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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)

- (1) VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF 70% OF THE ISSUED SHARE CAPITAL OF THE TARGET COMPANY;
(2) ISSUE OF CONVERTIBLE BOND UNDER SPECIFIC MANDATE;
AND
(3) CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE IT SERVICES AGREEMENT**

Financial adviser to Expert Systems Holdings Limited

BALLAS
C A P I T A L

**Independent financial adviser to the
Independent Board Committee and Independent Shareholders**

 **Lego Corporate
Finance Limited**
力高企業融資有限公司

THE ACQUISITION

The Board is pleased to announce that on 9 July 2021 (after trading hours), the Vendor, the Purchaser and the Company entered into the Sale and Purchase Agreement, pursuant to which, the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire the Sale Shares, representing 70% of the total issued share capital of the Target Company, at the total Consideration of HK\$140.0 million, which will be satisfied as to (i) HK\$64.4 million by cash; and (ii) HK\$75.6 million by the issue of the Convertible Bond by the Company to the Vendor.

The Target Group is principally engaged in the End-user Business. Upon Completion, the Group will be interested in 70% of the total issued share capital of the Target Company and the Target Company will become an indirect non-wholly-owned subsidiary of the Company. Accordingly, the financial information of the Target Group will be consolidated into the accounts of the Company upon Completion.

THE IT SERVICES AGREEMENT

Members of the Target Group, in their ordinary course of business, have regularly entered into continuing transactions with the Vendor Group in relation to the provision of the Outsourced IT Services by the Vendor Group. It is expected that such continuing transactions will continue after Completion. Taking into consideration that (i) the Vendor is an associate of the Shareholders Group and therefore, a connected person of the Company as set out in the section headed “GEM Listing Rules Implications” below; and (ii) the Target Company will become an indirect non-wholly-owned subsidiary of the Company upon Completion, the continuing transactions to be entered into between the Enlarged Group and the Vendor Group will become continuing connected transactions of the Company under the GEM Listing Rules.

On 9 July 2021 (after trading hours), the Company and the Vendor entered into the IT Services Agreement, pursuant to which, the Vendor Group has conditionally agreed to provide the Outsourced IT Services to the Enlarged Group from the Completion Date to 31 March 2024, upon and subject to the terms of the IT Services Agreement. The Annual Caps for the continuing connected transactions contemplated under the IT Services Agreement for the three years ending 31 March 2022, 2023 and 2024 are estimated to be no more than HK\$13,500,000, HK\$24,600,000 and HK\$26,200,000, respectively.

GEM LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios as set out in Rule 19.07 of the GEM Listing Rules in respect of the Acquisition exceed 100%, the Acquisition constitutes a very substantial acquisition for the Company and is subject to the reporting, announcement and shareholders’ approval requirements under Chapter 19 of the GEM Listing Rules.

Taking into consideration that the Shareholders Group which collectively owns approximately 71.0% of the Company also collectively owns approximately 93.5% of the Vendor, the Vendor is an associate of the Shareholders Group and is therefore a connected person of the Company. Therefore, the Acquisition also constitutes a connected transaction of the Company and is subject to the reporting, announcement and Independent Shareholders’ approval requirements under Chapter 20 of the GEM Listing Rules.

The transactions contemplated under the IT Services Agreement constitute continuing connected transactions of the Company under Chapter 20 of the GEM Listing Rules. As each of the Annual Caps exceeds HK\$10,000,000 and one or more of the applicable percentage ratios as set out in Rule 19.07 of the GEM Listing Rules in respect of each of the Annual Caps exceed 5%, the transactions contemplated under the IT Services Agreement constitute non-exempt continuing connected transactions of the Company and are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

GENERAL

The Independent Board Committee, comprising all the independent non-executive Directors, has been established to consider the terms of the Acquisition, the issue of the Convertible Bond, the grant of the Specific Mandate and the IT Services Agreement (including the transactions contemplated thereunder and the Annual Caps), and to advise and provide recommendation to the Independent Shareholders as to whether the same are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Lego Corporate Finance Limited has been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders whether the terms of the Acquisition, the issue of the Convertible Bond, the grant of the Specific Mandate and the IT Services Agreement (including the transactions contemplated thereunder and the Annual Caps) are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The EGM will be convened to seek the approval of the Independent Shareholders for the Acquisition, the issue of the Convertible Bond, the grant of the Specific Mandate and the IT Services Agreement (including the transactions contemplated thereunder and the Annual Caps). As at the date of this announcement, the Shareholders Group collectively owns approximately 71.0% of the Company and collectively owns approximately 93.5% of the Vendor. In addition, as at the date of this announcement, Mr. Ng owns approximately 0.01% of the Company and approximately 3.5% of the Vendor and Ms. Wong owns approximately 4.4% of the Company (including the interest held by her spouse) and approximately 3.0% of the Vendor. Accordingly, the Shareholders Group, Mr. Ng and Ms. Wong are considered to have a material interest in the Acquisition, the issue of the Convertible Bond, the grant of the Specific Mandate and the IT Services Agreement (including the transactions contemplated thereunder and the Annual Caps). As such, each of the members of the Shareholders Group, Mr. Ng and Ms. Wong and their respective associates is required to abstain from voting on the resolutions approving the same at the EGM.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, apart from the members of the Shareholders Group, Mr. Ng and Ms. Wong, no other Shareholders are materially interested in the Acquisition, the issue of the Convertible Bond, the grant of the Specific Mandate and the IT Services Agreement (including the transactions contemplated thereunder and the Annual Caps) who are required to abstain from voting on the resolutions to be proposed for approving the same at the EGM.

A circular containing, among other things (i) further information on the Acquisition and the IT Services Agreement; (ii) financial information on the Target Group; (iii) pro forma financial information of the Enlarged Group; (iv) the recommendations of the Independent Board Committee on the terms of the Acquisition, the issue of the Convertible Bond, the grant of the Specific Mandate and the IT Services Agreement (including the transactions contemplated thereunder and the Annual Caps); (v) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition, the issue of the Convertible Bond, the grant of the Specific Mandate and the IT Services Agreement (including the transactions contemplated thereunder and the Annual Caps); and (vi) other information as required under the GEM Listing Rules with the notice convening the EGM, is expected to be despatched to the Shareholders on or before 6 August 2021 in order to allow sufficient time to prepare the necessary information to be included in the circular.

Shareholders and potential investors should note that completion of the Acquisition is subject to the fulfillment of the conditions precedent set out in the Sale and Purchase Agreement and therefore may or may not occur. As the Acquisition may or may not proceed to completion, Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

The Board is pleased to announce that on 9 July 2021 (after trading hours), the Vendor, the Purchaser and the Company entered into the Sale and Purchase Agreement, pursuant to which, the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire the Sale Shares, representing 70% of the total issued share capital of the Target Company, at the total Consideration of HK\$140.0 million, which will be satisfied as to (i) HK\$64.4 million by cash; and (ii) HK\$75.6 million by the issue of the Convertible Bond by the Company to the Vendor.

THE SALE AND PURCHASE AGREEMENT

The principal terms of the Sale and Purchase Agreement are set out below:

Date

9 July 2021

Parties

- (i) the Vendor;
- (ii) the Purchaser; and
- (iii) the Company

Asset to be acquired

The Sale Shares, representing 70% of the entire issued share capital of the Target Company.

Consideration and payment terms

The total Consideration for the Acquisition is HK\$140.0 million, which is based on arm's length negotiations between the Company and the Vendor with reference to the Business Valuation. The Consideration represents a discount of approximately 15.9% to the Business Valuation of approximately HK\$166.4 million as at 30 April 2021. The Consideration represents a price-to-earnings multiple of approximately 10.1x based on the adjusted net profit of the Target Group for the financial year ended 31 March 2021 of approximately HK\$19.8 million, which was determined based on the net profit of the Target Group for the financial year ended 31 March 2021 after adjusting for non-recurring and non-operating charges and gains, and their tax effects from the net profit, namely:

- (i) the wage subsidies under the Employment Support Scheme for the financial year ended 31 March 2021;
- (ii) the bank interest income for the financial year ended 31 March 2021;
- (iii) the rent concession related to the COVID-19 pandemic for the financial year ended 31 March 2021;
- (iv) the one-off professional services expenses incurred in relation to the Acquisition for the financial year ended 31 March 2021;
- (v) the exchange loss for the financial year ended 31 March 2021; and
- (vi) the tax effects of adjustments (iii) to (v) above for the financial year ended 31 March 2021.

The total Consideration of HK\$140.0 million will be satisfied in the following manner:

- (i) HK\$64,400,000 by cash, of which (a) HK\$21,252,000 to be settled by the Purchaser on the Completion Date; (b) HK\$21,252,000 to be settled by the Purchaser within six months after the Completion Date; and (c) HK\$21,896,000 to be settled by the Purchaser within 12 months after the Completion Date; and
- (ii) HK\$75,600,000 by the issue of the Convertible Bond by the Company to the Vendor on the Completion Date.

The Group will finance the cash portion of the Consideration by its internal resources. Further details of the proposed issue of the Convertible Bond are set out in the section headed "The Convertible Bond" below.

In September 2004, certain members of the Shareholders Group acquired 100% interest in China Expert (the holding company of a group of companies principally engaged in the End-user Business, the Vendor Business and the IT Infrastructure Solutions Business of the Group at that time) for the consideration of US\$800,000, which was arrived at with reference to China Expert's then net assets of approximately US\$782,000. The net asset value of the End-user Business as at 31 March 2004 amounted to approximately US\$390,000.

Conditions precedent

Pursuant to the Sale and Purchase Agreement, Completion is subject to the fulfillment of the following conditions:

- (i) the passing of ordinary resolutions by the Independent Shareholders at the EGM approving the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder including (a) the Acquisition; (b) the creation and issue of the Convertible Bond and the allotment and issue of the Conversion Shares pursuant to the exercise of the conversion rights attaching to the Convertible Bond; and (c) all other transactions contemplated under the Sale and Purchase Agreement;
- (ii) the Stock Exchange granting the listing of, and permission to deal in, the Conversion Shares;
- (iii) (where applicable) all other notification, publication and/or shareholders' approval requirements under Chapters 19 and 20 of the GEM Listing Rules in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder, including the Acquisition, having been complied with by the Purchaser;
- (iv) the Purchaser having carried out and completed the due diligence review of the Target Group (whether legal, accounting, financial, operational or other aspects that the Purchaser considers necessary) and being satisfied with the results of the due diligence review of the Target Group and the related business, assets, liabilities, activities, operations, financial position and prospects of the Target Group in all respects;
- (v) the vendor warranties remaining true and accurate in all material respects and not misleading in any material respect; and
- (vi) there being no material adverse change to the business, assets and financial conditions of the Target Group since 31 March 2021.

None of the above conditions precedent is waivable. If any of the above conditions have not been fulfilled on or before 5:00 p.m. on the Long Stop Date, all rights and obligations of the Parties shall cease and terminate, save and except clauses in relation to confidentiality, costs and expenses attributable to the Acquisition, notices, governing law and certain miscellaneous clauses of the Sale and Purchase Agreement which provisions shall remain in full force and effect, and no Party shall have any claim against the other Parties save for claim (if any) in respect of any antecedent breach.

Completion

Completion shall take place on the Completion Date after all the conditions of the Sale and Purchase Agreement have been fulfilled. Upon Completion, the Target Company will become an indirect non-wholly-owned subsidiary of the Company and accordingly, the financial results of the Target Group will be consolidated into the accounts of the Company.

Transfer of Target Shares by the Vendor

The Vendor undertakes that so long as it is a shareholder of the Target Company, it shall not mortgage, pledge, charge, sell, transfer or otherwise dispose of any of its Target Shares unless it has obtained the prior written approval of the Purchaser or otherwise unless:

- (i) when the Vendor proposes to effect the sale, transfer or disposal, it shall give a notice in writing (“**Transfer Notice**”) to the Purchaser offering to sell all or part of its Target Shares (“**Offer Shares**”) to the Purchaser, stating the price per Offer Share, other principal terms of the offer and the identity of the proposed purchaser of the Offer Shares (“**Proposed Purchaser**”). Unless all the Offer Shares are accepted by the Purchaser within a period of 14 days (“**Acceptance Period**”) from the date of the receipt of the Transfer Notice, the Vendor shall be entitled, within 14 days following the expiry of the Acceptance Period, to sell and complete the sale of all (but not part) of the remaining Offer Shares to the Proposed Purchaser at the offer price and on terms and conditions no more favourable to the Proposed Purchaser than the terms of the offer for sale of the Offer Shares comprised in the Transfer Notice, provided that the Proposed Purchaser shall agree to be bound by the same obligation of the Vendor regarding any subsequent transfer of the Target Shares; and
- (ii) if the Vendor proposes to mortgage, pledge or charge any of its Target Shares, unless it has obtained prior written approval of the Purchaser, it shall procure that the relevant mortgagee/pledgee/chargee shall comply with the same obligation of the Vendor before the Target Shares owned by the Vendor are transferred to parties other than the Purchaser pursuant to the relevant security document executed by the Vendor.

THE CONVERTIBLE BOND

The terms of the Convertible Bond have been negotiated on an arm’s length basis and the principal terms are summarised below:

Issuer:	The Company
Principal amount:	HK\$75,600,000
Issue price:	100% of the principal amount of the Convertible Bond
Maturity date:	The fifth anniversary of the date of issue of the Convertible Bond
Interest rate:	2.5% per annum, payable annually in arrears on 31 March

Conversion Price:

HK\$0.168 per Conversion Share, subject to adjustments in accordance with the terms and conditions of the Convertible Bond, upon occurrence of, among other things, subdivision or consolidation or reclassification of Shares, capital distribution, capitalisation of profits or reserves, rights issues of Shares or options over Shares, rights issues of other securities, issues at less than Current Market Price, other issues at less than Current Market Price, modification of rights of conversion, other offers to Shareholders and other events as described in the terms and conditions of the Convertible Bond.

The Conversion Price of HK\$0.168 per Conversion Share represents:

- (i) a premium of approximately 5.7% over the closing price of HK\$0.159 per Share as quoted on the Stock Exchange on the date of signing of the Sale and Purchase Agreement;
- (ii) a premium of approximately 7.0% over the average closing price of HK\$0.157 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of signing of the Sale and Purchase Agreement; and
- (iii) a premium of approximately 9.9% over the average closing price of HK\$0.153 per Share as quoted on the Stock Exchange for the last ten consecutive trading days immediately prior to the date of signing of the Sale and Purchase Agreement.

The Conversion Price of HK\$0.168 per Conversion Share was determined after arm's length negotiations between the Company and the Vendor with reference to the prevailing market price and recent trading performance of the Shares.

Conversion rights:

The Bondholder shall have the right at any time during the conversion period to convert the whole or any part of its principal amount outstanding under the Convertible Bond into Conversion Shares at the Conversion Price (subject to adjustments pursuant to the terms and conditions of the Convertible Bond).

Notwithstanding the right of the Company to redeem and cancel (at its sole discretion) any amount outstanding under the Convertible Bond at 100% immediately after three years from the issue date up to the maturity date, the Bondholder may exercise the right to convert all (but not part only) of the outstanding Convertible Bond by depositing a conversion notice at any time prior to the effective date of the redemption, provided that the relevant conversion notice must be deposited in the manner as set out in the terms and conditions of the Convertible Bond at least two Business Days immediately before the effective date of the redemption, and in such case, the notice to redeem given by the Company shall be treated as revoked and cease to have effect. The Bondholder shall not exercise any conversion rights to such an extent that results or will result in:

- (i) the Bondholder and parties acting in concert with it will trigger a mandatory offer obligation under the Takeovers Code, unless (a) the Bondholder and parties acting in concert with it will make a general offer to all the Shareholders in accordance with the Takeovers Code; or (b) such implied general offer by the Bondholder and parties acting in concert with it to all the Shareholders will be waived by the Securities and Futures Commission; or
- (ii) less than 25% or the minimum prescribed percentage as set out in the GEM Listing Rules of the Shares would be held by the public immediately after the relevant exercise of conversion rights; or
- (iii) unless the Bondholder itself is a connected person of the Company, the Bondholder and its associates will directly or indirectly, hold or be interested in 10% or more of the Shares.

Conversion period:

The period commencing on the date of issue of the Convertible Bond up to and including the date which is seven days prior to the maturity date of the Convertible Bond.

Conversion Shares:

The Conversion Shares will in all respects rank pari passu with the Shares in issue on the relevant conversion date. Assuming that the Convertible Bond is fully converted into Conversion Shares at the Conversion Price of HK\$0.168, a total of 450,000,000 Conversion Shares will be issued, representing approximately 56.2% of the issued share capital of the Company and approximately 36.0% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares.

The Conversion Shares will be issued under the Specific Mandate. An application will be made to the Stock Exchange for the listing of, and permission to deal in the Conversion Shares.

Redemption:

At any time immediately after three years from the issue date up to the maturity date of the Convertible Bond, at the sole discretion of the Company, the Company may cancel and redeem such amount outstanding under the Convertible Bond at 100% of such outstanding amount. Unless previously purchased or converted or redeemed, the Company shall on the maturity date redeem the outstanding principal amount of the Convertible Bond plus any accrued and unpaid interest.

Transferability:

The Convertible Bond shall be freely transferable subject to (i) the requirements under the GEM Listing Rules for so long as the Shares are listed on GEM (and the rules of any other stock exchange on which the Shares may be listed at the relevant time) and all applicable laws and regulations; and/or (ii) the approval of the Shareholders in a general meeting (if such approval is required under the GEM Listing Rules).

Listing:

No application will be made for the listing of the Convertible Bond on any stock exchange.

Voting:

The Bondholder will not be entitled to receive notices of, attend or vote at any meetings of the Shareholders by reason only of it being the Bondholder.

Events of default:

If any of the following events occurs, any Bondholder may give notice to the Company that the outstanding principal amount of the Convertible Bond shall become immediately due and payable:

- (i) other than as a result of, or in circumstances where, an offer made to the Shareholders to acquire all or any proportion of the Shares becoming unconditional, the listing of the Shares (as a class) on the Stock Exchange (a) ceases; or (b) is suspended for a continuous period of 14 Business Days on each of which the Stock Exchange is generally open for trading due to the default of the Company or any of its directors, officers, employees or agents; or
- (ii) the Company defaults in performance or observance or compliance with any of its obligations contained in the terms and conditions of the Convertible Bond (other than the covenant to pay the principal and interest in respect of the Convertible Bond and the issuance of the Conversion Shares) and such default continues for the period of 30 Business Days next following the service by the Bondholder holding, or Bondholders together holding, at least 51% of the then outstanding principal amount of the Convertible Bond, of notice requiring such default to be remedied; or
- (iii) the Company fails to pay the principal of the Convertible Bond when due or the Company fails to pay interest on the Convertible Bond when due unless non-payment of such interest is due solely to administrative or technical error and payment is made within 14 Business Days of the due date thereof or the Company fails to issue the Conversion Shares; or
- (iv) the occurrence of any event or any action taken or omission made by the Company so as to render unlawful the performance or observance or compliance by the Company with of any of its material obligations contained in the terms and conditions of the Convertible Bond, or would otherwise result in any material terms contained in the terms and conditions of the Convertible Bond be or becoming unenforceable, or would otherwise render the Convertible Bond inadmissible as evidence in court; or

- (v) an encumbrancer takes possession (whether by way of distress, attachment, execution, seizure before or after judgment or by other legal process) or a receiver, manager or other similar officer is appointed of the whole or any material part of the undertaking, property, assets or revenues of the Company or any of its major subsidiaries and is not discharged, paid out, withdrawn or remedied within 30 Business Days; or
- (vi) the Company or any of its major subsidiaries applies for or consents to or suffers the appointment of any administrator, liquidator or receiver of the Company or any of its major subsidiaries or the whole or any material part of the undertaking, property, assets or revenues of the Company or any of its major subsidiaries or takes any proceeding under any law for a readjustment or deferment of its obligations or any part of them or makes or enters into a general assignment or compromise with or for the benefit of its creditors; or
- (vii) an order is made or an effective resolution passed for winding-up of the Company or any of its major subsidiaries, except in the case of winding up of such subsidiaries in the course of reorganisation that has been approved by the Bondholder or Bondholders together holding not less than 51% of the then outstanding principal amount of the Convertible Bond; or
- (viii) a moratorium is agreed or declared in respect of any indebtedness of the Company or any of its major subsidiaries or any governmental authority or agency condemns, seizes, compulsorily purchases or expropriates all or any material part of the assets of the Company or any of its major subsidiaries.

INFORMATION OF THE VENDOR

The Vendor is a company incorporated in the BVI with limited liability. As at the date of this announcement, the Vendor is effectively owned as to approximately 93.5% by the Shareholders Group. The remaining interest in the Vendor of approximately 6.5% is effectively owned by Mr. Ng and Ms. Wong. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, each of Mr. Ng and Ms. Wong is an Independent Third Party.

As at the date of this announcement, the Vendor and its subsidiaries (including the Vendor Group and the Target Group) are principally engaged in the provision of IT support services comprising (i) the Vendor Business operated by the Vendor Group; and (ii) the End-user Business operated by the Target Group.

Upon Completion, the Vendor Group will be principally engaged in the Vendor Business.

INFORMATION OF THE TARGET GROUP

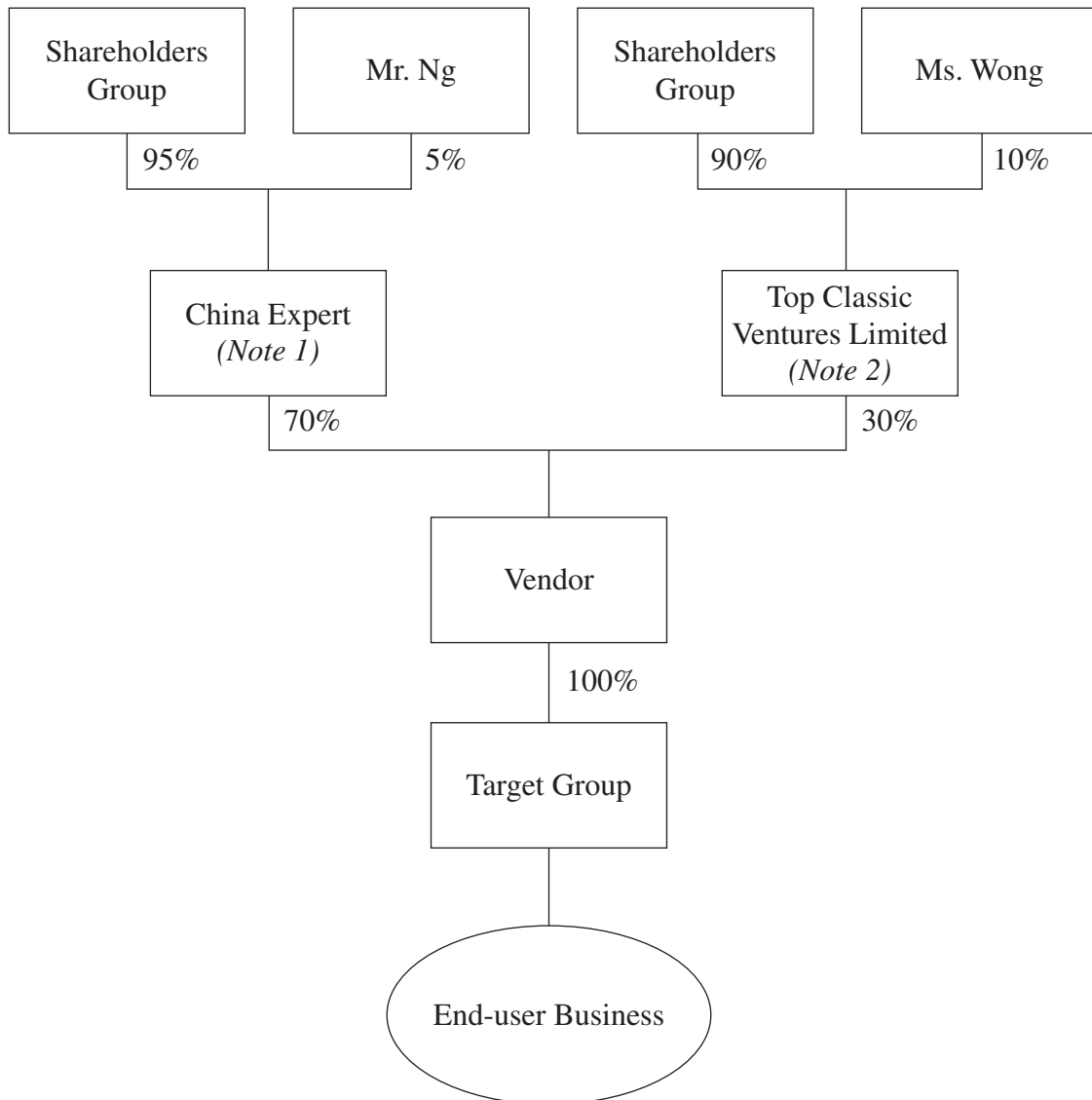
The Target Company is a limited liability company incorporated in the BVI and is principally engaged in investment holding.

As at the date of this announcement, the Target Group, comprising (i) eight companies established in the BVI, Hong Kong, the PRC, Macau, Australia and Singapore; and (ii) four branch companies established in Guangzhou, Beijing, Taiwan and Korea, is principally engaged in the End-user Business, which is the provision of post-implementation infrastructure management services, including IT hardware maintenance, helpdesk, IT outsourcing, and workflow automation services to end-users. Since the establishment of the End-user Business in 1999, the End-user Business has accumulated a strong customer base including global or multinational corporations, large enterprises in banking, finance, high fashion retail industries, government bodies and non-profit organisations, serving their networks in the Greater China Area (including the PRC, Hong Kong, Taiwan and Macau) and the Asia-Pacific region (currently including Korea, Singapore and Australia). As at the date of this announcement, the Target Company is in the course of establishing a subsidiary in Japan.

The profile of each of the End-user Business's top five customers for the financial year ended 31 March 2021 is set out below:

Type of customers	Number of users	Location
French global luxury group	5,000+	Greater China Area and Asia-Pacific region
French high fashion house	6,000+	Greater China Area and Asia-Pacific region
Large global bank	30,000+	Greater China Area
Large American luxury brand	5,000+	Greater China Area and Asia-Pacific region
Global automotive supplier	10,000+	Greater China Area

The shareholding structure of the Target Group as at the date of this announcement is set out below:



Notes:

1. The shares of China Expert are owned as to 95.0% by certain members of the Shareholders Group (40.0% by Mr. Chu, 17.5% by Mr. Mok, 17.5% by Mr. Cheung, 10.0% by Mr. Wong and 10.0% by Mr. Lau) and 5.0% by Mr. Ng.
2. The shares of Top Classic Ventures Limited are owned as to 90.0% by the Shareholders Group (35.2% by Mr. Chu, 15.6% by Mr. Mok, 15.6% by Mr. Cheung, 10.0% by Mr. Wong, 10.0% by Mr. Lau and 3.6% by Mr. Chan) and 10.0% by Ms. Wong.

FINANCIAL INFORMATION OF THE TARGET GROUP

Set out below is a summary of the key combined financial information of the Target Group for the three financial years ended 31 March 2021, which has been prepared in accordance with the Hong Kong Financial Reporting Standards.

	Year ended 31 March		
	2019	2020	2021
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Revenue	247,218	284,218	277,063
Net profit before taxation	15,720	18,219	31,355
Net profit after taxation	12,358	16,102	26,030

The unaudited combined net asset value of the Target Group as at 31 March 2021 was approximately HK\$34.1 million.

Adjusted net profit of the Target Group

The adjusted net profit of the Target Group is a non-GAAP financial measure used to exclude the impact of non-recurring and non-operating items which affect the results presented in the financial statements but are not indicative of the operating performance of the Target Group, so as to provide Shareholders with useful supplementary information to assess the performance of the Target Group's core operations. Adjusted net profit of the Target Group is calculated as follows.

	Year ended 31 March		
	2019	2020	2021
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Net profit of the Target Group	12,358	16,102	26,030
<i>Adjusted for non-operating and non-recurring items:</i>			
(i) Wage subsidies under the Employment Support Scheme	—	—	(6,469)
(ii) Bank interest income	(700)	(1,152)	(468)
(iii) Rent concession related to the COVID-19 pandemic	—	—	(134)
(iv) One-off professional services expenses in relation to the Acquisition	—	—	425
(v) Exchange loss	54	119	502
(vi) Tax effects of adjustments (iii) to (v) above	(9)	(20)	(131)
Adjusted net profit of the Target Group	11,703	15,049	19,755

Further details of the financial information of the Target Group will be presented in the circular to the Shareholders.

INFORMATION OF THE PURCHASER

The Purchaser is a company incorporated in the BVI with limited liability and is principally engaged in investment holding.

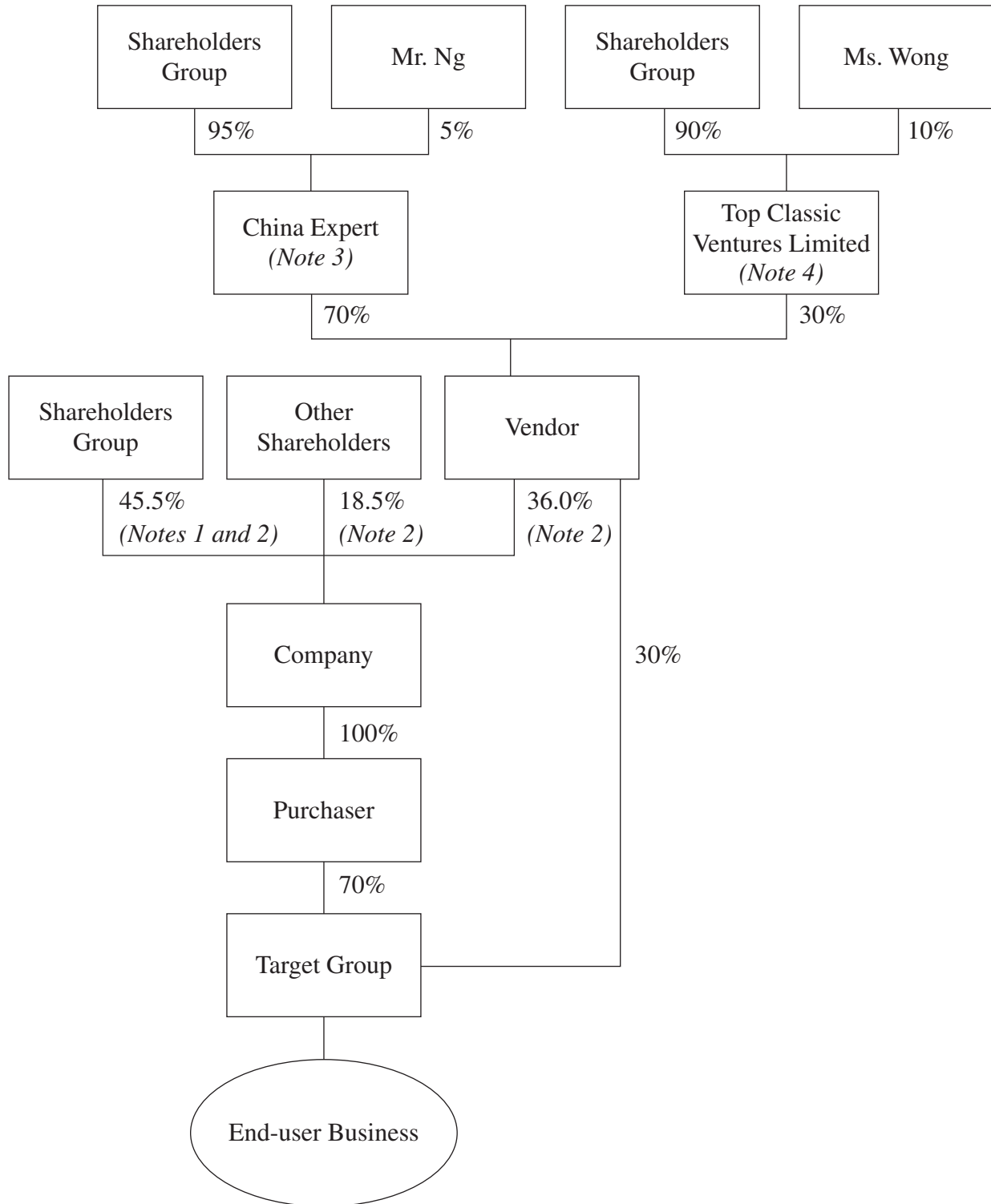
EFFECT ON THE SHAREHOLDING STRUCTURE

The shareholding structure of the Company (i) as at the date of this announcement; and (ii) after Completion and immediately upon full conversion of the Convertible Bond for illustration purpose (assuming that there will be no change in the issued share capital of the Company from the date of this announcement and up to the date of full conversion of the Convertible Bond other than the issue of the Conversion Shares) is set out below:

Shareholders	As at the date of this announcement		After Completion and immediately upon full conversion of the Convertible Bond (Note)	
	Number of Shares	%	Number of Shares	%
Mr. Chu	226,890,000	28.3	226,890,000	18.1
Mr. Lau	100,000,000	12.5	100,000,000	8.0
Mr. Mok	91,800,000	11.5	91,800,000	7.4
Mr. Cheung	89,760,000	11.2	89,760,000	7.2
Mr. Wong	53,300,000	6.7	53,300,000	4.3
Mr. Chan	6,720,000	0.8	6,720,000	0.5
The Vendor	—	—	450,000,000	36.0
Sub-total	568,470,000	71.0	1,018,470,000	81.5
Public Shareholders	<u>231,930,000</u>	<u>29.0</u>	<u>231,930,000</u>	<u>18.5</u>
Total	<u><u>800,400,000</u></u>	<u><u>100.0</u></u>	<u><u>1,250,400,000</u></u>	<u><u>100.0</u></u>

Note: Such shareholding structure is for illustration purpose only. The Vendor's exercise of the conversion rights under the Convertible Bond shall be subject to the terms and conditions of the Convertible Bond, including the Bondholder shall not exercise any conversion rights to such an extent that results or will result in less than 25% or the minimum prescribed percentage of the Shares as set out in the GEM Listing Rules would be held by the public immediately after the relevant exercise of the conversion rights. For details, please see the sub-section headed "Conversion rights" under the section headed "The Convertible Bond" above.

The shareholding structure of the Target Group after Completion and immediately upon full conversion of the Convertible Bond for illustration purpose (assuming that there will be no change in the issued share capital of the Company from the date of this announcement and up to the date of full conversion of the Convertible Bond other than the issue of the Conversion Shares) is set out below:



Notes:

1. Such shareholding is for illustration purpose only. After Completion and immediately upon full conversion of the Convertible Bond, the Shares will be owned as to 45.5% by the Shareholders Group (18.1% by Mr. Chu, 8.0% by Mr. Lau, 7.4% by Mr. Mok, 7.2% by Mr. Cheung, 4.3% by Mr. Wong and 0.5% by Mr. Chan).
2. Such shareholding is for illustration purpose only. The Vendor's exercise of the conversion rights under the Convertible Bond shall be subject to the terms and conditions of the Convertible Bond, including the Bondholder shall not exercise any conversion rights to such an extent that results or will result in less than 25% or the minimum prescribed percentage as set out in the GEM Listing Rules of the Shares would be held by the public immediately after the relevant exercise of the conversion rights. For details, please see the sub-section headed "Conversion rights" under the section headed "The Convertible Bond" above.
3. The shares of China Expert are owned as to 95.0% by certain members of the Shareholders Group (40.0% by Mr. Chu, 17.5% by Mr. Mok, 17.5% by Mr. Cheung, 10.0% by Mr. Wong and 10.0% by Mr. Lau) and 5.0% by Mr. Ng.
4. The shares of Top Classic Ventures Limited are owned as to 90.0% by the Shareholders Group (35.2% by Mr. Chu, 15.6% by Mr. Mok, 15.6% by Mr. Cheung, 10.0% by Mr. Wong, 10.0% by Mr. Lau and 3.6% by Mr. Chan) and 10.0% by Ms. Wong.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Company is an exempted company incorporated in the Cayman Islands with limited liability and its shares have been listed on GEM since 12 April 2016. The Group is principally engaged in the IT Infrastructure Solutions Business, which the Group assesses, designs and implements IT infrastructure solutions for its customers by integrating hardware and/or software sourced from third party suppliers to satisfy various IT requirements and needs of its customers. As at the date of this announcement, the Company has no intention, arrangement, agreement, understanding or negotiation (concluded or otherwise) to downsize, dispose of, terminate or suspend the existing business of the Group.

The Directors consider the Acquisition to be an excellent opportunity to complement the Group's IT Infrastructure Solutions Business, and represents a logical vertical extension to engage in the provision of post-implementation IT support services of the End-user Business operated by the Target Group.

The Directors consider the End-user Business to be compatible to the Group's IT Infrastructure Solutions Business and is a business segment which has room for potential growth. The Group and the End-user Business of the Target Group carry out distinct services to cater for customers' needs at different stages involved in a typical IT infrastructure service chain. The service scope of the Group's IT Infrastructure Solutions Business covers IT infrastructure solutions, including customer requirement analysis, solution design and architect, procurement service of hardware and/or software and implementation integration and service testing for both hardware and/or software, which are typical implementation and integration work for an IT infrastructure solutions project. On the other hand, the service scope of the Target Group relates to the provision of post-implementation infrastructure management services including IT hardware maintenance, helpdesk, IT outsourcing, and workflow automation services to end-users. The business scopes of the Group and the Target Group are in an upstream and downstream relationship

in the IT infrastructure service chain and the Directors consider that the Acquisition enables the Group to offer more comprehensive IT solution services to its customers and hence will be beneficial to the business development of the Group.

Moreover, given that the customers of the Group who require IT infrastructure solutions may also require post-implementation services, which the End-user Business of the Target Group provides, the Directors believe that upon Completion, the cooperation between the Group and the Target Group can be enhanced and their marketing and management resources can be utilised in a more efficient manner to encourage more cross-selling and cross-marketing, which will enhance customers' experience and create business synergy and is beneficial to the business development of the Enlarged Group.

The Directors (excluding the independent non-executive Directors (whose views will be given after taking into consideration the advice from the Independent Financial Adviser) and those Directors who are considered to have a material interest in the Acquisition as set out in the paragraph headed "Approval by the Board") consider the Acquisition and the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

THE IT SERVICES AGREEMENT

Members of the Target Group, in their ordinary course of business, have regularly entered into continuing transactions with the Vendor Group in relation to the provision of the Outsourced IT Services by the Vendor Group. It is expected that such continuing transactions will continue after Completion. Taking into consideration that (i) the Shareholders Group which collectively owns approximately 71.0% of the Company also collectively owns approximately 93.5% of the Vendor, thus making the Vendor an associate of the controlling shareholders of the Company and a connected person of the Company; and (ii) the Target Company will become an indirect non-wholly-owned subsidiary of the Company upon Completion, the continuing transactions to be entered into between the Enlarged Group and the Vendor Group will become continuing connected transactions of the Company under the GEM Listing Rules.

On 9 July 2021 (after trading hours), the Company and the Vendor entered into the IT Services Agreement, pursuant to which, the Vendor Group has conditionally agreed to provide the Outsourced IT Services to the Enlarged Group from the Completion Date to 31 March 2024, upon and subject to the terms of the IT Services Agreement as set out below:

- Date:** 9 July 2021
- Parties:**
- (i) the Vendor (for itself and as trustee for the benefit of its subsidiaries from time to time); and
 - (ii) the Company (for itself and as trustee for the benefit of its subsidiaries from time to time)
- Term:** From the Completion Date to 31 March 2024 (both days inclusive).

Subject matter: The Vendor Group shall provide the Outsourced IT Services to the Enlarged Group for its customers from time to time, which include the provision of (i) the IT Hardware Maintenance and Support Services; and (ii) the IT Software Services to the customers of the Enlarged Group.

Condition precedent: The provision of the Outsourced IT Services by the Vendor Group to the Enlarged Group is subject to the approval of the Acquisition, the issue of the Convertible Bond, the grant of the Specific Mandate and the IT Services Agreement (including the transactions contemplated thereunder and the Annual Caps) by the Independent Shareholders at the EGM.

Pricing: As a general principle, the pricing terms of the provision of the Outsourced IT Services are determined in the ordinary and usual course of business, on normal commercial terms, negotiated on arm's length basis and on terms similar or no less favourable to the Enlarged Group than those available from independent IT service providers for the provision of similar services.

IT Hardware Maintenance and Support Services

Subject to the general principle above, the fees charged by the Vendor Group to the Enlarged Group for the IT Hardware Maintenance and Support Services are as follows:

- (i) the fees charged for regular IT hardware maintenance and support services, including regular maintenance, secondment services and workspace management services, shall be determined by the manpower and time cost required for providing the service, based on an agreed charge-out rate of the IT engineers or the technicians required; and
- (ii) the fees charged for a specific project according to customers' requirements are determined with reference to the prevailing market prices for similar services offered by independent IT service providers (which the Enlarged Group would obtain price quotations from at least two independent IT service providers, details of which are set out in the section headed "Internal Control Measures" below), taking into account factors, including the nature and requirement of the IT Hardware Maintenance and Support Services to be rendered for the project, the manpower and time cost required and the prevailing market conditions.

IT Software Services

Subject to the general principle above, the fees charged by the Vendor Group to the Enlarged Group for the IT Software Services are determined with reference to the prevailing market prices for similar services offered by independent IT service providers (which the Enlarged Group would obtain price quotations from at least two independent IT service providers, details of which are set out in the section headed “Internal Control Measures” below), taking into account factors, including the nature and requirement of the IT Software Services to be rendered, the manpower and time cost required and the prevailing market conditions.

Historical transactions

The historical service fees for the Outsourced IT Services paid by the Target Group to the Vendor Group for the three years ended 31 March 2021 are set out below:

	Year ended 31 March		
	2019	2020	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Total amount of service fees	16,900	19,100	19,800

Annual Caps and basis

The Annual Caps in respect of the Outsourced IT Services contemplated under the IT Services Agreement for the period commencing from the Completion Date and ending on 31 March 2024 are as follows:

	For the period from the Completion Date to 31 March 2022	Year ending 31 March	
	(Note)	2023	2024
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Total amount of service fees	13,500	24,600	26,200

Note: The Annual Cap for the period commencing from the Completion Date and ending on 31 March 2022 is estimated assuming that Completion will take place on or after 31 August 2021.

In arriving at the above Annual Caps, the Company and the Target Company have taken into account the following factors:

- (i) the historical transaction amounts paid by the Target Group to the Vendor Group for the three years ended 31 March 2021;

- (ii) the expected growth in the Outsourced IT Services required by the Target Group based on the projected customer demand for its IT Hardware Maintenance and Support Services and IT Software Services from the Completion Date to 31 March 2024, taking into account the historical growth in the Target Group’s revenue earned from its End-user Business;
- (iii) the prevailing market prices for the IT Hardware Maintenance and Support Services and IT Software Services in the open market; and
- (iv) a buffer to cater for possible market and currency fluctuations.

REASONS FOR AND BENEFITS OF ENTERING INTO THE IT SERVICES AGREEMENT

The Outsourced IT Services are of a recurrent nature and, subject to the Completion having taken place, will occur on a regular and continuing basis in the ordinary and usual course of business of the Enlarged Group and the Vendor Group.

Outsourced IT Services — IT Hardware Maintenance and Support Services

As mentioned in the section headed “Information of the Target Group”, the Target Group serves the IT networks of its customers in the Greater China Area (including the PRC, Hong Kong, Taiwan and Macau) and the Asia-Pacific Region (currently including Korea, Singapore and Australia).

Whilst the Target Group maintains full operations and operational staff in major hubs (i.e. Guangzhou, Shanghai, Beijing, Hong Kong and Macau) where the majority of the IT networks of its customers are located, if certain locations of the IT network of its customers in the PRC are in areas (such as Zhejiang, Hubei and Tianjin) which are not cost effective or time efficient to be served by the operational staff of the Target Group in Guangzhou, Shanghai and Beijing, the Target Group outsources the IT Hardware Maintenance and Support Services to local service providers which are independent third parties as well as the Vendor Group, which has established an extensive operation network in the PRC with qualified IT engineers and technicians for the Vendor Business in the PRC.

The Target Group considers that by setting up its own operations in major hubs (i.e. Guangzhou, Shanghai, Beijing, Hong Kong and Macau) where the majority of the IT networks of its customers are located, and engaging other qualified service providers in other ancillary locations where abundant qualified resources are available provide the optimal service structure.

Outsourced IT Services — IT Software Services

From time to time, certain End-user Business customers of the Target Group and the End-user Business itself require IT Software Services for their IT software which require software development skills. As the Target Group does not have a team of IT software development engineers and where its engineers do not have the software developments skills needed to carry out the IT Software Services, the Target Group outsources the required IT Software Services to other IT services providers. As the Vendor Group has a team of IT software development engineers in Hong Kong and Guangzhou, members of the Target Group have also engaged the Vendor Group to provide the IT Software Services in Hong Kong.

Upon Completion, the IT Services Agreement would enable the Enlarged Group to continue engaging the Outsourced IT Services provided by the Vendor Group. The Directors (excluding the independent non-executive Directors (whose views will be given after taking into consideration the advice from the Independent Financial Adviser) and those Directors who are considered to have a material interest in the IT Services Agreement as set out in the paragraph headed “Approval by the Board”) are of the views that the terms of the IT Services Agreement as well as the Annual Caps are fair and reasonable, on normal commercial terms or better and in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole.

INTERNAL CONTROL MEASURES

The Enlarged Group will implement internal control measures to monitor the transactions contemplated under the IT Services Agreement, including:

- (i) the service department of the Enlarged Group will review the Outsourced IT Service requirements from the customer and obtain price quotation from the Vendor Group and at least two IT service providers (subject to practical availability and feasibility) from a list of pre-approved IT service providers, which is subject to periodic review and update by the management of the Enlarged Group, taking into account factors including the relevant experience, capability and available resources of the IT service providers, to ensure the IT service providers’ quality standards;
- (ii) in determining whether the price quotation (including the agreed charge-out rate as applicable) offered by the Vendor Group for providing the relevant Outsourced IT Service is in line with those offered by the independent IT service providers, the service department of the Enlarged Group will compare the price quotation, including the agreed charge-out rate as applicable charged by the Vendor Group against the price quotations obtained from the independent IT service providers;
- (iii) in the event that the pricing terms offered by the Vendor Group are not considered to be comparable with the pricing terms offered by the independent IT service providers, the Enlarged Group will not approve and accept the price quotation from the Vendor Group. The final acceptance of price quotation offered by the Vendor Group shall be approved by the senior management of the Enlarged Group;

- (iv) the finance department of the Enlarged Group will conduct regular checks on whether the transactions with the Vendor Group for the provision of the Outsourced IT Services are in accordance with the agreed service contract terms;
- (v) the finance department of the Enlarged Group will monitor the amount of the service fees for the Outsourced IT Services paid by the Enlarged Group to the Vendor Group on an ongoing basis to ensure that the Annual Caps are not exceeded;
- (vi) regular meetings on monthly basis will be held between the sales department, the service department, the finance department and the senior management of the Enlarged Group to ensure that the Enlarged Group is informed of all relevant operational and financial information in respect of the Outsourced IT Services on a timely basis;
- (vii) the independent non-executive Directors will conduct annual review with respect to the transactions contemplated under the IT Services Agreement and confirm in the Company's annual report, whether pursuant to the requirements under the GEM Listing Rules, such continuing connected transactions have been entered into in the ordinary and usual course of business of the Enlarged Group, are on normal commercial terms or better, and in accordance with the IT Services Agreement on terms that are fair and reasonable and in the interests of the Company and its shareholders as a whole; and
- (viii) the auditor of the Company will conduct annual review of the transactions contemplated under the IT Services Agreement, including the pricing terms and the Annual Caps in accordance with the GEM Listing Rules.

GEM LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios as set out in Rule 19.07 of the GEM Listing Rules in respect of the Acquisition exceed 100%, the Acquisition constitutes a very substantial acquisition for the Company and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

Taking into consideration that the Shareholders Group which collectively owns approximately 71.0% of the Company also collectively owns approximately 93.5% of the Vendor, the Vendor is an associate of the controlling shareholders of the Company and is therefore a connected person of the Company. Therefore, the Acquisition also constitutes a connected transaction of the Company and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

The transactions contemplated under the IT Services Agreement constitute continuing connected transactions of the Company under Chapter 20 of the GEM Listing Rules. As each of the Annual Caps exceeds HK\$10,000,000 and one or more of the applicable percentage ratios as set out in Rule 19.07 of the GEM Listing Rules in respect of each of the Annual Caps exceed 5%, the transactions contemplated under the IT Services Agreement constitute non-exempt continuing connected transactions of the Company and are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

GENERAL

Approval by the Board

Save for (i) Mr. Chu, a non-executive Director; (ii) Mr. Wong, the chairman of the Company and a non-executive Director; (iii) Mr. Lau, the chief executive officer of the Company and an executive Director; and (iv) Mr. Chan, a non-executive Director, who are members of the Shareholders Group which owns approximately 93.5% of the Vendor as at the date of this announcement, none of the Directors have a material interest in the Acquisition, the issue of the Convertible Bond, the grant of the Specific Mandate and the IT Services Agreement (including the transactions contemplated thereunder and the Annual Caps). Accordingly, Mr. Chu, Mr. Wong, Mr. Lau and Mr. Chan did not vote on the Board resolutions approving the same. None of the other Directors were required to abstain from voting on the Board resolutions approving the same.

Voting at EGM

The EGM will be convened to seek the approval of the Independent Shareholders for the Acquisition, the issue of the Convertible Bond, the grant of the Specific Mandate and the IT Services Agreement (including the transactions contemplated thereunder and the Annual Caps). As at the date of this announcement, the Shareholders Group collectively owns approximately 71.0% of the Company and collectively owns approximately 93.5% of the Vendor. In addition, as at the date of this announcement, Mr. Ng owns approximately 0.01% of the Company and approximately 3.5% of the Vendor and Ms. Wong owns approximately 4.4% of the Company (including the interest held by her spouse) and approximately 3.0% of the Vendor. Accordingly, the Shareholders Group, Mr. Ng and Ms. Wong are considered to have a material interest in the Acquisition, the issue of the Convertible Bond, the grant of the Specific Mandate and the IT Services Agreement (including the transactions contemplated thereunder and the Annual Caps). As such, each of the members of the Shareholders Group, Mr. Ng and Ms. Wong and their respective associates is required to abstain from voting on the resolutions approving the same at the EGM.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, apart from the members of the Shareholders Group, Mr. Ng and Ms. Wong, no other Shareholders are materially interested in the Acquisition, the issue of the Convertible Bond, the grant of the Specific Mandate and the IT Services Agreement (including the transactions contemplated thereunder and the Annual Caps) who are required to abstain from voting on the resolutions to be proposed for approving the same at the EGM.

Independent Board Committee and Independent Financial Adviser

The Independent Board Committee, comprising all the independent non-executive Directors, has been established to consider the terms of the Acquisition, the issue of the Convertible Bond, the grant of the Specific Mandate and the IT Services Agreement (including the transactions contemplated thereunder and the Annual Caps), and to advise and provide recommendation to the Independent Shareholders as to whether the same are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Lego Corporate Finance Limited has been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders whether the terms of the Acquisition, the issue of the Convertible Bond, the grant of the Specific Mandate and the IT Services Agreement (including the transactions contemplated thereunder and the Annual Caps) are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

A circular containing, among other things (i) further information on the Acquisition and the IT Services Agreement; (ii) the financial information on the Target Group; (iii) pro forma financial information of the Enlarged Group; (iv) the recommendations of the Independent Board Committee on the terms of the Acquisition, the issue of the Convertible Bond, the grant of the Specific Mandate and the IT Services Agreement (including the transactions contemplated thereunder and the Annual Caps); (v) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition, the issue of the Convertible Bond, the grant of the Specific Mandate and the IT Services Agreement (including the transactions contemplated thereunder and the Annual Caps); and (vi) other information as required under the GEM Listing Rules with the notice convening the EGM, is expected to be despatched to the Shareholders on or before 6 August 2021 in order to allow sufficient time to prepare the necessary information to be included in the circular.

Shareholders and potential investors should note that completion of the Acquisition is subject to the fulfillment of the conditions precedent set out in the Sale and Purchase Agreement and therefore may or may not occur. As the Acquisition may or may not proceed to completion, Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions will have the following respective meanings:

“Acquisition”	the proposed acquisition of the Sale Shares pursuant to the terms and conditions of the Sale and Purchase Agreement
“Annual Caps”	the proposed maximum annual aggregate transaction values in respect of the Outsourced IT Services to be provided by the Vendor Group to the Enlarged Group as contemplated under the IT Services Agreement for the three years ending 31 March 2022, 2023 and 2024
“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Board”	the board of Directors
“Bondholder(s)”	holder(s) of the Convertible Bond

“Business Day(s)”	a day (excluding Saturday and any day on which a tropical cyclone warning no.8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are open for business
“Business Valuation”	a business valuation of 70% of the issued share capital of the Target Company performed by an independent professional valuer, Vigers Appraisal and Consulting Limited, as at 30 April 2021, amounting to HK\$166.4 million based on market approach
“BVI”	the British Virgin Islands
“China Expert”	China Expert Systems Limited, a company incorporated in the BVI with limited liability and is owned as to 40.0% by Mr. Chu, 17.5% by Mr. Cheung, 17.5% by Mr. Mok, 10.0% by Mr. Lau, 10.0% by Mr. Wong (who are all members of the Shareholders Group), and 5.0% by Mr. Ng as at the date of this announcement
“Company”	Expert Systems Holdings limited, a company incorporated in the Cayman Islands as an exempted company with limited liability, the Shares of which are listed on GEM
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Sale and Purchase Agreement
“Completion Date”	the fifth Business Day after the last outstanding condition precedent shall have been fulfilled (or such other date as the Vendor and the Purchaser shall agree in writing) on which Completion is to take place
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Consideration”	the consideration for the Acquisition, being HK\$140.0 million
“Convertible Bond”	the convertible bond of principal amount of HK\$75.6 million with an initial conversion price of HK\$0.168 per Conversion Share to be issued by the Company, as part of the consideration for the Acquisition, to the Vendor in accordance with the terms and conditions of the Sale and Purchase Agreement
“Conversion Price”	HK\$0.168 per Conversion Share (subject to adjustments pursuant to the terms and conditions of the Convertible Bond)

“Conversion Shares”	new Share(s) to be issued by the Company upon conversion of the Convertible Bond
“Current Market Price”	<p>in respect of a Share, on a particular date, the average of the closing price published in the Stock Exchange’s daily quotations sheet for one Share for the 15 consecutive trading days ending on the trading day immediately preceding such date provided that if at any time during the said 15 trading days the Shares shall have been quoted ex-dividend and during some other part of that period the Shares shall have been quoted cum-dividend then:</p> <p>(i) if the Shares to be issued do not rank for the dividend in question, the closing price on the dates on which the Shares shall have been quoted cum-dividend shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the amount of that dividend per Share; and</p> <p>(ii) if the Shares to be issued rank for the dividend in question, the closing price on the dates on which the Shares shall have been quoted ex-dividend shall for the purpose of this definition be deemed to be the amount thereof increased by such similar amount</p>
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of considering, and if though fit, approve (i) the Acquisition; (ii) the issue of the Convertible Bond; (iii) the grant of the Specific Mandate; and (iv) the IT Services Agreement (including the transactions contemplated thereunder and the Annual Caps)
“End-user Business”	the provision of post-implementation infrastructure management services including IT hardware maintenance, helpdesk, IT outsourcing, and workflow automation services to end-users, being the principal business of the Target Group
“Enlarged Group”	the Group as enlarged by the Target Group upon Completion
“GEM”	the GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board, comprising all the independent non-executive Directors, to advise and provide recommendation to the Independent Shareholders in respect of the Acquisition, the issue of the Convertible Bond, the grant of the Specific Mandate and the IT Services Agreement (including the transactions contemplated thereunder and the Annual Caps)
“Independent Financial Adviser”	Lego Corporate Finance Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity as defined under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser for the purpose of advising the Independent Board Committee and the Independent Shareholders in respect of the Acquisition, the issue of the Convertible Bond, the grant of the Specific Mandate and the IT Services Agreement (including the transactions contemplated thereunder and the Annual Caps)
“Independent Shareholders”	Shareholder(s) who are entitled to vote and not required to abstain from voting on the resolutions in the EGM for approving (i) the Acquisition; (ii) the issue of the Convertible Bond; (iii) the grant of the Specific Mandate; and (iv) the IT Services Agreement (including the transactions contemplated thereunder and the Annual Caps)
“Independent Third Party”	a third party independent of the Company and the connected persons of the Company
“IT Hardware Maintenance and Support Services”	the provision of post-implementation infrastructure management services, including IT hardware maintenance, helpdesk, IT outsourcing and workflow management services
“IT Infrastructure Solutions Business”	the provision of IT infrastructure solutions, including the assessment, design and implementation of IT infrastructure solutions for customers
“IT Services Agreement”	the agreement dated 9 July 2021 entered into between the Company and the Vendor in relation to the provision of the Outsourced IT Services by the Vendor Group to the Enlarged Group
“IT Software Services”	the provision of post-implementation IT software maintenance and support services
“Long Stop Date”	31 December 2021 (or such later date as the Vendor and the Purchaser may agree in writing)

“Macau”	the Macau Special Administrative Region of the PRC
“Mr. Chan”	Mr. Chan Kin Mei Stanley, a non-executive Director and a member of the Shareholders Group
“Mr. Cheung”	Mr. Cheung Nap Kai, a member of the Shareholders Group
“Mr. Chu”	Mr. Chu Siu Sum Alex, a non-executive Director and a member of the Shareholders Group
“Mr. Lau”	Mr. Lau Wai Kwok, the chief executive officer of the Company, an executive Director and a member of the Shareholders Group
“Mr. Mok”	Mr. Mok Chu Leung Terry, a member of the Shareholders Group
“Mr. Ng”	Mr. Ng Lai Yick, a shareholder of both the Company and the Vendor
“Mr. Wong”	Mr. Wong Chu Kee Daniel, the chairman of the Company, a non-executive Director and a member of the Shareholders Group
“Ms. Wong”	Ms. Wong Siu Ying, a shareholder of both the Company and the Vendor
“Outsourced IT Services”	the provision of the IT Hardware Maintenance and Support Services and the IT Software Services to the customers of the End-user Business outsourced by members of the Target Group (or members of the Enlarged Group upon Completion) to the Vendor Group from time to time
“Parties”	the parties to the Sale and Purchase Agreement and “Party” means any of them
“PRC”	the People’s Republic of China, excluding Taiwan, Hong Kong and Macau for the purpose of this announcement
“Purchaser”	Expert Systems Group Limited, a limited liability company incorporated in the BVI and, as at the date of this announcement, a direct wholly-owned subsidiary of the Company
“Sale and Purchase Agreement”	the sale and purchase agreement dated 9 July 2021 entered into among the Purchaser, the Company and the Vendor in relation to the Acquisition
“Sale Shares”	70% of the issued share capital of the Target Company

“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Shareholders Group”	refers to Mr. Chu, Mr. Lau, Mr. Mok, Mr. Cheung, Mr. Wong and Mr. Chan, who collectively own approximately 71.0% of the Company and approximately 93.5% of the Vendor as at the date of this announcement
“Specific Mandate”	a specific mandate to be sought at the EGM for the allotment and issue of the Conversion Shares upon conversion of the Convertible Bond
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Target Company”	ServiceOne International Holdings Limited, a limited liability company incorporated in the BVI
“Target Group”	the Target Company and its subsidiary(ies)
“Target Share(s)”	share(s) of the Target Company
“Vendor”	ServiceOne Global Holdings Limited, a limited liability company incorporated in the BVI
“Vendor Business”	the provision of IT hardware after-sales maintenance and replacement and related logistics according to the vendor’s requirements and policies, being the principal business of the Vendor Group
“Vendor Group”	the Vendor and its subsidiaries, other than members of the Target Group
“%”	per cent.

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

Hong Kong, 9 July 2021

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 GEM Listing Rules 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, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain 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.