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EXPERT

EXPERT SYSTEMS HOLDINGS LIMITED

思博系統控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8319)

CHANGE IN USE OF PROCEEDS

Reference is made to the prospectus of Expert Systems Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 30 March 2016 (the “**Prospectus**”) in relation to the listing (the “**Listing**”) of the shares of the Company on the Growth Enterprise Market of the Stock Exchange by way of placing (the “**Placing**”). Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as defined in the Prospectus. Reference is also made to the interim report of the Company for the six months ended 30 September 2017, in which the utilisation of the net proceeds from the Placing from the date of Listing up to 30 September 2017 was disclosed.

CHANGE IN USE OF PROCEEDS

The net proceeds from the Placing received by the Company, after deducting underwriting commissions and related expenses in connection with the Placing, amounted to approximately HK\$32.2 million. As at 30 September 2017, the Company had unutilised net proceeds from the Placing of approximately HK\$27.7 million. For reasons set out in the section headed “Reasons for the Change in Use of Proceeds” in this announcement, the board (the “**Board**”) of directors (the “**Directors**”) of the Company has proposed to reallocate (i) approximately HK\$3.4 million originally intended for strengthening the Group’s marketing efforts; and (ii) approximately HK\$3.6 million originally intended for enhancing the management information systems of the Group, to the expansion of the Group’s IT infrastructure solutions business (the “**Proposed Reallocation**”).

Details of the original allocation, the Proposed Reallocation and the utilisation of the net proceeds from the Placing are set out below:

Uses	Original	Proposed	Utilised up to	Remaining
	allocation (Note) HK\$ (in million)	Reallocation HK\$ (in million)	30 September 2017 HK\$ (in million)	balance as at 30 September 2017 (based on the Proposed Reallocation) HK\$ (in million)
(i) Expansion and training of sales, technical and support workforce	6.8	6.8	1.5	5.3
(ii) Expansion of IT infrastructure solutions business	11.0	18.0	0.0	18.0
(iii) Strengthening of marketing efforts	6.0	2.6	0.3	2.3
(iv) Enhancement of management information systems	5.5	1.9	0.6	1.3
(v) Working capital and general corporate purposes	2.9	2.9	2.1	0.8
Total	32.2	32.2	4.5	27.7

Note: Details of the original allocation of the net proceeds from the Placing are set out in the Prospectus.

REASONS FOR THE CHANGE IN USE OF PROCEEDS

The Group is principally engaged in the provision of IT infrastructure solutions whereby the Group assesses, designs and implements IT infrastructure solutions for the Group's customers by integrating different hardware and software sourced from third party suppliers to satisfy various IT requirements and needs of the Group's customers.

As set out in the Prospectus, the Group intends to utilise approximately HK\$11.0 million of the net proceeds from the Placing for the expansion of its IT infrastructure solutions business, by securing large scale IT infrastructure solutions projects which require the provision of performance bonds. The Group has been monitoring the development of the IT infrastructure solutions industry and has observed the demand for long-term IT infrastructure solutions projects (the "**Potential Projects**") on the market. Such Potential Projects are mainly in the public sector and typically require IT infrastructure solutions providers to deploy IT solution services to customers on a long-term basis of up to around 5 years with long-term payment by the customer covering the project term. The services required will normally include implementation and integration work, which includes consultation, proof of concept, hardware and software implementation and ongoing subsequent upgrades for the IT infrastructures integrated in order to meet the changing IT requirements and needs of the specific customer. In order to meet the service and contract requirements of Potential

Projects, IT infrastructure solution providers are typically required to procure the majority of the relevant IT hardware and software from suppliers on an upfront basis (the “**Upfront Procurement**”).

The Group had been invited to tender and bid for some of the Potential Projects in the public sector and the Directors of the Company consider that it is necessary to consider funding for the Upfront Procurement in advance. The Board therefore recommends the Proposed Reallocation to increase the allocation of the net proceeds from the Placing to the expansion of the Group’s IT infrastructure solutions business by approximately HK\$7.0 million, from approximately HK\$11.0 million to approximately HK\$18.0 million. The Board proposes to reduce the allocation of net proceeds from the Placing originally allocated to (i) the strengthening of the Group’s marketing efforts in the amount of approximately HK\$3.4 million; and (ii) the enhancement of the Group’s management information systems in the amount of approximately HK\$3.6 million. Although the Group remains committed to continue to strengthen its marketing efforts to enhance the awareness of its brand and customer loyalty and upgrade its management information systems to raise the overall efficiency of its operations, the Board has considered the more imminent cash flow requirement of the Potential Projects and considers that it is appropriate to reallocate the Placing proceeds to fund the Potential Projects accordingly.

The Board is of the view that the Proposed Reallocation is in line with the Group’s business strategy to strengthen the Group’s IT infrastructure solutions business and will result in a more efficient use of the net proceeds from the Placing. The Board confirms that there is no material change in the business nature of the Group as set out in the Prospectus and considers that the Proposed Reallocation is in the best interests of the Company and its Shareholders as a whole.

By order of the Board
Expert Systems Holdings Limited
Wong Chu Kee Daniel
Chairman and non-executive Director

Hong Kong, 17 January 2018

As at the date of this announcement, the Board composition is as follows:

Chairman and non-executive Director:

Mr. Wong Chu Kee Daniel

Chief executive officer and executive Director:

Mr. Lau Wai Kwok

Executive Directors:

Ms. Lau Tsz Yan

Mr. So Cheuk Wah Benton

Non-executive Directors:

Mr. Chu Siu Sum Alex

Mr. Chan Kin Mei Stanley

Independent non-executive Directors:

Mr. Au Yu Chiu Steven

Mr. Chung Fuk Wing Danny

Mr. Ko Man Fu

Mr. Mak Wai Sing

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market (the “GEM”) of the Stock Exchange for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, opinions expressed in this announcement have been arrived at after due and careful consideration, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will be published on the Stock Exchange’s website at www.hkexnews.hk, the GEM website at www.hkgem.com, on the “Latest Company Announcements” page for at least seven days from the date of its posting and the Company’s website at www.expertsystems.com.hk.