US$*	*US$*	*US$*
Reconciliation of carrying amount – year ended 31st December 2013						
At beginning of the year	15,650	41,987	28,031	–	–	85,668
Additions	560,139	–	18,544	–	183,334	762,017
Disposals	–	(21,400)	–	–	–	(21,400)
Depreciation	(75,830)	(10,495)	(9,888)	–	(1,244)	(97,457)
At the end of reporting period	499,959	10,092	36,687	–	182,090	728,828
Reconciliation of carrying amount – year ended 31st December 2014						
At beginning of the year	499,959	10,092	36,687	–	182,090	728,828
Additions	313,766	–	31,509	–	25,216	370,491
Disposals	(1,790)	–	–	–	–	(1,790)
Depreciation	(439,411)	(10,092)	(24,256)	–	(28,792)	(502,551)
At the end of reporting period	372,524	–	43,940	–	178,514	594,978
Reconciliation of carrying amount – year ended 31st December 2015						
At beginning of the year	372,524	–	43,940	–	178,514	594,978
Additions	473,855	–	37,523	14,663	2,692	528,733
Depreciation	(276,264)	–	(28,824)	(6,493)	(30,370)	(341,951)
At the end of reporting period	570,115	–	52,639	8,170	150,836	781,760

B. NOTES TO FINANCIAL INFORMATION OF THE TARGET GROUP *(Continued)*

12. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Computer and equipment	Machinery and automobiles	Furniture and fixtures	Software	Leasehold improvements	Total
	US$	*US$*	*US$*	*US$*	*US$*	*US$*
Reconciliation of carrying amount – period ended 30th September 2016						
At beginning of the period	570,115	–	52,639	8,170	150,836	781,760
Additions	318,271	–	19,982	–	2,445	340,698
Depreciation	(283,837)	–	(23,499)	4,722	(22,633)	(325,247)
At the end of reporting period	604,549	–	49,122	12,892	130,648	797,211
At 31st December 2013						
Cost	568,401	108,009	55,693	–	183,334	915,437
Accumulated depreciation	(68,442)	(97,917)	(19,006)	–	(1,244)	(186,609)
Net carrying amount	499,959	10,092	36,687	–	182,090	728,828
At 31st December 2014						
Cost	880,593	93,353	87,202	–	208,550	1,269,698
Accumulated depreciation	(508,069)	(93,353)	(43,262)	–	(30,036)	(674,720)
Net carrying amount	372,524	–	43,940	–	178,514	594,978
At 31st December 2015						
Cost	1,355,632	93,353	124,725	14,663	211,242	1,799,615
Accumulated depreciation	(785,517)	(93,353)	(72,086)	(6,493)	(60,406)	(1,017,855)
Net carrying amount	570,115	–	52,639	8,170	150,836	781,760
At 30th September 2016						
Cost	1,673,394	93,353	144,707	14,663	210,687	2,136,804
Accumulated depreciation	(1,068,845)	(93,353)	(95,585)	(1,771)	(80,039)	(1,339,593)
Net carrying amount	604,549	–	49,122	12,892	130,648	797,211

B. NOTES TO FINANCIAL INFORMATION OF THE TARGET GROUP *(Continued)*

13. INTANGIBLE ASSETS

	Technical know-how *US$*	Customer relationships *US$*	Total *US$*
Reconciliation of carrying amount – year ended 31st December 2015			
Additions – business combination *(Note 27)*	618,000	133,000	751,000
Amortisation	(51,500)	(18,472)	(69,972)
At the end of the reporting period	566,500	114,528	681,028
Reconciliation of carrying amount – period ended 30th September 2016			
At beginning of the period	566,500	114,528	681,028
Amortisation	(92,700)	(33,250)	(125,950)
At the end of the reporting period	473,800	81,278	555,078
At 31st December 2015			
Cost	618,000	133,000	751,000
Accumulated amortisation	(51,500)	(18,472)	(69,972)
At the end of the reporting period	566,500	114,528	681,028
At 30th September 2016			
Cost	618,000	133,000	751,000
Accumulated amortisation	(144,200)	(51,722)	(195,922)
At the end of the reporting period	473,800	81,278	555,078

Technical know-how and customer relationships represent intangible assets purchased as a result of acquisition of subsidiary, Tonomi, Inc. ("**Tonomi**") in July 2015 (details disclosed in Note 27) which are initially recognised at fair value at the acquisition date. These intangible assets were estimated as having definite lives of five years and three years and are measured using the cost method. Amortisation is provided on the straight-line basis over their estimated useful lives.

B. NOTES TO FINANCIAL INFORMATION OF THE TARGET GROUP *(Continued)*

14. GOODWILL

	US$
Reconciliation of carrying amount – year ended 31st December 2015	
Additions – business combination *(Note 27)*	990,338
At the end of reporting period	990,338
Reconciliation of carrying amount – period ended 30th September 2016	
At the beginning of the period and at the end of the reporting period	990,338
At 31st December 2015 and 30th September 2016	
Cost	990,338
Accumulated impairment losses	–
	990,338

On 31st July 2015, the Target Group acquired 100% of the equity interest of Tonomi at an aggregate consideration of US$1,948,585. The excess of the consideration transferred over the acquisition-date fair values of the identifiable assets acquired and the liabilities assumed amounting to US$990,338 was recognised as goodwill. Tonomi principally engages in the provision of an autonomic application management platform for cloud applications. Directors of the Target Group considers the Target Group operates in one cash generating unit ("**CGU**") throughout the Relevant Periods.

At 31st December 2015 and 30th September 2016, the Target Group assessed the recoverable amount of the CGU with reference to a value-in-use calculation, covering a detailed 4-year budget plans plus extrapolated cash flow projections of the Target Group. As at 30th September 2016, the key assumptions used in the budget plans are (i) annual growth rate of revenue ranging from 28% to 35% (as at 31st December 2015: ranging from 20% to 25%), (ii) net profit margin ranging from 13% to 14% (as at 31st December 2015: ranging from 5% to 7%) and (iii) discount rate 34% (31st December 2015: 28%).

The key assumptions have been determined by the Target Group's management based on past performance and its expectation for the market's development. No impairment loss for goodwill is for the year ended 31st December 2015 and nine months ended 30th September 2016. The directors of the Target Group performed an impairment test for goodwill and concluded that the CGU demonstrate sufficient cashflow projections that justify the carrying amount of the goodwill. Management considers no impairment of goodwill is necessary.

B. NOTES TO FINANCIAL INFORMATION OF THE TARGET GROUP *(Continued)*

15. PROMISSORY NOTE

	At 31st December			At 30th September
	2013	**2014**	**2015**	**2016**
	US$	*US$*	*US$*	*US$*
Current portion	368,442	200,604	–	–
Non-current portion	694,444	842,259	–	–
	1,062,886	1,042,863	–	–

In March 2012, Tonomi entered into a consulting agreement with Target Company, whereby Target Company would provide certain engineering development work for Tonomi. In April 2013, the outstanding receivable from Tonomi was transferred to a promissory note with principal of US$1,000,000 and interest at 8% per annum issued by Tonomi to Target Company. Under the terms of the promissory note, Tonomi would repay Target Company in monthly equal instalments over a period of 36 months beginning from February 2014.

In May and December 2014, the promissory note was amended to grant a payment holiday to Tonomi for the period from May to October 2014 and from November 2014 to June 2015 respectively. In July 2015, in conjunction with the terms of purchase of Tonomi the outstanding principal and accrued interests of the promissory note amounting to approximately US$1,090,254 were forgiven as consideration for acquisition of 100% equity interest of Tonomi by Target Company (details disclosed in Note 27).

16. OTHER NON-CURRENT ASSETS

	At 31st December			At 30th September
	2013	**2014**	**2015**	**2016**
	US$	*US$*	*US$*	*US$*
Deposits	2,050	1,346	1,346	1,346
Other receivables	–	5,156	3,920	3,920
	2,050	6,502	5,266	5,266

17. SHAREHOLDER NOTE RECEIVABLE

During the year ended 31st December 2013, 40,182 shares of common stock were issued upon exercise of a share option by the holder for a promissory note with principal of US$12,492 and interest rate at 3.5% per annum (the "**Shareholder Note Receivable**") issued by the holder. The Shareholder Note Receivable is due upon the earlier of its maturity of November 2018 or a defined change in control of Target Company and is collateralised by the underlying shares of Target Company issued to the holder. Partial of the Shareholder Note Receivable amounting to US$5,625 was repaid during the nine months ended 30th September 2016.

B. NOTES TO FINANCIAL INFORMATION OF THE TARGET GROUP *(Continued)*

18. TRADE AND OTHER RECEIVABLES

		At 31st December			At 30th September
		2013	**2014**	**2015**	**2016**
	Note	*US$*	*US$*	*US$*	*US$*
Trade receivables					
From third parties		5,018,658	5,859,758	4,693,620	8,180,391
Allowance for doubtful debts	*18(a)*	(20,000)	(503,468)	(20,000)	(20,000)
		4,998,658	5,356,290	4,673,620	8,160,391
Other receivables					
Prepaid expenses		98,880	382,769	636,018	974,495
Other current assets		94,384	187,675	971,380	353,540
		193,264	570,444	1,607,398	1,328,035
		5,191,922	5,926,734	6,281,018	9,488,426

18(a) Allowance for doubtful debts

	At 31st December			At 30th September
	2013	**2014**	**2015**	**2016**
	US$	*US$*	*US$*	*US$*
Balance at beginning of year/period	65,000	20,000	503,468	20,000
Increase in allowance	11,889	483,468	38,610	–
Amount written off	(56,889)	–	(522,078)	–
	20,000	503,468	20,000	20,000

The Target Group grants credit period of 30 to 45 days after issuing invoice to its customer. At the end of each reporting period, the ageing analysis of the trade receivables by invoice date (net of impairment loss) is as follows:

	At 31st December			At 30th September
	2013	**2014**	**2015**	**2016**
	US$	*US$*	*US$*	*US$*
Less than 1 month	2,526,615	2,346,853	3,588,186	5,156,883
1 month to 3 months	2,202,907	2,597,952	1,010,166	2,258,459
Over 3 months	269,136	411,485	75,268	745,049
	4,998,658	5,356,290	4,673,620	8,160,391

B. NOTES TO FINANCIAL INFORMATION OF THE TARGET GROUP *(Continued)*

18. TRADE AND OTHER RECEIVABLES *(Continued)*

At the end of each reporting period, the ageing analysis of trade receivables by overdue date is as follows:

	At 31st December			At 30th September
	2013	**2014**	**2015**	**2016**
	US$	*US$*	*US$*	*US$*
Neither past due nor impaired	2,526,615	2,346,853	3,654,307	5,600,627
Less than 1 month past due	3,008	184	267,533	1,871,656
1 month to 3 months past due	2,447,350	3,002,877	841,532	688,107
Over 3 months past due	21,685	6,377	(89,752)	–
Past due but not impaired	2,472,044	3,009,437	1,019,313	2,559,764
	4,998,658	5,356,290	4,673,620	8,160,391

Receivables that were neither past due nor impaired or past due but not impaired relate to a wide range of customers that have a good track record with the Target Group. Based on past experience, management believes that no impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are considered fully recoverable. The Target Group does not hold any collateral over these balances

19. DEFERRED TAXATION

The movement for the year in the Target Group's deferred tax position was as follows:

	At 31st December			At 30th September
	2013	**2014**	**2015**	**2016**
Deferred tax asset	*US$*	*US$*	*US$*	*US$*
At the beginning of the year/period	–	290,721	619,491	435,020
Credit (Charge) to profit or loss	290,721	328,770	(216,948)	459,193
Acquisition of subsidiaries	–	–	425,100	–
Offsetting with deferred tax liability	–	–	(388,649)	(353,756)
Others	–	–	(3,974)	7,693
At end of the reporting period	290,721	619,491	435,020	548,150

	At 31st December			At 30th September
	2013	**2014**	**2015**	**2016**
Deferred tax liability	*US$*	*US$*	*US$*	*US$*
At the beginning of year/period	–	142,384	118,782	–
Charge(Credit) to profit or loss	142,384	(23,602)	(13,777)	353,756
Acquisition of subsidiaries	–	–	283,644	–
Offsetting with deferred tax asset	–	–	(388,649)	(353,756)
At end of the reporting period	142,384	118,782	–	–

B. NOTES TO FINANCIAL INFORMATION OF THE TARGET GROUP *(Continued)*

19. DEFERRED TAXATION *(Continued)*

Recognised deferred tax assets and liabilities at the end of the reporting period represent the following:

	Assets	**Liabilities**
	US$	*US$*
At 31st December 2013		
Future deductible State Income Taxes	60,742	–
Compensation accruals	158,400	–
Bad debt allowance	7,851	–
Depreciation allowances	–	(24,685)
Deferred rent	63,728	(42,084)
Others	–	(75,615)
Offsetting	–	–
Net deferred tax assets (liabilities)	290,721	(142,384)
At 31st December 2014		
Future deductible State Income Taxes	60,693	–
Compensation accruals	346,850	–
Bad debt allowance	196,787	–
Depreciation allowances	–	(28,167)
Deferred rent	–	(41,826)
Others	15,161	(48,789)
Offsetting	–	–
Net deferred tax assets (liabilities)	619,491	(118,782)
At 31st December 2015		
Future deductible State Income Taxes	94,287	–
Compensation accruals	332,758	–
Bad debt allowance	7,298	–
Depreciation allowances	–	(95,894)
Amortisation of intangible assets	–	(257,216)
Tax losses	425,100	–
Deferred rent	–	(31,564)
Others	(35,774)	(3,975)
Offsetting	(388,649)	388,649
Net deferred tax assets	435,020	–
At 30th September 2016		
Future deductible State Income Taxes	123,271	–
Compensation accruals	333,351	–
Bad debt allowance	7,382	–
Depreciation allowances	–	(71,550)
Amortisation of intangible assets	–	(261,559)
Tax losses	348,333	–
Deferred rent	27,282	–
Others	62,287	(20,647)
Offsetting	(353,756)	353,756
Net deferred tax assets	548,150	–

B. NOTES TO FINANCIAL INFORMATION OF THE TARGET GROUP *(Continued)*

19. DEFERRED TAXATION *(Continued)*

Unrecognised deferred tax assets arising from

	At 31st December			At 30th September
	2013	**2014**	**2015**	**2016**
	US$	*US$*	*US$*	*US$*
Deductible temporary differences	–	–	–	–
Tax losses	–	–	983,207	874,569
At end of the reporting period	–	–	983,207	874,569

At the end of the reporting period, the Target Group has the following tax losses arising in the United States and the state of California that can be offset against future taxable profits of the respective jurisdictions for a maximum of 20 years from the year in which the tax loss was incurred:

	At 31st December			At 30th September
	2013	**2014**	**2015**	**2016**
	US$	*US$*	*US$*	*US$*
Year of expiry				
2032	–	–	695,880	587,242
2033	–	–	287,327	287,327
At end of the reporting period	–	–	983,207	874,569

The accumulated profits of certain foreign subsidiaries would be subject to additional taxation if they are distributed. In the opinion of the directors of Target Company, these accumulated profits, at the present time, are required for financing the continuing operations of the entities and no distribution would be made in the foreseeable future. Accordingly, no provisions for additional deferred taxation have been made.

20. TRADE AND OTHER PAYABLES

	At 31st December			At 30th September
	2013	**2014**	**2015**	**2016**
	US$	*US$*	*US$*	*US$*
Trade payable				
To related parties	6,250	–	–	–
To third party	928,781	509,762	403,247	286,080
	935,031	509,762	403,247	286,080
Other payables				
Accrued expenses	649,492	535,440	584,898	706,595
Accrued compensation and benefits	483,839	580,263	1,016,804	2,473,201
	1,133,331	1,115,703	1,601,702	3,179,796
	2,068,362	1,625,465	2,004,949	3,465,876

B. NOTES TO FINANCIAL INFORMATION OF THE TARGET GROUP *(Continued)*

20. TRADE AND OTHER PAYABLES *(Continued)*

At the end of the reporting period, the ageing analysis of the Target Group's accounts payable by date of inspection report is as follows:

	At 31st December			At 30th September
	2013	**2014**	**2015**	**2016**
	US$	*US$*	*US$*	*US$*
Less than 1 month	806,865	353,213	360,209	70,829
1 month to 3 months	127,960	156,549	42,788	215,251
3 months to 12 months	206	–	250	–
	935,031	509,762	403,247	286,080

21. BANK LOANS AND OTHER BORROWINGS

		As at 31st December			At 30th September
		2013	**2014**	**2015**	**2016**
	Note	*US$*	*US$*	*US$*	*US$*
Interest-bearing borrowings					
Bank loans, secured	*a, b*	2,076,929	3,031,286	2,916,667	2,166,667
Obligations under finance leases	*c*	6,825	–	–	–
		2,083,754	3,031,286	2,916,667	2,166,667
Current portion		2,083,754	3,031,286	1,000,000	1,000,000
Non-current portion		–	–	1,916,667	1,166,667
		2,083,754	3,031,286	2,916,667	2,166,667

(a) In October 2012, Target Company entered into Line of Credit and Securities Agreements ("**the Agreement**") with a bank, and has amended the Agreement from time to time to allow for borrowings of up to US$6,000,000. The Agreement was matured in June 2015. Among other conditions as set forth in the Agreement, Target Company was obligated to provide monthly financial reports and maintain certain financial covenants and ratios as stated in the Agreement.

Borrowings under the Agreement bore interest at the bank's prime rate plus 2% (representing 5.75%, 5.25%, and 4.25% as at 31st December 2013, 2014 and 2015 respectively) and were collateralised by all assets of Target Company. The borrowings under the Agreement was fully repaid in November 2015.

(b) In November 2015, Target Company entered into a Formula Accounts Receivable Line of Credit ("**Credit Facility**") with a bank, which allows borrowings of up to US$10,000,000. The loan period of the Credit Facility is 24 months with interest borne at the bank's prime rate plus 1% (representing 4.25% and 4.25% as at 31st December 2015 and 30th September 2016 respectively). The Credit Facility was collateralised by all assets of Target Company. There were no outstanding borrowings under the Credit Facility as at 31st December 2015 and 30th September 2016.

As part of the Credit Facility, Target Company also entered into a loan and security agreement ("**Credit Facility II**") with the bank for US$3,000,000 with loan period of 36 months and interest borne at the bank's prime rate plus 1% (representing 4.25% and 4.25% as at 31st December 2015 and 30th September 2016 respectively).

The carrying amount of the bank loans approximate their fair value.

B. NOTES TO FINANCIAL INFORMATION OF THE TARGET GROUP *(Continued)*

21. BANK LOANS AND OTHER BORROWINGS *(Continued)*

(c) Obligations under finance leases

	Minimum lease payments 2013	Present value of minimum lease payments 2013
	US$	*US$*
Amount payable		
Within one year	6,811	6,825
	6,811	6,825
Future finance charges	14	
Present value of lease obligations	6,825	
Amount due for settlement within 12 months		6,825

Automobiles of Target Company with aggregate net carrying amounts of US$10,092 as at 31st December 2013 were secured as the rights to the leased assets revert to the lessors in the event of default. The carrying amounts of all finance lease liabilities were denominated in US$.

22. DEFERRED RENTAL PAYMENTS

Deferred rental payments represent the benefit arising from the rent-free periods of the operating leases of the Target Group, which are amortised over the lease term.

	At 31st December			At 30th September
	2013	2014	2015	2016
	US$	*US$*	*US$*	*US$*
Deferred rent payments	170,247	222,008	204,597	187,605
Portion classified as current liabilities	75,087	142,169	141,473	137,017
Non-current portion	95,160	79,839	63,124	50,588

23. WARRANT LIABILITY

	At 31st December			At 30th September
	2013	2014	2015	2016
	US$	*US$*	*US$*	*US$*
Warrant liability	27,518	27,518	99,083	78,132

In conjunction with Agreement mentioned in note 21(b), Target Company issued a warrant to a bank to purchase maximum 90,000 shares of Series A-1 convertible preferred stock ("**Series A-1**") with maturity at July 2018. According to the term of the warrant, the holder may choose to purchase the Series A-1 preferred stock at exercise price US$1 per share or exchange number of Series A-1 preferred stock with reference to the fair value of the Series A-1 preferred stock upon the exercise of the warrant. The initial fair value of the warrants, as determined using the Black-Scholes Option Pricing Model, was approximately US$28,000 and was recorded as a debt discount and was amortised to interest expense through the maturity date of the Agreements. The warrant was stated at fair value at the end of each reporting period in the Relevant Periods.

B. NOTES TO FINANCIAL INFORMATION OF THE TARGET GROUP *(Continued)*

24. SHARE CAPITAL

	At 31st December						At 30th September	
	2013		2014		2015		2016	
	No. of share	*US$*	*No. of share*	*US$*	*No. of share*	*US$*	*No. of share*	*US$*
Authorised:								
Common stock with no par value	13,100,000	–	13,100,000	–	15,000,000	–	15,000,000	–
Convertible preferred stock with no par value *(Note (a))*								
– Series A-1	2,600,000	–	2,600,000	–	2,590,000	–	2,590,000	–
– Series A-2	5,000,000	–	5,000,000	–	5,000,000	–	5,000,000	–
– Series B	–	–	–	–	600,000	–	600,000	–
At the end of reporting period	20,700,000	–	20,700,000	–	23,190,000	–	23,190,000	–
Issued and fully paid:								
Common stock								
At beginning of the year/period	669,632	207,586	739,856	234,298	765,579	244,124	1,259,288	1,216,731
Issue of common stock upon exercise of share options *(Note 25)*	85,182	26,712	25,723	9,826	58,008	114,276	144,917	138,466
Repurchase of share *(note c)*	(14,958)	–	–	–	–	–	–	–
Issue of common stock as consideration in acquisition of subsidiary *(Note 27)*	–	–	–	–	435,701	858,331	–	–
At the end of reporting period	739,856	234,298	765,579	244,124	1,259,288	1,216,731	1,404,205	1,355,197
Convertible preferred stock								
Series A-1								
At beginning and at the end of reporting period	2,500,000	1,825,000	2,500,000	1,825,000	2,500,000	1,825,000	2,500,000	1,825,000
Series A-2								
At beginning and at the end of the reporting period	5,000,000	2,000	5,000,000	2,000	5,000,000	2,000	5,000,000	2,000
Series B								
At beginning of the year/period	–	–	–	–	–	–	318,101	1,490,493
Issue of Series B non-redeemable convertible preferred stock *(Note (b))*	–	–	–	–	318,101	1,490,493	–	–
	–	–	–	–	318,101	1,490,493	318,101	1,490,493
	7,500,000	1,827,000	7,500,000	1,827,000	7,818,101	3,317,493	7,818,101	3,317,493
At the end of reporting period	8,239,856	2,061,298	8,265,579	2,071,124	9,077,389	4,534,224	9,222,306	4,672,690

B. NOTES TO FINANCIAL INFORMATION OF THE TARGET GROUP *(Continued)*

24. SHARE CAPITAL *(Continued)*

Note:

(a) Target Company's Articles of Incorporation, as amended, authorise the issuance of 7,600,000 shares of non-redeemable convertible preferred stock, with no par value; 2,600,000 shares of which are designated as Series A-1 non-redeemable convertible preferred stock ("**Series A-1**") and 5,000,000 shares of which are designated as Series A-2 non-redeemable convertible preferred stock ("**Series A-2**").

In July 2015, Target Company restated the Articles of Incorporation with an effective date of 30th July 2015 (the "**Restatement**"), to amend the authorised shares of Series A-1 from 2,600,000 shares to 2,590,000 shares and to authorise the issue of 600,000 shares of non-redeemable convertible stock which are designated as Series B non-redeemable convertible preferred stock ("**Series B**"). Upon the completion of the Restatement, total authorised convertible preferred stock was increased to 8,190,000 shares.

The holders of Series A–1, Series A-2 (collectively, "**Series A**"), and Series B are entitled to receive, when and if declared by the board of directors of Target Company, noncumulative dividends of US$0.16 and US$0.377238, per share respectively, per annum, which are adjustable for certain events, such as stock splits and combinations.

Each outstanding share of Series A and Series B is convertible into one fully paid and non-assessable share of common stock. Each share of non-redeemable convertible preferred stock shall automatically be converted into fully paid and non-assessable shares of common stock immediately prior to the closing of a firm commitment underwritten public offering in which the aggregate offering price equals or exceeds US$30,000,000 or exceeds US$4.00 per share. Conversion may also occur upon written consent of at least 50% of the then outstanding shares of non-redeemable convertible preferred stock.

The holders of each share of non-redeemable convertible preferred stock are entitled to the number of votes equal to the number of shares of common stock into which such share is convertible at the record date.

(b) On 31st July 2015, Target Company issued 318,101 shares of Series B resulting in gross proceeds totaling approximately US$1,490,000.

(c) During the year ended 31st December 2013, Target Company repurchased 14,958 shares of common stock with no par value from an employee.

25. SHARE OPTION SCHEME

In June 2011, the board of directors of Target Company approved the adoption of a share option plan ("**the Option Plan**"). The Option Plan, as amended, permits Target Company to grant up to 2,728,216 shares of Target Company's shares capital. The Option Plan provides for the grant of incentive and non-statutory share options to employees, non-employee directors, and consultants of the Target Group.

Options granted under the Option Plan generally become exercisable ratably over a four-year period following the date of grant and expire ten years from the date of grant. At the discretion of the board of directors of Target Company, certain options may be exercisable immediately at the date of grant but are subject to a repurchase right, under which Target Company may buy back any unvested shares at their original exercise price in the event of an employee's termination prior to full vesting. All other options are exercisable only to the extent vested.

At 31st December 2013, 2014 and 2015 and 30th September 2016, there were 54,000 shares, 14,000 shares, zero shares and 20,000 shares respectively, had been early exercised which were subject to Target Company's repurchase right at that date. The exercise price of incentive stock options granted under the Option Plan must be at least equal to 100% of the fair value of Target Company's share at the date of grant, as determined by the board of directors of Target Company. The exercise price of non-statutory options granted under the Option Plan must be at least equal to 85% of the fair value of Target Company's share at the date of grant, as determined by the board of directors of Target Company.

B. NOTES TO FINANCIAL INFORMATION OF THE TARGET GROUP *(Continued)*

25. SHARE OPTION SCHEME *(Continued)*

Share-based compensation expense for all share-based payment awards is based on the grant date fair value of the share options. The Target Group recognises these compensation costs, net of an estimated forfeiture rate on a graded basis over the requisite service period of the award, which is generally the option vesting term of four years. The Target Group estimated the forfeiture rate for the years ended 31st December 2013, 2014 and 2015 and period ended 30th September 2016 based on its historical experience. The Target Group recorded share-based compensation expenses of approximately US$135,000, US$174,000, US$349,000 and US$454,000 for the years ended 31st December 2013, 2014 and 2015 and period ended 30th September 2016 respectively.

Movements on the number of share options outstanding during the Relevant Periods are as follows:

	At 31st December			At 30th September
	2013	**2014**	**2015**	**2016**
At beginning of year/period	950,000	1,457,441	1,542,429	2,139,152
Granted during the year/period	791,941	685,025	1,108,044	204,000
Exercised during the year/period	(85,182)	(25,723)	(58,008)	(144,917)
Cancelled/forfeited/expired during the year/period	(199,318)	(574,314)	(453,313)	(176,244)
At the end of the reporting period	1,457,441	1,542,429	2,139,152	2,021,991
Weighted average exercise price				
At beginning of year/period	US$0.37	US$0.65	US$0.93	US$1.42
Granted during the year/period	US$0.88	US$1.32	US$1.97	US$1.97
Exercised during the year/period	US$0.31	US$0.39	US$1.97	US$0.96
Cancelled/forfeited/expired during the year/period	US$0.42	US$0.72	US$1.04	US$1.26
At the end of the reporting period	US$0.65	US$0.93	US$1.42	US$1.52
Exercisable	US$0.45	US$0.93	US$0.84	US$1.38
Weighted average remaining contractual life	9.0 years	8.7 years	8.7 years	8.2 years
Exercisable option at the end of the reporting period	510,944	646,360	791,967	1,269,181
Range of exercise price for option outstanding	US$0.31 – US$0.88	US$0.31 – US$1.32	US$0.31 – US$1.97	US$0.31 – US$1.97

B. NOTES TO FINANCIAL INFORMATION OF THE TARGET GROUP *(Continued)*

25. SHARE OPTION SCHEME *(Continued)*

The following table discloses details of the granted options held by the directors, employees and suppliers of services under the Option Plan and movements during the Relevant Periods:

For the year ended 31st December 2013

				Number of shares issuable under the share options				
Category	Date of grant	Exercise price per share US$	Exercisable period	As at 1st January 2013	Granted during the year	Exercised during the year	Forfeited during the year	As at 31st December 2013
Consultants								
Shirin, Gregory	1st October 2012	0.55	1st October 2012 to 1st October 2022	4,000	–	–	–	4,000
Jespersen, Hal	1st October 2012	0.55	1st October 2012 to 1st October 2022	8,000	–	–	–	8,000
Strong, Paul	1st October 2012	0.55	1st October 2012 to 1st October 2022	9,000	–	–	–	9,000
Alexander, Steve	1st October 2012	0.55	1st October 2012 to 1st October 2022	91,000	–	–	(91,000)	–
Kainz, Sylvia	1st October 2012	0.55	1st October 2012 to 1st October 2022	9,000	–	–	–	9,000
Gautier, Taylor	1st October 2012	0.55	1st October 2012 to 1st October 2022	4,000	–	–	–	4,000
Polansky, Seth	1st October 2012	0.55	24th December 2012 to 1st October 2022	9,000	–	–	–	9,000
Naroditski, Vladimir	1st October 2012	0.55	1st October 2012 to 1st October 2022	9,000	–	–	–	9,000
Continuous contract employees	30th November 2011	0.31	30th December 2011 to 30th November 2021	554,000	–	(40,182)	(102,318)	411,500
	20th December 2011	0.31	20th January 2012 to 20th December 2021	147,000	–	(45,000)	(6,000)	96,000
	1st October 2012	0.55	1st November 2012 to 1st October 2022	106,000	–	–	–	106,000
	16th June 2013	0.88	16th July 2013 to 16th June 2023	–	256,098	–	–	256,098
	22nd September 2013	1.32	22nd October 2013 to 22nd September 2023	–	412,504	–	–	412,504
	16th October 2013	1.32	16th November 2013 to 16th October 2023	–	123,339	–	–	123,339
				950,000	791,941	(85,182)	(199,318)	1,457,441
Outstanding as at 31st December 2013								1,457,441
Weighted average exercise price					US$0.88	US$0.31		US$0.65

B. NOTES TO FINANCIAL INFORMATION OF THE TARGET GROUP *(Continued)*

25. SHARE OPTION SCHEME *(Continued)*

For the year ended 31st December 2014

Category	Date of grant	Exercise price per share US$	Exercisable period	Number of shares issuable under the share options: As at 1st January 2014	Granted during the year	Exercised during the year	Forfeited during the year	As at 31st December 2014
Independent non-executive director								
Remedios, Michael	19th March 2014	1.32	19th March 2014 to 19th March 2024	–	82,671	–	–	82,671
Consultants								
Shirin, Gregory	1st October 2012	0.55	1st October 2012 to 1st October 2022	4,000	–	–	–	4,000
Jespersen, Hal	1st October 2012	0.55	1st October 2012 to 1st October 2022	8,000	–	–	–	8,000
Strong, Paul	1st October 2012	0.55	1st October 2012 to 1st October 2022	9,000	–	–	–	9,000
Kainz, Sylvia	1st October 2012	0.55	1st October 2012 to 1st October 2022	9,000	–	–	–	9,000
Gautier, Taylor	1st October 2012	0.55	1st October 2012 to 1st October 2022	4,000	–	–	–	4,000
Polansky, Seth	1st October 2012	0.55	24th December 2012 to 1st October 2022	9,000	–	–	–	9,000
Naroditski, Vladimir	1st October 2012	0.55	1st October 2012 to 1st October 2022	9,000	–	–	–	9,000
Continuous contract employees	30th November 2011	0.31	30th December 2011 to 30th November 2021	411,500	–	(16,873)	(106,627)	288,000
	20th December 2011	0.31	20th January 2012 to 20th December 2021	96,000	–	–	(27,000)	69,000
	30th October 2012	0.55	1st November 2012 to 1st October 2022	106,000	–	(8,750)	(51,250)	46,000
	16th June 2013	0.88	16th July 2013 to 16th June 2023	256,098	–	–	(256,098)	–
	22nd September 2013	1.32	22nd October 2013 to 22nd September 2023	412,504	–	(100)	(30,000)	382,404
	16th October 2013	1.32	16th November 2013 to 16th October 2023	123,339	–	–	(103,339)	20,000
	19th March 2014	1.32	19th April 2014 to 19th March 2024	–	61,000	–	–	61,000
	29th May 2014	1.32	29th June 2014 to 29th May 2024	–	30,000	–	–	30,000
	15th July 2014	1.32	15th August 2014 to 15th July 2024	–	110,000	–	–	110,000
	21st August 2014	1.32	21st September 2014 to 21st August 2024	–	133,399	–	–	133,399
	12th December 2014	1.32	12th January 2015 to 12th December 2024	–	267,955	–	–	267,955
				1,457,441	685,025	(25,723)	(574,314)	1,542,429
Outstanding as at 31st December 2014								1,542,429
Weighted average exercise price					US$1.32	US$0.39		US$0.93

B. NOTES TO FINANCIAL INFORMATION OF THE TARGET GROUP *(Continued)*

25. SHARE OPTION SCHEME *(Continued)*

For the year ended 31st December 2015

Category	Date of grant	Exercise price per share US$	Exercisable period	Number of shares issuable under the share options: As at 1st January 2015	Granted during the year	Exercised during the year	Forfeited during the year	As at 31st December 2015
Independent non-executive directors								
Johnson, Alexandra	1st December 2015	1.97	1st December 2015 to 1st December 2025	–	200,000	–	–	200,000
Remedios, Michael	19th March 2014	1.32	19th March 2014 to 19th March 2024	82,671	–	–	(55,114)	27,557
Board advisors								
Cherny, Igor	1st December 2015	1.97	1st December 2015 to 1st December 2025	–	20,000	–	–	20,000
Simonov, Roman	1st December 2015	1.97	2nd December 2015 to 1st December 2025	–	25,000	–	–	25,000
Consultants								
Shirin, Gregory	1st October 2012	0.55	1st October 2012 to 1st October 2022	4,000	–	–	–	4,000
Jespersen, Hal	1st October 2012	0.55	1st October 2012 to 1st October 2022	8,000	–	–	–	8,000
Strong, Paul	1st October 2012	0.55	1st October 2012 to 1st October 2022	9,000	–	–	–	9,000
Kainz, Sylvia	1st October 2012	0.55	1st October 2012 to 1st October 2022	9,000	–	–	–	9,000
Gautier, Taylor	1st October 2012	0.55	1st October 2012 to 1st October 2022	4,000	–	–	–	4,000
Polansky, Seth	1st October 2012	0.55	24th December 2012 to 1st October 2022	9,000	–	–	–	9,000
Naroditski, Vladimir	1st October 2012	0.55	1st October 2012 to 1st October 2022	9,000	–	–	–	9,000
Continuous contract employees	30th November 2011	0.31	30th November 2011 to 30th November 2021	288,000	–	–	(15,000)	273,000
	20th December 2011	0.31	30th December 2011 to 30th November 2021	69,000	–	–	–	69,000
	1st October 2012	0.55	1st November 2012 to 1st October 2022	46,000	–	–	(4,000)	42,000
	22nd September 2013	1.32	22nd October 2013 to 22nd September 2023	382,404	–	–	(249,800)	132,604
	16th October 2013	1.32	16th November 2013 to 16th October 2023	20,000	–	–	–	20,000
	19th March 2014	1.32	19th April 2014 to 19th March 2024	61,000	–	–	(6,000)	55,000
	29th May 2014	1.32	29th June 2014 to 29th May 2024	30,000	–	–	(10,000)	20,000
	15th July 2014	1.32	15th August 2014 to 15th July 2024	110,000	–	–	–	110,000
	21st August 2014	1.32	21st September 2014 to 21st August 2024	133,399	–	–	(103,399)	30,000
	12th December 2014	1.32	12th January 2015 to 12th December 2024	267,955	–	–	(10,000)	257,955
	1st December 2015	1.97	1st January 2016 to 1st December 2025	–	843,044	(58,008)	–	785,036
	31st December 2015	1.97	31st January 2016 to 31st December 2025	–	20,000	–	–	20,000
				1,542,429	1,108,044	(58,008)	(453,313)	2,139,152
Outstanding as at 31st December 2015								2,139,152
Weighted average exercise price					US$1.97	US$1.97		US$1.42

B. NOTES TO FINANCIAL INFORMATION OF THE TARGET GROUP *(Continued)*

25. SHARE OPTION SCHEME *(Continued)*

For the period ended 30th September 2016

Category	Date of grant	Exercise price per share US$	Exercisable period	Number of shares issuable under the share options: As at 1st January 2016	Granted during the period	Exercised during the period	Forfeited during the period	As at 30th September 2016
Independent non-executive directors								
Benhamou, Eric	22nd April 2016	1.97	1st June 2016 to 22nd April 2026	–	50,000	–	–	50,000
Johnson, Alexandra	1st December 2015	1.97	1st December 2015 to 1st December 2025	200,000	–	–	–	200,000
Swigart, Paul	22nd April 2016	1.97	1st June 2016 to 22nd April 2026	–	25,000	–	–	25,000
Ex-independent non-executive director								
Remedios, Michael	19th March 2014	1.32	19th March 2014 to 19th March 2024	27,557	–	–	(27,557)	–
Board advisors								
Cherny, Igor	1st December 2015	1.97	1st December 2015 to 1st December 2025	20,000	–	–	–	20,000
Simonov, Roman	1st December 2015	1.97	2nd December 2015 to 1st December 2025	25,000	–	(25,000)	–	–
Consultants								
Shirin, Gregory	1st October 2012	0.55	1st October 2012 to 1st October 2022	4,000	–	–	–	4,000
Jespersen, Hal	1st October 2012	0.55	1st October 2012 to 1st October 2022	8,000	–	–	–	8,000
Strong, Paul	1st October 2012	0.55	1st October 2012 to 1st October 2022	9,000	–	–	–	9,000
Kainz, Sylvia	1st October 2012	0.55	1st October 2012 to 1st October 2022	9,000	–	–	–	9,000
Gautier, Taylor	1st October 2012	0.55	1st October 2012 to 1st October 2022	4,000	–	–	–	4,000
Polansky, Seth	1st October 2012	0.55	24th December 2012 to 1st October 2022	9,000	–	–	–	9,000
Naroditski, Vladimir	1st October 2012	0.55	1st October 2012 to 1st October 2022	9,000	–	–	–	9,000

B. NOTES TO FINANCIAL INFORMATION OF THE TARGET GROUP *(Continued)*

25. SHARE OPTION SCHEME *(Continued)*

For the period ended 30th September 2016 *(Continued)*

Category	Date of grant	Exercise price per share US$	Exercisable period	Number of shares issuable under the share options: As at 1st January 2016	Granted during the period	Exercised during the period	Forfeited during the period	As at 30th September 2016
Continuous contract employees	30th November 2011	0.31	30th November 2011 to 30th November 2021	273,000	–	(53,000)	–	220,000
	20th December 2011	0.31	30th December 2011 to 30th November 2021	69,000	–	(33,000)	(24,000)	12,000
	1st October 2012	0.55	1st November 2012 to 1st October 2022	42,000	–	(3,000)	(14,000)	25,000
	22nd September 2013	1.32	22nd October 2013 to 22nd September 2023	132,604	–	–	(2,604)	130,000
	16th October 2013	1.32	16th November 2013 to 16th October 2023	20,000	–	–	–	20,000
	19th March 2014	1.32	19th April 2014 to 19th March 2024	55,000	–	–	(30,000)	25,000
	29th May 2014	1.32	29th June 2014 to 29th May 2024	20,000	–	–	–	20,000
	15th July 2014	1.32	15th August 2014 to 15th July 2024	110,000	–	–	(10,000)	100,000
	21st August 2014	1.32	21st September 2014 to 21st August 2024	30,000	–	–	(30,000)	–
	12th December 2014	1.32	12th January 2015 to 12th December 2024	257,955	–	–	–	257,955
	1st December 2015	1.97	1st January 2016 to 1st December 2025	785,036	–	(30,917)	(23,083)	731,036
	31st December 2015	1.97	31st January 2016 to 31st December 2025	20,000	–	–	(15,000)	5,000
	9th March 2016	1.97	9th April 2016 to 9th March 2026	–	20,000	–	–	20,000
	22nd April 2016	1.97	22nd May 2016 to 22nd April 2026	–	2,000	–	–	2,000
	2nd June 2016	1.97	2nd July 2016 to 2nd June 2026	–	3,000	–	–	3,000
	20th July 2016	1.97	20th August 2016 to 20th July 2026	–	104,000	–	–	104,000
				2,139,152	204,000	(144,917)	(176,244)	2,021,991
Outstanding as at 30th September 2016								2,021,991
Weighted average exercise price					US$1.97	US$0.96		US$1.52

B. NOTES TO FINANCIAL INFORMATION OF THE TARGET GROUP *(Continued)*

25. SHARE OPTION SCHEME *(Continued)*

The cost of share options granted is estimated on the date of grant using the Black-Scholes Option Pricing Model, with the following parameters:

Date of grant	16th June 2013	22nd September 2013	16th October 2013	19th March 2014	29th May 2014	15th July 2014	21st August 2014	12th December 2014	1st December 2015	31st December 2015	9th March 2016	22nd April 2016	2nd June 2016	20th July 2016
Fair value (US$)	0.4847	0.8475	0.8475	0.6014	0.6014	0.6014	0.6014	0.6014	0.9822	0.9822	0.9988	0.9988	0.9988	0.9988
Fair value of share immediately before the grant date (US$)	0.88	1.32	1.32	1.32	1.32	1.32	1.32	1.32	1.97	1.97	1.97	1.97	1.97	1.97
Fair value of share at grant date (US$)	0.88	1.32	1.32	1.32	1.32	1.32	1.32	1.32	1.97	1.97	1.97	1.97	1.97	1.97
Exercise price (US$)	0.88	1.32	1.32	1.32	1.32	1.32	1.32	1.32	1.97	1.97	1.97	1.97	1.97	1.97
Expected volatility	57.62%	57.62%	57.62%	45.28%	45.28%	45.28%	45.28%	45.28%	50.00%	50.00%	51.90%	51.90%	51.90%	51.90%
Risk-free interest rate	1.91%	1.91%	1.68%	2.03%	1.90%	1.94%	1.86%	1.70%	1.76%	1.93%	1.50%	1.50%	1.50%	1.50%
Expected dividends	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

The expected volatility was determined using the historical volatility of the fair values of Target Company's share. The values of above share options vary with different variables of certain subjective assumptions in regards to the limitation of calculation model applied.

For the years ended 31st December 2013, 2014 and 2015 and period ended 30th September 2016, with reference to the costs of the share options at grant date, the Target Group recognised approximately US$135,000, US$174,000, US$349,000 and US$454,000, as the share-based compensation expenses to profit and loss respectively.

B. NOTES TO FINANCIAL INFORMATION OF THE TARGET GROUP *(Continued)*

26. INVESTMENT IN SUBSIDIARIES

In the opinion of the directors of Target Company, a complete list of the particulars of all subsidiaries will be of excessive length and therefore the table below lists the principal subsidiaries at 30th September 2016 which materially affect the result or assets of the Group.

Name of subsidiary	Principal place of business and place of incorporation/ registration	Nominal value of issued ordinary shares/ registered capital	Proportion of value of issued/ registered capital held by Target Company		Principal activities
			Directly	Indirectly	
Tonomi, Inc. ("**Tonomi**") (formerly known as "**Qubell, Inc.**")	The United States	1 ordinary share of US$0.0001, issued and fully paid	100%	–	Provision of an autonomic application management platform for cloud applications.
Grid Dynamics Ukraine LLC	Ukraine	US$100.00	100%	–	Provision of service and support on behalf of Target Company and its customers.
Grid Dynamics Poland Sp.zoo ("**Grid-Poland**")	Poland	US$1,425.64	100%	–	Provision of service and support on behalf of Target Company and its customers.
Grid Dynamics Russia ("**Grid-Russia**")	Russia	US$305.55	100%	–	Provision of service and support on behalf of Target Company and its customers.
LLC Cometera Russia	Russia	10,000 Rubles	100%	–	Provision of service and support on behalf of Target Company and its customers.

B. NOTES TO FINANCIAL INFORMATION OF THE TARGET GROUP *(Continued)*

27. ACQUISITION OF SUBSIDIARIES

Acquisitions during the year ended 31st December 2015

Acquisition of Tonomi (formerly known as Qubell, Inc.) (the "Tonomi Acquisition")

On 31st July 2015, Target Company, through a newly-established wholly-owned acquisition subsidiary, acquired 100% of the outstanding shares of Tonomi. Under the terms of the merger, Tonomi merged with the wholly-owned acquisition subsidiary of Target Company and Tonomi was the surviving company. Tonomi is a software-as-a-service provider of an application management platform for cloud-based applications. In conjunction with this transaction, the Target Group will leverage the technical know-how of the Tonomi technology in its e-commerce platform solutions. Shortly after the acquisition, Tonomi changed its name from Qubell, Inc. to Tonomi, Inc. The Tonomi Acquisition was completed on 17th August 2015.

Pursuant to the terms of the merger, the consideration for the Tonomi Acquisition is to be satisfied by the Target Group as follows:

Consideration

Pursuant to terms of the merger, the consideration for the Tonomi Acquisition is to be satisfied by the Target Group by issuance of total of 631,588 shares (including 152,495 earn-out shares) of Target Company's common stock. 195,887 shares of common stock were withheld upon extinguishment of Tonomi's notes payable and accrued interest payable to Target Company amounted to US$1,090,254 (Note 15). For the net consideration of 435,701 shares of Target Company' common stock, 152,495 shares were earn-out shares which were to be withheld based on earn-out terms of specific revenue targets to be met by Tonomi through 31st December 2016 (the "**Contingent Consideration**").

The total fair value of the Contingent Consideration is valued in accordance with HKFRS 13 "Fair Value Measurement" ("**HKFRS 13**") issued by the HKICPA. Fair value is defined in HKFRS 13 as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date". The valuation of the Contingent Consideration is based on the fair value of Target Company' common stock as at 31st July 2015 valued by an independent qualified professional valuer. The management of Target Company has reviewed and considered the methodologies and the key valuation parameters and business assumptions adopted by the independent professional valuer. At 31st July 2015, the fair value of the Contingent Consideration is estimated to be US$300,415, which are directly recognised in equity.

At the date of the transaction, 31st December 2015 and 30th September 2016, the directors of Target Company believed that these revenue targets were likely to be achieved. As such, the Contingent Consideration have been included in the consideration transferred at their fair value on the date of acquisition at the same fair value of unrestricted shares issued to the sellers.

Subsequent to the reporting period and pursuant to the written resolution passed by the board of directors of Target Company on 8th December 2016, the payment of the Contingent Consideration was approved. All the 152,495 earn-out shares were issued on 8th December 2016.

B. NOTES TO FINANCIAL INFORMATION OF THE TARGET GROUP *(Continued)*

27. ACQUISITION OF SUBSIDIARIES *(Continued)*

Acquisitions during the year ended 31st December 2015 *(Continued)*

Acquisition of Tonomi (formerly known as Qubell, Inc.) (the "Tonomi Acquisition") *(Continued)*

The following summarises the consideration paid, the assets acquired and the liabilities assumed of the at the acquisition date:

	US$
Consideration:	
283,206 shares of common stock	557,916
Earn-out target – 152,495 shares of common stock *	300,415
Extinguishment of note receivable and accrued interest *(Note 15)*	1,090,254
Total consideration transferred	1,948,585
Recognised amounts of identifiable assets acquired and liabilities assumed:	
Cash	40,704
Accounts receivable	135,548
Property and equipment	36,494
Other assets	19,851
Deferred tax assets – net operating losses	425,100
Identifiable intangible assets	751,000
Account payable	(48,984)
Accrued expenses and other liabilities	(71,822)
Deferred tax liabilities – arising from intangible assets acquired	(283,644)
Deferred revenue	(46,000)
Total identifiable net assets	958,247
Goodwill arising on acquisition	990,338
	1,948,585

	US$
Net cash flow on acquisition of Tonomi:	
Net cash acquired	40,704
Consideration paid for the Tonomi Acquisition	–
	40,704

B. NOTES TO FINANCIAL INFORMATION OF THE TARGET GROUP *(Continued)*

27. ACQUISITION OF SUBSIDIARIES *(Continued)*

Result since acquisition

Since the acquisition, the acquired business has contributed revenue of US$720,000 and loss of US$1,455,000 to the Target Group respectively. If the business combination effected during the year ended 31st December 2015 had been taken up at 1st January 2015, the consolidated revenue and results of the Target Group would have been approximately US$40,348,554 and US$5,050,555 respectively.

* The earnout consideration component of the purchase agreement related to common stock shares withheld pending for the outcome of specific revenue targets established by Target Company for Tonomi through 31st December 2016. As of the date of the transaction and 31st December 2015, Target Company believed that these revenue targets were likely to be achieved. As such, the 152,495 earn-out shares have been included in the consideration transferred at their fair value (same fair value of unrestricted shares issued to the sellers) on the date of acquisition.

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Target Group's activities expose it to a variety of financial risks: credit risk and liquidity risk. The Target Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Target Group's financial performance. The management reviews and agrees policies for managing each of these risks and they are summarised below.

Credit risk

The carrying amounts of trade and other receivables and cash and bank balances included in the Financial Information represent the Target Group's maximum exposure to credit risk in relation to its financial assets.

None of the Target Group's financial assets are secured by collateral or other credit enhancements.

Target Group's credit risk is primarily attributable to its trade and other receivables. A discussion of the Target Group's credit risk in respect of trade receivable is set out in Note 18 above. In order to minimise credit risk, management considers customer credit-worthiness, past transaction history with the customer, current economic industry trends, and changes in customer payment terms. Based on management's assessment, the Target Group provides for estimated uncollectible amounts through a charge to earnings and a credit to a valuation allowance. The Target Group's allowance for doubtful accounts represents its best estimate of probable losses inherent in the trade receivable balance. The Target Group determines the allowance based on known troubled accounts, historical experience, and other currently available evidence. After the Target Group has exhausted all collection efforts, the outstanding receivable is written off against the allowance. As at 31st December, 2013, 2014 and 2015 and 30th September 2016, the Target Group had made provision for allowance for doubtful debts of US$20,000, US$503,468, US$20,000 and US$20,000 respectively, for estimated credit losses.

In respect of trade and other receivables, the Target Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. The Target Group has certain concentration of credit risk as 91%, 71%, 69% and 69% of total trade receivables were due from its top five customers as at 31st December 2013, 2014 and 2015 and 30th September 2016 respectively.

B. NOTES TO FINANCIAL INFORMATION OF THE TARGET GROUP *(Continued)*

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk *(Continued)*

The credit risk of the Target Group's other major financial assets, mainly presented the cash and bank balances, arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. Credit risk on cash and bank balances is mitigated as the balances deposited in banks of high credit ratings. Deposits held with banks may, at times, exceed the amount of insurance provided on such deposits. The Company also has cash deposited with commercial banks outside the United States.

Liquidity risk

Liquidity risk refers to the risk in which the Target Group is unable to meet its short-term obligations. The Target Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and long term. The Target Group's operations are financed mainly by bank borrowings.

The contractual maturity profile of the Target Group's non-derivative financial liabilities at the end of each reporting period in the Relevant Periods based on contractual undiscounted cash flows (including interest payments computed using contractual rate) is summarised below:

	Within 1 year or on demand	More than 1 year but within 2 years	Total
	US$	*US$*	*US$*
At 31st December 2013			
Trade and other payable	2,068,362	–	2,068,362
Bank loans and other borrowings	2,083,754	–	2,083,754
	4,152,116	–	4,152,116
At 31st December 2014			
Accounts and other payable	1,625,465	–	1,625,465
Bank loans and other borrowings	3,301,286	–	3,301,286
	4,926,751	–	4,926,751
At 31st December 2015			
Accounts and other payable	2,004,949	–	2,004,949
Bank loans and other borrowings	1,000,000	1,916,667	2,916,667
	3,004,949	1,916,667	4,921,616
At 30th September 2016			
Accounts and other payable	3,465,876	–	3,465,876
Bank loans and other borrowings	1,000,000	1,166,667	2,166,667
	4,465,876	1,166,667	5,632,543

B. NOTES TO FINANCIAL INFORMATION OF THE TARGET GROUP *(Continued)*

29. FAIR VALUE MEASUREMENTS

The following presents the assets and liabilities measured at fair value or required to disclose their fair value in the Financial Information on a recurring basis across the three levels of the fair value hierarchy defined in HKFRS 13, *Fair Value Measurement*, with the fair value measurement categorised in its entirety based on the lowest level input that is significant to the entire measurement. The levels of inputs are defined as follows:

- Level 1 (highest level): quoted prices (unadjusted) in active markets for identical assets or liabilities that the Target Group can access at the measurement date;

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

- Level 3 (lowest level): unobservable inputs for the asset or liability.

Financial instruments measured at fair value based on Level 3

The movements of recurring fair value measurements of financial instruments categorised as Level 3 is as follow:

	At 31st December			At 30th September
	2013	**2014**	**2015**	**2016**
	US$	*US$*	*US$*	*US$*
At beginning of the year/period	–	27,518	27,518	99,083
Initial recognition	27,518	–	–	
Net gains (losses) on change in fair value recognised in profit or loss	–	–	71,565	(21,083)
At the end of the reporting period	27,518	27,518	99,083	78,000
Change in unrealised gains (losses) for the year /period included in profit or loss for financial liabilities at the end of the reporting period	–	–	71,565	(21,083)

The fair value of the preferred stock warrant liability is determined by the management to be a Level 3 liability in the fair value measurement hierarchy. At 31st December, 2013, 2014 and 2015 and 30th September 2016, the fair value of the preferred stock warrant liability was determined by management using utilising the Black-Scholes Option Pricing Model with the following assumptions: the fair value of the Series A-1 preferred stock of Target Company at each reporting date in the Relevant Periods valued by independent qualified professional valuer, the volatility of the option value with reference to the volatility of 16 publicly traded options of common stocks issued by companies with similar business to Target Company and risk-free interest rate with reference to yield on 20-years U.S. Treasury bond. These include assumptions that are not supported by observable market data. The volatility of option value used at 31st December 2013, 2014 and 2015 and 30th September 2016 is 51.68%, 51.68%, 50% and 50 respectively.

B. NOTES TO FINANCIAL INFORMATION OF THE TARGET GROUP *(Continued)*

29. FAIR VALUE MEASUREMENTS *(Continued)*

At 31st December 2013, 2014 and 2015 and 30th September 2016, if the volatility of the option value had been 10% higher while all other variables were held constant, the Target Group's total comprehensive income for the year/period would be increased (decreased) by approximately US$566, (US$5,398), US$4,370 and US$3,265 for the years ended 31st December 2013, 2014 and 2015 and period ended 30th September 2016 respectively.

At 31st December 2013, 2014 and 2015 and 30th September 2016, if the volatility of the option value had been 10% lower while all other variables were held constant, the Target Group's total comprehensive income for the year/period would be decreased by approximately US$9,945, US$14,371, US$3,644 and US$2,637 for the years ended 31st December 2013, 2014 and 2015 and period ended 30th September 2016 respectively.

Assets and liabilities not measured at fair value

The carrying amounts of the Target Group's financial assets and liabilities not measured at fair value are not materially different from their fair values as at 31st December 2013, 2014 and 2015 and 30th September 2016.

30. RELATED PARTIES TRANSACTIONS

a) In addition to the transactions and balances disclosed elsewhere in the Financial Information, no significant transactions were carried out with related parties.

b) Key management personnel compensation

Compensation of key management personnel of the Target Group, being the members of the board of directors of Target Company, is disclosed in note 7 to the Financial Information.

31. OPERATING LEASE COMITMENTS

As lessee

The Target Group leases a rental premises and motor vehicles under operating lease arrangements for initial period of one year which contains an option to renew the lease and renegotiate the terms at the expiry date or at dates mutually agreed between the Target Group and the landlords. None of the leases include contingent rentals.

At each of the reporting date in the Relevant Periods, the Target Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 31st December			At 30th September
	2013	**2014**	**2015**	**2016**
	US$	*US$*	*US$*	*US$*
Within one year	933,000	823,118	1,110,000	908,000
In the second to fifth years inclusive	1,111,000	1,301,090	996,000	2,108,000
	2,044,000	2,124,208	2,106,000	3,016,000

B. NOTES TO FINANCIAL INFORMATION OF THE TARGET GROUP *(Continued)*

32. CAPITAL MANAGEMENT

The objectives of the Target Group's capital management are to safeguard its ability to continue as a going concern and to provide returns for equity holders. The Target Group manages its capital structure and makes adjustments, including payment of dividends to equity holders, return of capital to equity holders or call for additional capital from equity holders or sale of assets to reduce debts. No changes were made in the Target Group's objectives, policies or processes in managing capital during the Relevant Periods.

B. NOTES TO FINANCIAL INFORMATION OF THE TARGET GROUP *(Continued)*

33. STATEMENT OF FINANICAL POSITION OF TARGET COMPANY

		At 31st December			At 30th September
		2013	**2014**	**2015**	**2016**
	Note	*US$*	*US$*	*US$*	*US$*
Non-current assets					
Property, plant and equipment		291,455	286,337	293,282	301,745
Deferred tax assets		241,553	604,330	434,342	505,711
Promissory note		694,444	842,259	–	–
Other non-current assets		2,050	1,348	1,348	1,348
Shareholder note receivable		12,492	12,492	12,492	6,867
Investment in subsidiaries		–	5,156	1,953,740	1,953,740
		1,241,994	1,751,922	2,695,204	2,769,411
Current assets					
Trade and other receivables		5,142,849	5,726,153	6,247,083	9,219,958
Promissory note – current portion		368,442	200,604	–	–
Cash and bank balances		997,427	1,680,212	8,212,463	7,826,179
		6,508,718	7,606,969	14,459,546	17,046,137
Current liabilities					
Trade and other payables		1,842,974	1,562,954	1,793,687	2,181,475
Bank loans and other borrowings – current portion		2,083,754	3,031,286	1,000,000	1,000,000
Deferred rental payments – current portion		75,087	142,169	141,473	137,017
Tax payables		1,035,812	363,827	–	–
		5,037,627	5,100,236	2,935,160	3,318,492
Net current assets		1,471,091	2,506,733	11,524,386	13,727,645
Total assets less current liabilities		2,698,094	4,258,655	14,219,590	16,497,056
Non-current liabilities					
Bank loans and other borrowings		–	–	1,916,667	1,166,667
Warrant liability		27,518	27,518	99,083	78,132
Deferred rental payments		95,160	79,839	63,124	50,588
Deferred tax liabilities		66,769	69,993	101,030	–
		189,447	177,350	2,179,904	1,295,387
NET ASSETS		2,508,647	4,081,305	12,039,686	15,201,669
Capital and reserves					
Share capital		2,061,298	2,071,124	4,534,224	4,672,690
Reserves	*(a)*	447,349	2,010,181	7,505,462	10,528,979
TOTAL EQUITY		2,508,647	4,081,305	12,039,686	15,201,669

B. NOTES TO FINANCIAL INFORMATION OF THE TARGET GROUP *(Continued)*

34. STATEMENT OF CHANGES IN EQUITY

a) Statements of changes in equity

	Share Capital			Reserves			
	Convertible preferred stock	Common stock	Sub Total	Additional paid-in capital	Accumulated profits	Sub Total	Total
	US$	*US$*	*US$*	*US$*	*US$*	*US$*	*US$*
At 1st January 2013	1,827,000	207,586	2,034,586	130,037	(1,220,086)	(1,090,049)	944,537
Profit and total comprehensive income for the year	–	–	–	–	1,407,279	1,407,279	1,407,279
Transactions with owners:							
Contributions and distributions							
Issue of common stocks upon exercise of share options	–	26,712	26,712	–	–	–	26,712
Repurchase of common stocks *(Note 24(c))*	–	–	–	(4,863)	–	(4,863)	(4,863)
Equity-settled share-based payments	–	–	–	134,982	–	134,982	134,982
Total transactions with owners	–	26,712	26,712	130,119	–	130,119	156,831
At 31st December 2013 and 1st January 2014	1,827,000	234,298	2,061,298	260,156	187,193	447,349	2,508,647
Profit and total comprehensive income for the year	–	–	–	–	1,389,216	1,389,216	1,389,216
Transactions with owners:							
Contributions and distributions							
Issue of common stock upon exercise of share options	–	9,826	9,826	–	–	–	9,826
Equity-settled share-based payments	–	–	–	173,616	–	173,616	173,616
Total transactions with owners	–	9,826	9,826	173,616	–	173,616	183,442
At 31st December 2014 and 1st January 2015	1,827,000	244,124	2,071,124	433,772	1,576,409	2,010,181	4,081,305

B. NOTES TO FINANCIAL INFORMATION OF THE TARGET GROUP *(Continued)*

34. STATEMENT OF CHANGES IN EQUITY *(Continued)*

a) Statements of changes in equity *(Continued)*

	Share Capital			Reserves			
	Convertible preferred stock	Common stock	Sub Total	Additional paid-in capital	Accumulated profits	Sub Total	Total
	US$	*US$*	*US$*	*US$*	*US$*	*US$*	*US$*
At 31st December 2014 and 1st January 2015	1,827,000	244,124	2,071,124	433,772	1,576,409	2,010,181	4,081,305
Profit and total comprehensive income for the year	–	–	–	–	5,146,388	5,146,388	5,146,388
Transactions with owners:							
Contributions and distributions							
Issue of Series B convertible preferred stocks	1,490,493	–	1,490,493	–	–	–	1,490,493
Issue of common stocks for acquisition of subsidiary *(Note 27)*	–	858,331	858,331	–	–	–	858,331
Issue of common stocks upon exercise of share options	–	114,276	114,276	–	–	–	114,276
Equity-settled share-based payments	–	–	–	348,893	–	348,893	348,893
Total transactions with owners	1,490,493	972,607	2,463,100	348,893	–	348,893	2,811,993
At 31st December 2015 and 1st January 2016	3,317,493	1,216,731	4,534,224	782,665	6,722,797	7,505,462	12,039,686

B. NOTES TO FINANCIAL INFORMATION OF THE TARGET GROUP *(Continued)*

34. STATEMENT OF CHANGES IN EQUITY *(Continued)*

a) Statements of changes in equity *(Continued)*

	Share Capital			Reserves			
	Convertible preferred stock	Common stock	Sub Total	Additional paid-in capital	Accumulated profits	Sub Total	Total
	US$	*US$*	*US$*	*US$*	*US$*	*US$*	*US$*
At 31st December 2015 and 1st January 2016	3,317,493	1,216,731	4,534,224	782,665	6,722,797	7,505,462	12,039,686
Profit and total comprehensive income for the period	–	–	–	–	5,138,413	5,138,413	5,138,413
Transactions with owners:							
Contributions and distributions							
Issue of common stocks upon exercise of share options	–	138,466	138,466	–	–	–	138,466
Dividends paid *(Note 10)*	–	–	–	–	(2,568,752)	(2,568,752)	(2,568,752)
Equity-settled share-based payments	–	–	–	453,856	–	453,856	453,856
Total transactions with owners	–	138,466	138,466	453,856	(2,568,752)	(2,114,896)	(1,976,430)
At 30th September 2016	3,317,493	1,355,197	4,672,690	1,236,521	9,292,458	10,528,979	15,201,669

B. NOTES TO FINANCIAL INFORMATION OF THE TARGET GROUP *(Continued)*

34. STATEMENT OF CHANGES IN EQUITY *(Continued)*

a) Statements of changes in equity *(Continued)*

	Share Capital			Reserves			
	Convertible preferred stock	Common stock	Sub Total	Additional paid-in capital	Accumulated profits	Sub Total	Total
	US$	*US$*	*US$*	*US$*	*US$*	*US$*	*US$*
(Unaudited)							
At 1st January 2015	1,827,000	244,124	2,071,124	433,772	1,576,409	2,010,181	4,081,305
Profit and total comprehensive income for the period	–	–	–	–	3,003,718	3,003,718	3,003,718
Transactions with owners:							
Contributions and distributions							
Issue of Series B convertible preferred stocks	1,490,493	–	1,490,493	–	–	–	1,490,493
Issue of common stocks as consideration in acquisition of subsidiary *(Note 27)*	–	858,331	858,331	–	–	–	858,331
Equity-settled share-based compensation payments	–	–	–	72,956	–	72,956	72,956
Total transactions with owners	1,490,493	858,331	2,348,824	72,956	–	72,956	2,421,780
At 30th September 2015	3,317,493	1,102,455	4,419,948	506,728	4,580,127	5,086,855	9,506,803

C. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Group in respect of any periods subsequent to 30th September 2016.

Yours faithfully,

Mazars CPA Limited
Certified Public Accountants
Hong Kong, 6th March 2017

MANAGEMENT DISCUSSION AND ANALYSIS OF THE TARGET GROUP

Set out below is the management discussion and analysis of the Target Group for each of the three years ended 31st December 2013, 2014 and 2015, and the nine months ended 30th September 2016, which should be read in conjunction with the accountants' report of the Target Group included in Appendix II to this circular.

(i) For the year ended 31st December 2013

Business review

The Target Group is a provider of open, scalable, next-generation e-commerce technology solutions in the areas of omni-channel digital platforms, cloud enablement, big data analytics and continuous delivery. Founded in 2006, the Target Company is headquartered in Menlo Park, California with offshore resources in Eastern Europe. The Target Company has a track record of success and is well-known in providing transformative, cloud solutions for enterprises customers in retail, finance, media and technology sectors, including omni-channel e-Commerce, search engine services, big data analytics, continuous performance testing and environment-as-a-Services. In 2013, the Target Group revenue was mainly contributed from the growth within the Target Company's existing client base and with the addition of two new clients.

Financial review

Revenue

The revenue of the Target Group was US$24,278,120 (equivalent to approximately HK$188,313,238) for the year ended 31st December 2013. The revenue was mainly contributed from (i) the growth within the Target Company's existing client base; and (ii) the addition of two new clients.

Profit for the year

The net profit after taxes of the Target Group attributable to the owners of the Target Company for the year ended 31st December 2013 was US$1,797,871 (equivalent to approximately HK$13,945,186). The net profit margin for the year ended 31st December 2013 was 7.41%. The net profit after taxes margin was impacted by the Target Company's gross margin of 40.23% for the period year ended 31st December 2013.

Liquidity, financial position and capital structure

Cash and cash equivalents were US$1,167,288 (equivalent to approximately HK$9,054,069) as of 31st December 2013.

Current assets were US$6,727,652 (equivalent to approximately HK$52,183,033) as of 31st December 2013.

The Target Group had total liabilities of US$5,560,117 (equivalent to approximately HK$43,127,048) as of 31st December 2013.

As at 31st December 2013, banks and other borrowings amounted to US$2,083,754 outstanding the borrowings was used to support the Target Group growing operations. The Target Group's revenues were denominated in US Dollars.

Working capital was US$1,432,597 (equivalent to approximately HK$11,111,939) as of 31st December 2013.

As of 31st December 2013, the total numbers of issued common shares and preferred shares were 739,856 and 7,500,000 respectively, representing US$234,298 and US$1,827,000 respectively.

Prospects for new business

The Target Company expected to generate future revenue from existing customers and new customers. New business came from existing customers in retail, technology and financial services.

Segment information/analysis

The Target Company operates in one segment, i.e. technology services.

Dividend

The Target Company did not pay a dividend in the year ended 31st December 2013.

Foreign exchange rates exposure

During the year ended 31st December 2013, the revenues of the Target Group were denominated in US dollars while the expenses of the Target Company's offshore offices had limited expense exposure to local currencies. The Target Group did not adopt any foreign exchange hedging policy. However, the management monitored its foreign exchange risks and would take protective approaches when necessary.

Significant investments, material acquisitions and disposals

The Target Group had no significant investments during the year ended 31st December 2013.

The Target Group had no material acquisitions or disposals during the year ended 31st December 2013.

Contingent liabilities and capital commitment

The Target Group had no material contingent liabilities and capital commitment as at 31st December 2013.

Pledge of assets

As of 31st December 2013, the Target Company had pledged all its assets to secure its bank borrowings of US$2,076,929.

Gearing ratio

As of 31st December 2013, the gearing ratio (being the ratio of total liabilities to total assets) of the Target Group was approximately 65.75%.

Employees and remuneration policies

As of 31st December 2013, the Target Group had 372 employees. Remuneration packages were structured with reference to market conditions and individual qualifications and experience and subject to review on a regular basis. Share options might also be granted to the directors and employees of the Target Company to attract, retain and incentivize them to work and make contribution towards the long-term growth and development of the Target Company.

In addition to the full-time employees, the Target Company, from time to time, engaged the services of outside consultants and contract employees to meet peak workload or specialized program requirements. The Target Company did not anticipate any difficulty in locating additional qualified engineers, technicians and production workers, if so required, to meet expanded research and development or manufacturing operations. Ongoing training was provided to all staff and every function with the Target Company.

Future plans for material investments and acquisition of capital assets

As of 31st December 2013, the Target Group did not have any future plan for material investments or capital leases.

(ii) For the year ended 31st December 2014

Business review

The Target Group is a provider of open, scalable, next-generation e-commerce technology solutions in the areas of omni-channel digital platforms, cloud enablement, big data analytics and continuous delivery. Founded in 2006, the Target Company is headquartered in Menlo Park, California with offshore resources in Eastern Europe. The Target Company has a track record of success and is well-known in providing transformative, cloud solutions for enterprises customers in retail, finance, media and technology sectors, including omni-channel e-Commerce, search engine services, big data analytics, continuous performance testing and environment-as-a-Services. In 2014, the Target Group grew revenue by 25.08% mainly contributed from the growth within the Target Company's existing client base and with the addition of two new clients.

Financial review

Revenue

The revenue of the Target Group was approximately US$30,365,933 (equivalent to approximately HK$235,533,359) for the year ended 31st December 2014 representing an increase of approximately 25.08% compared to the revenue for the year ended 31st December 2013 of approximately US$24,278,120 (equivalent to approximately HK$188,313,238). The increase in revenue was mainly contributed from (i) the growth within the Target Company's existing client base; and (ii) the addition of two new clients.

Profit for the year

The profit of the Target Group attributable to the owners of the Target Company for the year ended 31st December 2014 was approximately US$1,505,499 (equivalent to approximately HK$11,677,403) compared to the profit of approximately US$1,797,871 (equivalent to approximately HK$13,945,186) for the year ended 31st December 2013, representing a decrease of approximately 16.26%. The net profit margin for the year ended 31st December 2014 decreased to approximately 4.96% from 7.41% for the year ended 31st December 2013. The gross profit margin increased from 40.23% for the year ended 31st December 2013 to 44.89% for the year ended 31st December 2014.

Liquidity, financial position and capital structure

Cash and cash equivalents were approximately US$1,829,837 (equivalent to approximately HK$14,193,131) as of 31st December 2014, an increase of 56.76% from US$1,167,288 (equivalent to approximately HK$9,054,069) as of 31st December 2013.

Current assets were approximately US$7,957,175 (equivalent to approximately HK$61,719,828) as of 31st December 2014, representing an increase of 18.28% from US$6,727,652 (equivalent to approximately HK$52,183,033) as of 31st December 2013.

The Target Group had total liabilities of approximately US$5,447,886 (equivalent to approximately HK$42,256,528) as of 31st December 2014, representing a decrease of approximately 2.02% from US$5,560,117 (equivalent to approximately HK$43,127,048) as of 31st December 2013.

Working capital was approximately US$2,735,428 (equivalent to approximately HK$21,217,347) as of 31st December 2014, representing an increase of 90.94% from US$1,432,597 (equivalent to approximately HK$11,111,939) as of 31st December 2013.

As of 31st December 2014, the total numbers of issued common shares and preferred shares were 765,579 and 7,500,000 respectively, representing US$244,124 and US$1,827,000 respectively.

Prospects for new business

The Target Company expected to generate future revenue from existing customers and new customers. New business came from existing customers in retail, technology and financial services.

Segment information/analysis

The Target Company operates in one segment, i.e. technology services.

Dividend

The Target Company did not pay a dividend in the year ended 31st December 2014.

Foreign exchange rates exposure

During the year ended 31st December 2014, the revenues of the Target Group were denominated in US dollars while the expenses of the Target Company's offshore offices had limited expense exposure to local currencies. The Target Group did not adopt any foreign exchange hedging policy. However, the management monitored its foreign exchange risks and would take protective approaches when necessary.

Significant investments, material acquisitions and disposals

The Target Group had no significant investments during the year ended 31st December 2014.

The Target Group had no material acquisitions or disposals during the year ended 31st December 2014.

Contingent liabilities and capital commitment

The Target Group had no material contingent liabilities and capital commitment as at 31st December 2014.

Pledge of assets

As of 31st December 2014, the Target Company has pledged all its asset to secure its bank borrowing of US$3,031,286.

Gearing ratio

As at 31st December 2014, the gearing ratio (being the ratio of total liabilities to total assets) of the Target Group was approximately 54.30%, which decreased from 65.75% as at 31st December 2013.

Employees and remuneration policies

As of 31st December 2014, the Target Group had 401 employees (as of 31st December 2013: 372 employees). Remuneration packages were structured with reference to market conditions and individual qualifications and experience and subject to review on a regular basis. Share options might also be granted to the directors and employees of the Target Company to attract, retain and incentivize them to work and make contribution towards the long-term growth and development of the Target Company.

In addition to the full-time employees, the Target Company, from time to time, engaged the services of outside consultants and contract employees to meet peak workload or specialized program requirements. The Target Company did not anticipate any difficulty in locating additional qualified engineers, technicians and production workers, if so required, to meet expanded research and development or manufacturing operations. Ongoing training was provided to all staff and every function with the Target Company.

Future plans for material investments and acquisition of capital assets

As of 31st December 2014, the Target Group did not have any future plan for material investments or capital leases.

(iii) For the year ended 31st December 2015

Business review

The Target Group is a provider of open, scalable, next-generation e-commerce technology solutions in the areas of omni-channel digital platforms, cloud enablement, big data analytics and continuous delivery. Founded in 2006, the Target Company is headquartered in Menlo Park, California with offshore resources in Eastern Europe. The Target Company has a track record of success and is well-known in providing transformative, cloud solutions for enterprises customers in retail, finance, media and technology sectors, including omni-channel e-Commerce, search engine services, big data analytics, continuous performance testing and environment-as-a-Services. In 2015, the Target Group grew revenue by 30.86% mainly contributed from the growth within the Target Company's existing client base and with the addition of nine new clients.

Financial review

Revenue

The revenue of the Target Group was approximately US$39,737,962 (equivalent to approximately HK$308,227,502) for the year ended 31st December 2015, representing an increase of approximately 30.86% compared to the revenue for the year ended 31st December 2014 of approximately US$30,365,933 (equivalent to approximately HK$235,533,359). The increase in revenue was mainly contributed from (i) the growth within the Target Company's existing client base; and (ii) the addition of nine new clients.

Profit for the year

The net profit after taxes of the Target Group attributable to the owners of the Target Company for the year ended 31st December 2015 was approximately US$5,984,159 (equivalent to approximately HK$46,416,129) compared to the net profit of approximately US$1,505,499 (equivalent to approximately HK$11,677,403) for the year ended 31st December 2014, representing an increase of approximately 297.49%. The net profit margin for the year ended 31st December 2015 increased to approximately 15.05% from 4.96% for the year ended 31st December 2014. The gross profit margin increased from 44.89% for the year ended 31st December 2014, to 52.24% for the year ended 31st December 2015.

Liquidity, financial position and capital structure

Cash and cash equivalents were approximately US$9,536,133 (equivalent to approximately HK$73,967,016) as of 31st December 2015, representing an increase of 421.15% from US$1,829,837 (equivalent to approximately HK$14,193,131) as of 31st December 2014.

Current assets were approximately US$15,817,151 (equivalent to approximately HK$122,685,731) as of 31st December 2015, representing an increase of 98.78% from US$7,957,175 (equivalent to approximately HK$61,719,828) as of 31st December 2014.

The Target Group had total liabilities of approximately US$5,341,892 (equivalent to approximately HK$41,434,385) as of 31st December 2015, representing a decrease of approximately 1.95% from US$5,447,886 (equivalent to approximately HK$42,256,528) as of 31st December 2014.

Working capital was approximately US$12,554,133 (equivalent to approximately HK$97,376,132) as of 31st December 2015, representing an increase of 358.95% from US$2,735,428 (equivalent to approximately HK$21,217,347) as of 31st December 2014.

As of 31st December 2015, the total numbers of issued common shares and preferred shares were 1,259,288 and 7,818,101 respectively, representing US$1,216,731 and US$3,317,493 respectively.

Prospects for new business

The Target Company expected to generate future revenue from existing customers and new customers. New business came from existing customers in retail, technology and financial services.

Segment information/analysis

The Target Company operates in one segment, i.e. technology services.

Dividend

The Target Company did not pay a dividend in the year ended 31st December 2015.

Foreign exchange rates exposure

During the year ended 31st December 2015, the revenues of the Target Group were denominated in US dollars while the expenses of the Target Company's offshore offices had limited expense exposure to local currencies. The Target Group did not adopt any foreign exchange hedging policy. However, the management monitored its foreign exchange risks and would take protective approaches when necessary.

Significant investments, material acquisitions and disposals

The Target Group had no significant investments during the year ended 31st December 2015.

In July 2015, the Target Group acquired Tonomi, Inc., an automatic management platform for cloud services applications.

Contingent liabilities and capital commitment

The Target Group had no material contingent liabilities and capital commitment as at 31st December 2015.

Pledge of assets

As at 31st December 2015, the Target Company has pledged all its assets to secure its bank credit facility of US$10,000,000 and its bank borrowings of US$2,916,667 as at 31st December 2015.

Gearing ratio

As at 31st December 2015, the gearing ratio (being the ratio of total liabilities to total assets) of the Target Group was approximately 28.53%, which decreased from 54.30% as at 31st December 2014.

Employees and remuneration policies

As of 31st December 2015, the Target Group had 551 employees (as of 31st December 2014: 401 employees). Remuneration packages were structured with reference to market conditions and individual qualifications and experience and subject to review on a regular basis. Share options might also be granted to the directors and employees of the Target Company to attract, retain and incentivize them to work and make contribution towards the long-term growth and development of the Target Company.

In addition to the full-time employees, the Target Company, from time to time, engaged the services of outside consultants and contract employees to meet peak workload or specialized program requirements. The Target Company did not anticipate any difficulty in locating additional qualified engineers, technicians and production workers, if so required, to meet expanded research and development or manufacturing operations. Ongoing training was provided to all staff and every function with the Target Company.

Future plans for material investments and acquisition of capital assets

As of 31st December 2015, the Target Group did not have any future plan for material investments or capital leases.

(iv) For the nine months ended 30th September 2016

Business review

The Target Group is a provider of open, scalable, next-generation e-commerce technology solutions in the areas of omni-channel digital platforms, cloud enablement, big data analytics and continuous delivery. Founded in 2006, the Target Company is headquartered in Menlo Park, California with offshore resources in Eastern Europe. The Target Company has a track record of success and is well-known in providing transformative, cloud solutions for enterprises customers in retail, finance, media and technology sectors, including omni-channel e-Commerce, search engine services, big data analytics, continuous performance testing and environment-as-a-Services.

Financial review

Revenue

The revenue of the Target Group was approximately US$40,438,554 (equivalent to approximately HK$313,661,644) for the nine months ended 30th September 2016, representing an increase of approximately 44.87% compared to the revenue for the nine months ended 30th September 2015 of approximately US$27,913,900 (equivalent to approximately HK$216,514,165). The increase in revenue was mainly contributed from (i) the growth within the Target Company's existing client base; and (ii) the addition of five new blue-chip clients.

Profit for the year

The net profit after taxes of the Target Group attributable to the equity holders of the Target Company for the nine months ended 30th September 2016 was approximately US$4,893,061 (equivalent to approximately HK$37,953,028) compared to the net profit of approximately US$4,048,575 (equivalent to approximately HK$31,402,772) for the nine months ended 30th September 2015, representing an increase of approximately 20.86%. The net profit margin for the nine months ended 30th September 2016 dropped to approximately 12.13% from 14.50% for the nine months ended 30th September 2015. The gross profit margin decreased from 51.80% for the nine months ended 30th September 2015, to 46.67% for the nine months ended 30th September 2016.

Liquidity, financial position and capital structure

Cash and cash equivalents were approximately US$9,902,299 (equivalent to approximately HK$76,807,182) as of 30th September 2016, an increase from US$9,536,133 (equivalent to approximately HK$73,967,016) as of 31st December 2015.

Current assets were approximately US$19,390,725 (equivalent to approximately HK$150,404,158) as of 30th September 2016, representing a decrease from US$15,817,151 (equivalent to approximately HK$122,685,732) as of 31st December 2015.

The Target Group had total liabilities of approximately US$5,995,841 (equivalent to approximately HK$46,506,741) as of 30th September 2016, representing an increase of approximately 12.24% from US$5,341,892 (equivalent to approximately HK$41,434,385) as of 31st December 2015.

Working capital was approximately US$14,690,271 (equivalent to approximately HK$113,945,087) as of 30th September 2016, representing an increase of 17.02% from US$12,554,133 (equivalent to approximately HK$97,376,132) as of 31st December 2015.

As of 30th September 2016, the total numbers of issued common shares and preferred shares were 1,404,205 and 7,818,101 respectively, representing US$1,355,197 and US$3,317,493 respectively.

Prospects for new business

The Target Company expected to generate future revenue from existing customers and new customers. New business came from existing customers in retail, technology and financial services.

Segment information/analysis

The Target Company operates in one segment, i.e. technology services.

Dividend

In 2016, the Target Company's board of directors approved a dividend payment to its shareholders totaling US$2,568,750 (equivalent to approximately HK$19,924,509). This dividend was paid in two separate installments: US$2,397,034 (equivalent to approximately HK$18,592,594) was paid to preferred stockholders at the end of April 2016, and US$171,716 (equivalent to approximately HK$1,331,915) was paid to common stockholders at the end of June 2016.

Foreign exchange rates exposure

During the nine months ended 30th September 2016, the revenues of the Target Group were denominated in US dollars while the expenses of the Target Company's offshore offices had limited exposure to local currencies. The Target Group did not adopt any foreign exchange hedging policy. However, the management monitored its foreign exchange risks and would take protective approaches when necessary.

Significant investments, material acquisitions and disposals

The Target Group had no significant investments during the nine months ended 30th September 2016.

The Target Group had no material acquisitions or disposals during the nine months ended 30th September 2016.

Contingent liabilities and capital commitment

The Target Group had no material contingent liabilities and capital commitment as at 30th September 2016.

Pledge of assets

As of 30th September 2016, the Target Company pledged all its assets to secure its bank credit facility of US$10,000,000 and its bank borrowings of US$2,166,667 as at 30th September 2016.

Gearing ratio

As at 30th September 2016, the gearing ratio (being the ratio of total liabilities to total assets) of the Target Group was approximately 26.89% which decreased from 28.53% as at 31st December 2015.

Employees and remuneration policies

As of 30th September 2016, the Target Group had 672 employees (as of 30th September 2015: 506 employees). Remuneration packages were structured with reference to market conditions and individual qualifications and experience and subject to review on a regular basis. Share options may also be granted to the directors and employees of the Target Company to attract, retain and incentivize them to work and make contribution towards the long-term growth and development of the Target Company.

In addition to the full-time employees, the Target Company, from time to time, engaged the services of outside consultants and contract employees to meet peak workload or specialized program requirements. The Target Company did not anticipate any difficulty in locating additional qualified engineers, technicians and production workers, if so required, to meet expanded research and development or manufacturing operations. Ongoing training was provided to all staff and every function with the Target Company.

Future plans for material investments and acquisition of capital assets

As at 30th September 2016, the Target Group did not have any future plan for material investments or capital assets.

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, received from the independent reporting accountant, Grant Thornton Hong Kong Limited, Certified Public Accountants, Hong Kong.

A. INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

GrantThornton
致同

6th March 2017

To the Directors of Automated Systems Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Automated Systems Holdings Limited (the "**Company**") and its subsidiaries (collectively, the "**Group**") and Grid Dynamics International, Inc. and its subsidiaries (collectively, the "**Target Group**") by the directors of the Company (the "**Director**") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 30th June 2016, the unaudited pro forma consolidated statement of profit or loss, unaudited pro forma consolidated statement of comprehensive income and unaudited pro forma consolidated statement of cash flows for the year ended 31st December 2015 and related notes (the "**Unaudited Pro Forma Financial Information**") as set on pages 127 to 143 of the circular dated 6th March 2017 (the "**Circular**") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on pages 127 to 143 in Appendix IV to the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of a proposed acquisition (the "**Acquisition**") of the entire issued capital of Grid Dynamics International, Inc. (the "**Target Company**") by the Group, on the Group's financial position as at 30th June 2016 and the Group's financial performance and cash flows for the year ended 31st December 2015 as if the Acquisition had taken place at 30th June 2016 and 1st January 2015 respectively. As part of this process, information about the Group's financial position as at 30th June 2016 have been extracted by the Directors from the Group's unaudited condensed consolidated financial statements for the six months ended 30th June 2016 set out in its interim report, on which a review report has been published, and the Group's financial performance and cash flows for the year ended 31st December 2015 have been extracted by the Directors from the Group's audited consolidated financial statements for the year ended 31st December 2015 set out in its annual report, on which an audit report has been published. Information about the Target Group's financial position have been extracted from the consolidated statement of financial position as at 30th September 2016, and the Target Group's financial performance and cash flows have been extracted by the Directors from the Target Group's consolidated statement of comprehensive income and the consolidated statement of cash flow for the year ended 31st December 2015 as set out in the accountants' report in Appendix II to this Circular.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 ("**AG 7**") "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus", issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of Unaudited Pro Forma Financial Information included in the Circular is solely to illustrate the impact of the Acquisition on the unadjusted financial information of the Group as if the Acquisition had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Acquisition at 30th June 2016 or 1st January 2015, respectively, would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

Grant Thornton Hong Kong Limited
Certified Public Accountants
Level 12
28 Hennessy Road
Wanchai
Hong Kong

Shaw Chi Kit
Practising Certificate Number: P04834

B. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

*The following is an illustrative and unaudited pro forma financial information comprising the unaudited pro forma consolidated statement of financial position, the unaudited pro forma consolidated statement of profit or loss, the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Enlarged Group (being Automated Systems Holdings Limited (the "**Company**") and its subsidiaries (collectively, the "**Group**") together with Grid Dynamics International, Inc. and its subsidiaries (collectively, the "**Target Group**")) ("**Unaudited Pro Forma Financial Information**") in connection with the proposed acquisition of the entire issued capital of the Target Group by the Company (the "**Acquisition**").*

(i) Introduction to the Unaudited Pro Forma Financial Information

The accompanying Unaudited Pro Forma Financial Information of the Enlarged Group has been prepared by the directors of the Company in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") to illustrate the effect of the Acquisition.

The unaudited pro forma consolidated statement of financial position of the Enlarged Group is prepared based on the interim condensed consolidated statement of financial position of the Group as at 30th June 2016 as extracted from the published interim report of the Company for the six months ended 30th June 2016 and the audited consolidated statement of financial position of the Target Group as at 30th September 2016 as extracted from the accountants' report set out in Appendix II to the Circular as if the Acquisition has been completed on 30th June 2016.

The unaudited pro forma consolidated statement of profit or loss and the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Enlarged Group are prepared based on the audited financial performance and cash flows of the Group for the year ended 31st December 2015 set out in its annual report and the audited financial performance and cash flows of the Target Group for the year ended 31st December 2015 as extracted from the accountants' report set out in Appendix II to the Circular as if the Acquisition has been completed on 1st January 2015.

The Unaudited Pro Forma Financial Information of the Enlarged Group should be read in the conjunction with the historical financial information of the Group and the Target Group as included elsewhere in this Circular and the published interim report for the six months ended 30th June 2016 and annual report for the year ended 31st December 2015 of the Company.

The Unaudited Pro Forma Financial Information of the Enlarged Group has been prepared based on a number of assumptions, estimates and uncertainties, currently available information and are prepared for illustrative purpose only. Because of its hypothetical nature, the Unaudited Pro Forma Financial Information of the Enlarged Group may not purport to describe the true picture of the financial position, financial performance and cash flows of the Enlarged Group that would have been attained had the Acquisition been completed as at the specified dates. Further, the Unaudited Pro Forma Financial Information of the Enlarged Group does not purport to predict the future financial position, financial performance and cash flows of the Enlarged Group.

(ii) Unaudited pro forma consolidated statement of financial position of the Enlarged Group

	The Group as at 30th June 2016	Target Group as at 30 September 2016	Total	Notes	Pro Forma Adjustments	The Enlarged Group as at 30 June 2016
	HK$'000	*HK$'000*	*HK$'000*		*HK$'000*	*HK$'000*
	(Unaudited)	(Audited)			(Unaudited)	(Unaudited)
	Note 1	*Note 3*				
Non-current assets						
Property, plant and equipment	272,098	6,184	278,282		–	278,282
Investment properties	50,200	–	50,200		–	50,200
Intangible assets	1,515	4,305	5,820	*5*	108,795	114,615
Goodwill	–	7,682	7,682	*5*	769,008	776,690
Interests in associates	58,297	–	58,297		–	58,297
Finance lease receivables	5,383	–	5,383		–	5,383
Deferred income tax assets	158	4,252	4,410		–	4,410
Other non-current assets	–	41	41		–	41
Shareholder note receivable	–	53	53	*5*	(53)	–
	387,651	22,517	410,168			1,287,918
Current assets						
Inventories	114,153	–	114,153		–	114,153
Trade receivables	180,992	63,296	244,288		–	244,288
Finance lease receivables	5,266	–	5,266		–	5,266
Other receivables, deposits and prepayments	27,864	10,301	38,165		–	38,165
Amounts due from customers for contract work	236,957	–	236,957		–	236,957
Tax recoverable	104	–	104		–	104
Restricted bank deposits	487	–	487		–	487
Cash and cash equivalent	218,556	76,807	295,363	*4*	(775,650)	(557,094)
				5	(76,807)	
	784,379	150,404	934,783			82,326
Current liabilities						
Trade payables	(207,122)	(2,219)	(209,341)		–	(209,341)
Other payables and accruals	(56,913)	(24,664)	(81,577)	*6*	(8,534)	(90,111)
Deferred rent	–	(1,063)	(1,063)		–	(1,063)
Receipts in advance	(134,848)	–	(134,848)		–	(134,848)
Current income tax liabilities	(3,809)	(757)	(4,566)		–	(4,566)
Bank borrowings	(20,000)	(7,757)	(27,757)	*5*	7,757	(20,000)
	(422,692)	(36,460)	(459,152)			(459,929)
Net current assets/(liabilities)	361,687	113,944	475,631			(377,603)
Total assets less current liabilities	749,338	136,461	885,799			910,315

	The Group as at 30th June 2016	Target Group as at 30 September 2016	Total		Pro Forma Adjustments	The Enlarged Group as at 30 June 2016
	HK$'000	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*	*HK$'000*
	(Unaudited)	(Audited)			(Unaudited)	(Unaudited)
	Note 1	*Note 3*				
Non-current liabilities						
Deferred income tax liabilities	(44,542)	–	(44,542)	*5*	(36,990)	(81,532)
Deferred rent	–	(392)	(392)		–	(392)
Bank borrowings	–	(9,049)	(9,049)	*5*	9,049	–
Warrant liabilities	–	(606)	(606)	*5*	606	–
Contingent consideration payable	–	–	–	*4*	(132,129)	(132,129)
Total non-current liabilities	(44,542)	(10,047)	(54,589)			(214,053)
Net assets	704,796	126,414	831,210			696,262
EQUITY						
Equity attributable to equity holders of the Company						
Share capital	35,079	36,244	71,323	*5*	(36,244)	35,079
Share premium	114,497	9,591	124,088	*5*	(9,591)	114,497
Reserves	555,220	80,579	635,799	*5*	(80,579)	546,686
				6	(8,534)	
Total equity	704,796	126,414	831,210			696,262

(iii) Unaudited pro forma consolidated statement of profit or loss of the Enlarged Group

For the year ended 31st December 2015

	The Group *HK$'000* (Audited) *Note 2*	Target Group *HK$'000* (Audited) *Note 3*	Total *HK$'000*	*Notes*	Pro Forma Adjustments *HK$'000* (Unaudited)	The Enlarged Group *HK$'000* (Unaudited)
Revenue	1,506,041	308,228	1,814,269		–	1,814,269
Cost of goods sold	(748,682)	–	(748,682)		–	(748,682)
Cost of services rendered	(613,803)	(147,192)	(760,995)		–	(760,995)
Other income	4,537	215	4,752		–	4,752
Other gain/(loss), net	2,629	–	2,629	4	(4,661)	(2,032)
Selling expenses	(73,389)	(22,300)	(95,689)		–	(95,689)
Administrative expenses	(43,314)	(69,227)	(112,541)	5	(8,047)	(125,861)
				5	555	
				6	(8,534)	
				7	2,706	
Finance income	478	–	478		–	478
Finance costs	(1,005)	(1,316)	(2,321)	5	1,316	(1,005)
Share of results of associates	(5,914)	–	(5,914)		–	(5,914)
Profit before income tax	27,578	68,408	95,986			79,321
Income tax expense	(7,874)	(21,991)	(29,865)	5	2,736	(27,129)
Profit for the year	19,704	46,417	66,121			52,192

(iv) Unaudited pro forma consolidated statement of comprehensive income of the Enlarged Group

For the year ended 31st December 2015

	The Group	Target Group	Total	Pro Forma Adjustments	The Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Audited)	(Audited)		(Unaudited)	(Unaudited)
	Note 2	*Note 3*			
Profit for the year	19,704	46,417	66,121	(13,929)	52,192
Other comprehensive income/(loss):					
Items that will not be reclassified subsequently to profit or loss:					
Revaluation surplus of leasehold land and buildings	7,989	–	7,989	–	7,989
Deferred taxation arising from revaluation surplus of leasehold land and buildings	(1,318)	–	(1,318)	–	(1,318)
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translation of overseas operations	(5,593)	–	(5,593)	–	(5,593)
Reclassification adjustment of translation reserve upon deemed disposal of partial interests in associates	52	–	52	–	52
Share of other comprehensive income of associates	78	–	78	–	78
Total comprehensive income for the year	20,912	46,417	67,329	(13,929)	53,400

(v) Unaudited pro forma consolidated statement of cash flows of the Enlarged Group

For the year ended 31st December 2015

	The Group	Target Group	Total		Pro Forma Adjustments	The Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*	*HK$'000*
	(Audited)	(Audited)			(Unaudited)	(Unaudited)
	Note 2	*Note 3*				
OPERATING ACTIVITIES						
Profit before income tax	27,578	68,408	95,986	*4*	(4,661)	79,321
				5	(8,047)	
				5	555	
				5	1,316	
				6	(8,534)	
				7	2,706	
Share of results of associates	5,914	–	5,914		–	5,914
Amortisation of intangible assets	1,669	543	2,212	*5*	8,047	10,259
Depreciation of property, plant and equipment	17,528	2,652	20,180		–	20,180
Loss on disposal of property, plant and equipment	19	–	19		–	19
Gain on deemed disposal of partial interests in associates	(5,281)	–	(5,281)		–	(5,281)
Reversal of provision for obsolete inventories	(49)	–	(49)		–	(49)
Interest income	(54)	(332)	(386)		–	(386)
Interest expenses	1,005	1,316	2,321	*5*	(1,316)	1,005
Equity-settled share-based payment (income)/expenses	(110)	2,706	2,596	*7*	(2,706)	(110)
Provision for impairment of amounts due from customers for contract works	18	–	18		–	18
Provision for impairment of trade receivables	274	299	573		–	573
Reversal of impairment of trade receivables	(158)	–	(158)		–	(158)
Fair value change on contingent consideration payable	–	–	–	*4*	4,661	4,661
Operating cash flow before movements in working capital	48,353	75,592	123,945			115,966
Inventories	18,450	–	18,450		–	18,450
Trade receivables	(38,981)	6,047	(32,934)		–	(32,934)
Finance lease receivables	7,002	–	7,002		–	7,002
Other receivables, deposits and prepayments	(3,405)	(7,889)	(11,294)		–	(11,294)
Other assets	–	10	10		–	10
Amounts due from customers for contract work	22,393	–	22,393		–	22,393
Restricted bank deposits	781	–	781		–	781
Trade payables	16,275	(1,206)	15,069		–	15,069
Other payables and accruals	7,263	2,770	10,033	*6*	8,534	18,567
Deferred rent	–	(135)	(135)			(135)
Receipts in advance	(483)	–	(483)		–	(483)
Warrant liability	–	555	555	*5*	(555)	–

	The Group	Target Group	Total	Notes	Pro Forma Adjustments	The Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*		*HK$'000*	*HK$'000*
	(Audited)	(Audited)			(Unaudited)	(Unaudited)
	Note 2	*Note 3*				
Cash generated from operations	77,648	75,744	153,392			153,392
Tax paid	(4,450)	(22,790)	(27,240)		–	(27,240)
Overseas tax refund	83	–	83		–	83
Tax refund	4,135	–	4,135		–	4,135
Net cash from operating activities	77,416	52,954	130,370			130,370
INVESTING ACTIVITIES						
Purchases of property, plant and equipment	(9,624)	(3,818)	(13,442)		–	(13,442)
Proceeds from disposal of property, plant and equipment	47	–	47		–	47
Purchase of other financial asset	(1,180)	–	(1,180)		–	(1,180)
Interest received	54	–	54		–	54
Dividends received from associates	481	–	481		–	481
Net cash received in business combination	–	316	316		–	316
Payment for acquisition of subsidiaries	–	–	–	*4*	(775,650)	(775,650)
Net cash used in investing activities	(10,222)	(3,502)	(13,724)			(789,374)
FINANCING ACTIVITIES						
Proceeds from bank borrowings	–	23,270	23,270	*5*	(23,270)	–
Repayment of bank borrowings	(22,000)	(24,214)	(46,214)	*5*	24,214	(22,000)
Proceeds from the sale of convertible preferred stock, net of issuance costs	–	11,560	11,560		–	11,560
Proceeds from issuing shares	7,603	886	8,489		–	8,489
Interest paid	(1,005)	(1,179)	(2,184)		1,179	(1,005)
Dividends paid	(7,908)	–	(7,908)		–	(7,908)
Net cash from/(used in) financing activities	(23,310)	10,323	(12,987)			(10,864)
Net increase/(decrease) in cash and cash equivalents	43,884	59,775	103,659			(669,868)
Cash and cash equivalents at the beginning of the year	130,439	14,193	144,632	*5*	(14,193)	130,439
Effect of foreign exchange rate changes	(1,368)	–	(1,368)		–	(1,368)
Cash and cash equivalents at the end of the year	172,955	73,968	246,923			(540,797)

Notes:

1. The amounts have been extracted without adjustment from published interim report of the Company for the six months ended 30th June 2016.

2. The amounts have been extracted without adjustment from the published annual report of the Company for the year ended 31st December 2015.

3. The amounts have been extracted from the consolidated statement of financial position as at 30th September 2016, and the consolidated statement of comprehensive income and the consolidated statement of cash flows for the year ended 31st December 2015 of the Target Group as set out in Appendix II to this Circular, in which unqualified opinion was expressed by Mazars CPA Limited, Certified Public Accountants. The amounts have been translated to the Company's presentation currency, Hong Kong dollars (HKD or HK$) at an exchange rate of US$1=HK$7.7565, and rounded to the nearest thousand.

4. Pursuant to the terms of the Merger Agreement, each outstanding Target Share will be cancelled and converted into the right to receive cash. The total cash consideration to be paid by the Company will be US$118,000,000 (equivalent to approximately HK$915,267,000) (the "Merger Consideration") comprising

   (a) a purchase price (on a net cash and net debt basis) of approximately US$100,000,000 (equivalent to approximately HK$775,650,000) to be paid by the Company, in cash, upon Closing ("Purchase Price"); and

   (b) an earnout payment in the sum of up to US$18,000,000 (equivalent to approximately HK$139,617,000) to be paid by the Company, in cash, after the closing within 60 days after the end of each earnout period; i.e. the first twelve months and the second twelve months after the Closing, respectively, subject to the Target Group's meeting the agreed revenue target and profit before tax target in respect of each relevant earnout period ("Contingent Consideration").

   The valuation of the Contingent Consideration as mentioned above were carried out by an independent professional qualified valuer. The fair value of the Contingent Consideration as at 30th September 2016 of approximately HK$132,129,000, which is calculated using the probability-weighted average payout approach and discounted at 30th September 2016 as if the completion was at 30th September 2016 for the purpose of the unaudited pro forma consolidated statement of financial position and recorded as an adjustment as contingent consideration payable to Securityholder as the payment are not due to pay yet.

   For the purpose of the preparation of the Unaudited Pro Forma Financial Information, it is assumed that the fair value of the Contingent Consideration payable in respect of revenue target and profit before tax target as at 1st January 2015 is the same as the valuation as at 30th September 2016. The fair value of the Contingent Consideration will have to be reassessed at each reporting date after Acquisition, any differences have to be charged/credited to profit or loss. Such adjustments are expected to have a continuing effect to the Enlarged Group until the Contingent Consideration is paid to the Securityholder in full.

The valuation of the Contingent Consideration is based on the discount rate applied and accordingly, its valuation will be reassessed after Acquisition, in accordance with HKFRSs until they are paid to the Securityholder in full. For the purpose of the preparation of the Unaudited Pro Forma Financial Information, in determining the difference of the fair value of the Contingent Consideration as at 1st January 2015 (i.e. the assumed completion date of the Acquisition) and as at 31st December 2015, it is assumed that all variable factors used in the calculation of the Contingent Consideration as disclosed above are held constant except for the timing difference. Such difference between the fair value of the Contingent Consideration as at 1st January 2015 and that as at 31st December 2015 (i.e. 1 year after the completion of the Acquisition) is recognised as fair value loss of approximately HK$4,661,000 in accordance with Hong Kong Financial Reporting Standard 3 (Revised) ("HKFRS 3") "Business Combinations".

For the purpose of this unaudited pro forma consolidated statement of financial position, it is assumed that a shortfall in bank balances and cash of approximately HK$557,094,000 arose. In the opinion of Directors, this cash shortfall will be settled in full with part of the cash proceeds to be received from the Rights Issue of the Company and the placing of CB under specific mandate, details of which are set out in the announcement dated 12th January 2017 and financed by available credit facilities of HK$50,000,000.

5. The adjustments represent the elimination of the Target Group's capital and reserves at the date of acquisition of the Target Group and the allocation of the pro forma purchase consideration to the Target Group's identifiable assets and liabilities acquired, as if the acquisition had taken place on 30th September 2016.

Upon the completion of the Acquisition, the identifiable assets and liabilities of the Target Group will be accounted for in the consolidated financial statements of the Enlarged Group at fair value under the acquisition method of accounting in accordance with HKFRS 3.

The pro forma allocation of purchase consideration to the identifiable assets and liabilities of the Target Group has been based upon management's preliminary estimates as well as the assistance from an independent professional valuer of their fair values and certain assumptions with respect to the assets to be acquired and the liabilities to be assumed. The actual fair values of the assets and liabilities will be determined as of the completion date and may differ materially from the amounts disclosed below in the preliminary pro forma purchase price allocation.

	Carrying amount as at 30 September 2016	Pro forma adjustments	Carrying amount on the date of Acquisition after exclusion of Excluded Assets and Excluded Liabilities	Fair value adjustments	Fair value on the date of Acquisition
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note (i)	*Note (ii)*		*Note (iii)*	
Property, plant and equipment	6,184	–	6,184	–	6,184
Intangible assets	4,305	–	4,305	108,795	113,100
Goodwill	7,682	–	7,682	–	7,682
Deferred tax assets	4,252	–	4,252	–	4,252
Other non-current assets	41	–	41	–	41
Shareholder note receivable	53	(53)	–	–	–
Accounts and other receivables	73,597	–	73,597	–	73,597
Cash and bank balances	76,807	(76,807)	–	–	–
Accounts and other payables	(26,883)	–	(26,883)	–	(26,883)
Current portion of bank and other borrowings	(7,757)	7,757	–	–	–
Current portion of deferred rent	(1,063)	–	(1,063)	–	(1,063)
Tax payables	(757)	–	(757)	–	(757)
Long-term bank and other borrowings	(9,049)	9,049	–	–	–
Warrant liabilities	(606)	606	–	–	–
Deferred rent	(392)	–	(392)	–	(392)
Deferred tax liabilities	–	–	–	(36,990)	(36,990)
Amount of identifiable net assets acquired					138,771
Less: Fair value of the Merger Consideration					907,779
Goodwill *(Note (iv))*					769,008

Notes:

(i) The carrying amount of the identifiable assets and liabilities of the Target Group represents the consolidated statement of financial position of the Target Group as at 30th September 2016, which has been extracted without adjustment from the accountants' report of the Target Group as set out in Appendix II to this circular. The amounts have been retranslated to the Company's presentation currency HK$ at an exchange rate of US$1 = HK$7.7565 and rounded to the nearest thousand.

(ii) Pursuant to the Merger Agreement, the Acquisition excludes the cash and cash equivalents ("Excluded Assets") of the Target Group as of the close of business on the day immediately preceding the Closing Date as well as the indebtedness ("Excluded Liabilities") of the Target Group including all indebtedness for borrowed money, obligations for the deferred purchase price of property or services, long or short-term obligations evidenced by notes, bonds, debentures or other similar instruments, obligations under any interest rate, currency swap or other hedging agreement or arrangement, reimbursement obligations under any letter of credit, banker's acceptance or similar credit transactions, guarantees made by the Company on behalf of any third party in respect of obligations of the kind referred to in the foregoing clauses. For pro forma purposes, the Excluded Assets and the Excluded Liabilities are assumed to be disposed of, and settled at, their respectively carrying amounts as at 30th September 2016.

For the purpose of the unaudited pro forma consolidated statement of profit or loss and the unaudited pro forma consolidated statement of cash flows, as it is assumed that the Acquisition has been completed on 1st January 2015 and the related elimination adjustments have been made for the movement of the Excluded Assets and Excluded Liabilities of the Target Group for the year ended 31st December 2015. The related adjustments on the unaudited pro forma consolidated statement of profit or loss and the unaudited pro forma consolidated statement of cash flows included administrative expenses of approximately HK$555,000 arising from warrant liabilities and finance costs of approximately HK$1,316,000 arising from borrowings.

(iii) For the purpose of this Unaudited Pro Forma Financial Information of the Enlarged Group, the Directors, with reference to the valuation report issued by the valuer, had assessed whether there is material fair value adjustment of the assets and liabilities being acquired based on their knowledge of the business of Target Group as at 30th September 2016. Based on the currently available information, the Directors of the Company had identified intangible assets, technical know-how and customer relationship, of pro forma fair values of approximately HK$9,631,000 and HK$103,469,000 respectively, resulting in a fair value adjustments on intangible assets of approximately HK$108,795,000. The fair values of technical know-how and customer relationship were developed through the application of income approach technique, known as relief from royalty method and multi-period excess earnings method ("**MPEEM**"), respectively. The relief from royalty method is based on estimated revenue using a growth rate of 2% and discount rate of 16.55% and the MPEEM is based on estimated sales from existing customers and discount rate of 17.05%.

An adjustment for the expected future taxable temporary difference arising from these intangible assets has been recognised as deferred tax liability of approximately HK$36,990,000 at the US statutory income tax rate at 34%.

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date. Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are carried at cost less accumulated amortisation.

Technical know-how and customer relationship are estimated to have a useful life of 5 years and 15 years respectively. The total amortisation charge of approximately HK$8,047,000 relates to the fair value adjustment in respect of technical know-how and customer relationship after Acquisition. The related tax effect on the unaudited pro forma consolidated statement of profit or loss arising from the amortisation of above intangible assets assuming the Acquisition had been completed on 1st January 2015 is approximately HK$2,736,000. This adjustment has a continuing effect on the financial statements of the Enlarged Group in subsequent years.

(iv) Goodwill arising from the Acquisition amounted to approximately HK$769,008,000. According to the Group's accounting policy, after initial recognition, the goodwill will be measured at cost less any accumulated impairment losses. Goodwill will be tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, the goodwill will be, from the acquisition date, allocated to one or more of the Group's cash generating unit ("CGU") that are expected to benefit from the synergies of the Acquisition, irrespective of whether other assets or liabilities of the Group are assigned to those CGUs.

Further, according to the Group's accounting policy, an impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions less costs of disposal, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset. An impairment loss on goodwill is not reversed in subsequent periods.

For the purpose of preparation of the Unaudited Pro Forma Financial Information, the management of the Company has assessed whether the intangible assets and goodwill may be impaired on a pro forma basis in accordance with Hong Kong Accounting Standard 36 ("HKAS 36") "Impairment of Assets". The Target Group is identified as a cash generating unit ("CGU") that the intangible assets and goodwill are allocated to. The recoverable amount of the CGU has been determined based on value in use calculation and determined with the assistance of an independent professional qualified valuer for the purpose of preparation of the Unaudited Pro Forma Financial Information. That calculation uses cash flow projections based on a five-year period financial budget and discount rate of 15.55%. The Target Group's cash flows beyond the five-year period are extrapolated with 2% growth rate.

Based on the impairment test of intangible assets and goodwill, the management of the Group assessed that the pro forma recoverable amount of the CGU is determined to be higher than the pro forma carrying amount of the CGU, including goodwill, and hence there is no pro forma impairment loss identified in respect of the goodwill and intangible assets. The Directors confirm that they will apply consistent accounting policies and principal assumptions for the annual assessment of impairment of intangible assets and goodwill in the preparation of the consolidated financial statements of the Group after the completion of the Acquisition as required under HKAS 36.

6. The adjustments represents the estimated acquisition-related costs of approximately HK$8,534,000, including accountancy, legal, valuation and other professional services related to the Acquisition, which would be recognised in profit or loss upon Completion. The adjustment has no continuing effect on the financial statements of the Enlarged Group in subsequent years.

7. The adjustment represents the reversal of equity-settled share based payments of approximately HK$2,706,000 as for the purpose of this unaudited pro forma consolidated statement of profit or loss, it is assumed that the Acquisition has been completed on 1st January 2015 and all stock options granted and recognised as share based payment expenses shall be excluded.

8. Apart from the above, no other adjustments have been made to the unaudited pro forma consolidated statement of financial position of the Enlarged Group to reflect any trading result or other transactions of the Enlarged Group entered into subsequent to 30th June 2016 where applicable and unaudited pro forma consolidated statement of comprehensive income and unaudited pro forma consolidated statement of cash flows to reflect any trading result or other transactions of the Enlarged Group entered into subsequent to 31st December 2015 where applicable.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors and Chief Executives

As at the Latest Practicable Date, 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 any of its associated corporations (within the meaning of Part XV of the SFO which (a) were required to be notified to the Company and 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:

(i) Shares

Name of company	Director	Personal interests	Family interests	Corporate interests	Other	Total	Approximate % of shareholding
Teamsun	Wang Weihang	91,913,216	–	–	–	91,913,216	8.32%
	Li Wei	240,520	–	–	–	240,520	0.02%

(ii) Underlying Shares

Name of company	Director	Personal interests	Family interests	Corporate interests	Other	Total	Approximate % of shareholding
Teamsun	Li Wei	196,000[1]	–	–	–	196,000	0.02%
	Cui Yong	245,000[1]	–	–	–	245,000	0.02%

Note:

1. Restricted shares of Teamsun may unlock and trade on stock exchange after unlocking conditions are met pursuant to Teamsun's second phase of equity incentive plan, details of which were disclosed in Teamsun's announcements dated 27th May 2015 and 14th July 2015.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and the chief executives of the Company had any Directors' Interests in Shares and Underlying Shares.

(b) Substantial Shareholders' Interests in the Company

As at the Latest Practicable Date, so far as is known to the Directors and chief executives of the Company, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the Shares and 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:

Name of shareholder	Nature	Number of ordinary Shares held		Percentage of issued share capital of the Company (approximately)
		Direct interest	Deemed interest	
Teamsun Hong Kong *(Note 1)*	Long Position	344,900,694	–	65.55%
Teamsun	Long Position	–	344,900,694	65.55%
Viewforth Limited ("**Viewforth**") *(Note 2)*	Long Position	208,333,333	–	39.59%
Fullshare Holdings Limited ("**Fullshare**")	Long Position	–	208,333,333	39.59%
Magnolia Wealth International Limited ("**Magnolia**")	Long Position	–	208,333,333	39.59%
Ji Changqun	Long Position	–	208,333,333	39.59%
China Fortune Rich Private Equity Fund Limited ("**China Fortune**") *(Note 3)*	Long Position	83,333,333	–	15.84%
DT Capital Management Co., Limited ("**DT Capital**")	Long Position	–	83,333,333	15.84%
Wang Zixi	Long Position	–	83,333,333	15.84%
Wang Hongyu	Long Position	–	83,333,333	15.84%

Note:

1. Teamsun was interested in the entire issued share capital of Teamsun Hong Kong and was therefore deemed to be interested in the 344,900,694 shares in which Teamsun Hong Kong was interested.

2. Viewforth was wholly owned by Fullshare, 46.58% of the entire issued share capital of which was owned by Magnolia. Ji Changqun was the sole shareholder of the Magnolia. Therefore, each of Fullshare, Magnolia and Ji Changqun was deemed to be interested in the 208,333,333 Shares in which Viewforth was interested.

3. China Fortune Rich Private Equity Fund Limited is wholly-owned by DT Capital Management Co., Limited, a Company is owned by Wang Zixi and Wang Hongyu as to 85% and 15%, respectively. Therefore, each of DT Capital, Wang Zixi and Wang Hongyu was deemed to be interested in the 83,333,333 Shares in which China Fortune was interested.

4. Save as disclosed in pages 146 and 147 of this circular, there is no other Director who is also a director or employee of any substantial shareholder (as defined in the Listing Rules) of the Company.

Save as mentioned above, as at the Latest Practicable Date, to the Directors' knowledge, 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 interests required to be kept by the Company under section 336 of the SFO.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors or proposed Directors had any existing or proposed service contracts with the any member of the Enlarged Group (excluding contracts expiring or determinable by the Company within one year without payment of compensation (other than statutory compensation)).

4. DIRECTORS' INTERESTS IN CONTRACTS OR ARRANGEMENTS

None of the Directors were materially interested in any contract or arrangement subsisting as at the Latest Practicable Date, and which was significant in relation to the business of the Enlarged Group.

5. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, the following Directors were considered to have interests in businesses which competed or were likely to compete, either directly or indirectly, with the businesses of the Group, particulars of which are set out below:

Name of Director	Name of the entities which were considered to compete or likely to compete with the businesses of the Group	Description of businesses of the entities which were considered to compete or likely to compete with the businesses of the Group	Nature of Director's interest in the entities
Wang Weihang	Teamsun	Information technology product service, application software development, value-added distribution and system integration	Chairman, president and director
	Teamsun Hong Kong	Window company of Teamsun in Hong Kong and mainly provides administrative support to the clients of Teamsun in the PRC and Hong Kong	Sole director
	Certain subsidiaries of Teamsun	Information technology related	Director

Name of Director	Name of the entities which were considered to compete or likely to compete with the businesses of the Group	Description of businesses of the entities which were considered to compete or likely to compete with the businesses of the Group	Nature of Director's interest in the entities
Wang Yueou	Carnation Software Ltd. (a subsidiary of Teamsun)	Information technology related	Director
Li Wei	Teamsun	Information technology product service, application software development, value-added distribution and system integration	Director and acting chief financial officer
	Certain subsidiaries of Teamsun	Information technology related	Director
Cui Yong	Teamsun	Information technology product service, application software development, value-added distribution and system integration	Vice president and general manager of systems information product (plate) division

As the Board is independent from the board of directors of the aforesaid companies, and as none of the above Directors controls the Board, the Group is capable of carrying on its business independently of, and at arm's length from, the businesses of the aforesaid companies.

Save as disclosed above, each of the Directors confirmed that as at the Latest Practicable Date, he and his close associates did not have any other interests in a business apart from the Group's business, which competed or was likely to compete, either directly or indirectly with the Group's business.

6. NO MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31st December 2015 (being the date to which the latest published audited consolidated financial statement of the Company were made up).

7. INTEREST IN ASSETS

As at the Latest Practicable Date, to the best of the knowledge of the Directors, none of the Directors or experts as referred to in this circular had any direct or indirect interest in any asset which had been, since 31st December 2015, being the date to which the latest published audited consolidated financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Enlarged Group, or were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

8. LITIGATION

So far as the Company is aware, as at the Latest Practicable Date, no member of the Enlarged Group was engaged in any litigation or arbitration of material importance and there is no litigation or claim of material importance known to the Directors pending or threatened by or against any member of the Enlarged Group.

9. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by members of the Enlarged Group (including any company which will become a subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 31st December 2015, being the date to which the latest audited consolidated financial statements of the Group were made up) within the two years immediately preceding and including the Latest Practicable Date and were or might be material:

(i) the Merger Agreement;

(ii) the underwriting agreement dated 12th January 2017 entered into between the Company as issuer and GF Securities (Hong Kong) Brokerage Limited as underwriter in relation to the Rights Issue;

(iii) the conditional placing agreement dated 12th January 2017 entered into between the Company as issuer and GF Securities (Hong Kong) Brokerage Limited as placing agent in relation to the Placing of CB;

(iv) the agreement and plan of merger entered into by and among the Target Company, GDI Acquisition Corporation (a then wholly-owned subsidiary of the Target Company) and Tonomi, Inc. (formerly known as Qubell, Inc.), BGV II, LP, Rally Ventures Fund I, LP, and Rally Technology Partners Fund I, LP, dated 31st July 2015 in relation to the merger of GDI Acquisition Corporation, and under which the Target Company issued 116,188 shares of its common stock in the aggregate to BGV, Rally Ventures, and Rally Technology;

(v) the purchase agreement entered into by and between the Target Company and Sergiy Taraday dated 29th January 2016 regarding the Target Company's acquisition of LLC Grid Dynamics Ukraine for a consideration of 2,500 UAH (equivalent to approximately US$99.40);

(vi) the purchase agreement entered into by and between the Target Company and Karyne Chychyyan dated 29th January 2016 regarding the Target Company's acquisition of LLC Grid Dynamics Ukraine for a consideration of 2,500 UAH (equivalent to approximately US$99.40);

(vii) the purchase agreement entered into by and between the Target Company and Horohorin Eugene Victorovich dated 4th May 2016 regarding the Target Company's purchase of LLC Cometera Rus for a consideration of 10,000 Rubles (equivalent to approximately US$155);

(viii) the business loan agreement (asset based) entered into by and between the Target Company and Western Alliance Bank dated 4th November 2015 in respect of credit facility of US$10,000,000;

(ix) the change in terms agreement and promissory note entered into by and between the Target Company and Western Alliance Bank dated 4th November 2015 to modify certifan terms and conditions of the commercial security agreement and promissory note entered into by and between the Target Company and Bridge Bank, National Association dated 22nd October 2012;

(x) the non-competition agreement entered into between Victoria Livschitz and Stan Klimoff (shareholders of Tonomi, Inc.) and the Target Company dated 31st July 2015 in relation to non-competition undertaking by the shareholders in favour of the Target Company;

(xi) the amended and restated investors' rights agreement entered into between the Target Company, certain investors of the Target Company (namely, BGV II, L.P. and Questora Software, LLC) and certain stockholders of the Target Company (namely, Livschitz Family Trust, Stacey Farias), dated 31st July 2015 in relation to the provision of investors' rights in connection with the Target Company series B preferred stock financing;

(xii) the amended and restated right of first refusal and co-sale agreement entered into between the Target Company, certain investors of the Target Company (namely, BGV II, L.P. and Questora Software, LLC) and certain stockholders of the Target Company (namely, Livschitz Family Trust, Stacey Farias), dated 31st July 2015 in relation to the provision of right of first refusal and co-sale rights in connection with the Target Company's series B preferred stock financing;

(xiii) the amended and restated voting agreement entered into between the Target Company, certain investors of the Target Company (namely, BGV II, L.P. and Questora Software, LLC) and certain stockholders of the Target Company (namely, Livschitz Family Trust, Stacey Farias), dated 31st July 2015 in relation to the provision of voting rights in connection with the Target Company's series B preferred stock financing; and

(xiv) a funding extension letter entered into between BGV II, L.P. and the Target Company dated 31st July 2015 in relation to the extension of funding of up to US$700,000 in order to mitigate the near term cash consumption caused by its integration of Tonomi, Inc..

10. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have given advice or opinion which are contained in this circular:

Name	Qualification
Grant Thornton Hong Kong Limited	Certified Public Accountants
Mazars CPA Limited	Certified Public Accountants

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter, advice or report, as the case may be, and reference to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, none of the above experts had shareholding in any member of the Enlarged Group nor did they have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Enlarged Group.

11. GENERAL

(a) The Company Secretary of the Company is Mr. Ngan Wai Hing who is a certified public accountant of Hong Kong Institute of Certified Public Accountants and a certified practicing accountant of CPA Australia.

(b) The registered office of the Company is at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda and the head office and principal place of business in Hong Kong is at 15th Floor, Topsail Plaza, 11 On Sum Street, Shatin, New Territories, Hong Kong.

(c) The Hong Kong branch share registrar and transfer office of the Company is Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(d) The English text of this circular and the proxy form shall prevail over the Chinese text.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at 15th Floor, Topsail Plaza, 11 On Sum Street, Shatin, New Territories, Hong Kong on any weekdays (Saturdays, Sundays and public holidays excepted) up to and including the date of the SGM:

(a) the memorandum of association of the Company and the Bye-laws;

(b) the annual report of the Company for each of the three years ended 31st December 2013, 2014 and 2015 and the interim report of the Company for the six months ended 30th June 2016;

(c) a copy of each of the material contracts referred to in the paragraph headed "9. MATERIAL CONTRACTS" in this appendix;

(d) the accountants' report of the Target Group as set out in Appendix II to this circular;

(e) the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to this circular;

(f) the written consents referred to in the section headed "10. EXPERTS AND CONSENTS" in this appendix; and

(g) this circular.

AUTOMATED SYSTEMS HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 771)

NOTICE OF SPECIAL GENERAL MEETING

Notice is hereby given that a special general meeting (the "**SGM**") of Automated Systems Holdings Limited (the "**Company**") will be held at 15th Floor, Topsail Plaza, 11 On Sum Street, Shatin, New Territories, Hong Kong on Wednesday, 22nd March 2017 at 10:00 a.m. for the purposes of considering and, if thought fit, passing (with or without amendments) the following resolution (the "**Resolution**") as an ordinary resolution:

ORDINARY RESOLUTION

"**THAT**

(a) the agreement and plan of merger (the "**Merger Agreement**") dated 16th December 2016 entered into between the Company, GDD International Holding Company (the "**Purchaser**"), GDD International Merger Company (the "**Merger Sub**"), Grid Dynamics International, Inc. (the "**Target Company**") and the security holder representative of the Target Company in relation to the merger (the "**Merger**") of the Target Company and the Merger Sub, with the Target Company as the surviving corporation and wholly-owned by the Purchaser as an indirect wholly-owned subsidiary of the Company, and the transactions contemplated thereunder, including but not limited to the Merger, be and are hereby approved, confirmed and ratified; and

(b) any one or more of the directors of the Company be and is/are hereby authorised to do all such acts and things and execute for and on behalf of the Company, including under seal where applicable, all such documents which he/she/they consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the Merger Agreement and the transactions contemplated thereunder."

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

Hong Kong, 6th March 2017

Notes:

(a) Voting on the Resolution will be taken by way of poll. On voting by poll, every member of the Company present in person or by a duly authorised corporate representative or by proxy shall have one vote for every fully paid share of the Company of which such member is the holder.

(b) A shareholder of the Company entitled to attend and vote at the SGM shall be entitled to appoint another person as his/her proxy to attend and vote instead of him/her, and on a poll, votes may be given either personally or, in the case of a shareholder being a corporation, by its duly authorised representative or by proxy in accordance with the bye-laws of the Company. A shareholder of the Company who is the holder of two or more shares of the Company may appoint more than one proxy to attend the SGM. A proxy need not be a shareholder of the Company. If more than one proxy is so appointed, the appointment shall specify the number of shares of the Company in respect of which each such proxy is so appointed.

(c) Where there are joint registered holders of any share of the Company, any one of such persons may vote at the SGM, either personally or by proxy, in respect of such share as if he/she were solely entitled thereto; but if more than one of such joint holders be present at the SGM personally or by proxy, then one of the said persons so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.

(d) The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than 48 hours before the time fixed for holding the SGM.

(e) A proxy form for use at the SGM is enclosed with the circular to the shareholders of the Company.

(f) Completion and return of the proxy form will not preclude a shareholder of the Company from attending and voting in person at the SGM or any adjournment thereof if he/she so wishes.

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