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 to be taken, you should consult a stockbroker, a licensed securities dealer or other registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Expert Systems Holdings Limited**, you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or transferee(s) or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or the transfer was effected for transmission to the purchaser(s) or transferee(s).

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities of the Company.

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; (3) CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE IT SERVICES AGREEMENT; AND (4) NOTICE OF EGM

Financial adviser to Expert Systems Holdings Limited

BALLAS CAPITAL

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

Capitalised terms used in this cover will have the same meanings as those defined in the section headed "Definitions" in this circular.

A letter from the Board is set out on pages 8 to 50 of this circular. A letter from the Independent Board Committee is set out on pages 51 to 52 of this circular. A notice convening the EGM to be held at United Conference Centre, 10/F United Centre, 95 Queensway, Admiralty, Hong Kong on Wednesday, 6 October 2021 at 10:00 a.m. is set out on pages EGM-1 to EGM-4 of this circular. A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM in person, please complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar and transfer office in Hong Kong. Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong by 10:00 a.m. on Monday, 4 October 2021 or in any event not less than 48 hours before the time appointed for the holding of the EGM (or any adjournment thereof). Completion and return of the accompanying form of proxy will not preclude you from attending and voting at the EGM should you so wish.

PRECAUTIONARY MEASURES FOR THE EGM

The Company will implement the following prevention and control measures at the EGM to safeguard the health and safety of the Shareholders attending the EGM:

1. Compulsory body temperature check will be conducted for every shareholder or proxy at the entrance of the venue.
2. Every Shareholder or proxy is required to wear a surgical face mask throughout the meeting.
3. No refreshments will be served and no corporate gifts will be distributed.

Attendees who do not comply with the precautionary measures referred to above may be denied entry to the EGM venue, at the absolute discretion of the Company as permitted by law.

For the health and safety of shareholders, the Company would like to encourage Shareholders to exercise their right to vote at the EGM by appointing the chairman of the EGM as their proxy and to return their proxy forms by the time specified above, instead of attending the EGM in person.

This circular 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 on the Company's website at *www.expertsystems.com.hk*.

17 September 2021

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

CONTENTS

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

"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"	the 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, the report of which is set out in Appendix VI to this circular
"BVI"	the British Virgin Islands
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"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 Latest Practicable Date

"Company"	Expert Systems Holdings limited, a company incorporated in the Cayman Islands as an exempted company with limited liability, the Shares which are listed on GEM of the Stock Exchange
"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
"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
"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
"Current Market Price"	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: (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

	(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
"Director(s)"	director(s) of the Company
"EGM"	the extraordinary general meeting of the Company convened to be held at United Conference Centre, 10/F United Centre, 95 Queensway, Admiralty, Hong Kong on Wednesday, 6 October 2021 at 10:00 a.m. for the purpose of considering, and if though fit, 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), or any adjournment thereof
"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
"Euro"	Euro, the lawful currency of the member states of the European Union
"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
"HKFRS"	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, or one or some of such standards as the context may so require
"HKSCC"	Hong Kong Securities Clearing Company Limited
"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 SFO, 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
"JPY"	Japanese yen, the lawful currency of Japan

"Latest Practicable Date"	14 September 2021, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"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
"MOP"	Macau Patacas, the lawful currency of Macau
"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 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 circular

"Purchaser"	Expert Systems Group Limited, a limited liability company incorporated in the BVI and, as at the Latest Practicable Date, 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
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Shareholders Group"	refers to Mr. Chu, Mr. Lau, Mr. Mok, Mr. Cheung, Mr. Wong and Mr. Chan, who collectively own approximately 71.0% of the Company and approximately 93.5% of the Vendor as at the Latest Practicable Date
"Specific Mandate"	a specific mandate to be sought at the EGM for the allotment and issue of the Conversion Shares upon conversion of the Convertible Bond
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers
"Target Company"	ServiceOne International Holdings Limited, a limited liability company incorporated in the BVI
"Target Group"	the Target Company and its subsidiary(ies)
"Target Share(s)"	share(s) of the Target Company
"US$"	United States dollars, the lawful currency of the United States of America
"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

References to time and dates in this circular are to Hong Kong time and dates.

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)

Executive Directors:
Mr. Lau Wai Kwok *(Chief Executive Officer)*
Ms. Lau Tsz Yan
Mr. So Cheuk Wah Benton

Non-executive Director:
Mr. Wong Chu Kee Daniel *(Chairman)*
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

Registered Office:
Second Floor
Century Yard
Cricket Square
P.O. Box 902
Grand Cayman KY1-1103
Cayman Islands

Principal place of business in Hong Kong:
22/F, Yen Sheng Centre
64 Hoi Yuen Road
Kwun Tong, Kowloon
Hong Kong

17 September 2021

To the Shareholders

Dear Sir or Madam,

(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

INTRODUCTION

Reference is made to the announcement of the Company dated 9 July 2021 in relation to, among other things, the Acquisition, the issue of the Convertible Bond, the grant of the Specific Mandate and the IT Services Agreement.

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 results, assets and liabilities of the Target Group will be consolidated into the financial statements of the Group upon Completion.

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"; 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.

The purpose of this circular is to provide you with, 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.

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 implied price-to-earnings multiple of the Consideration of approximately 10.1x is calculated by the total Consideration for the Acquisition of HK$140 million (which represents the consideration to acquire 70% of the entire issued share capital of the Target Company), divided by 70% of the adjusted net profit of the Target Group for the financial year ended 31 March 2021 of approximately HK$19.8 million (the "**Adjusted Net Profit**").

Given that the End-user Business is revenue generating with recurrent income, being profitable in each of the three years ended 31 March 2019, 2020 and 2021, the price-to-earnings multiple analysis is considered the most appropriate valuation methodology to assess the value of the End-user Business. Furthermore, with reference to the business valuation report as set out in Appendix VI to this circular, the price-to-earnings multiple is an indicator of return on equity and the value of a company, which facilitates a reasonable assessment of the subject value based on its earnings capability.

In view of the above, despite the fact that the Consideration represents a substantial premium over the combined net asset value of the Target Group of approximately HK$34.1 million as at 31 March 2021, the Board considers that the Consideration, representing a discount of approximately 15.9% to the Business Valuation, is fair and reasonable.

The implied price-to-earnings multiple of the Consideration of approximately 10.1x is lower than the average price-to-earnings multiple of 12.6x of comparable companies (the "**Comparable Companies**") adopted in the Business Valuation prepared by Vigers Appraisal and Consulting Limited ("**Vigers**"), the independent valuer. The selected Comparable Companies were companies (i) listed in mature stock market; (ii) in the same industries as that of the Target Group; (iii) have positive earnings to infer meaningful multiples for comparison; and (iv) not being considered as observable outliers.

As set out in the business valuation report in Appendix VI to this circular, the Comparable Companies provide IT infrastructure solutions services, which include both IT infrastructure implementation and post-implementation infrastructure management services. It is noted by Vigers that the IT Infrastructure Solutions Business and the End-user Business are in the same IT service supply chain; and the price-to-earnings multiples of the Comparable Companies represent the market collective view on the valuation of the IT service industry, which includes the IT Infrastructure Solutions Business and the End-user Business. In view of the above, the Board considers that the Comparable Companies adopted by Vigers are fair and representative, taking into account their listing status in open and established market (which all the Comparable Companies are listed in Hong Kong) and being in the same industry as that of the Target Group.

In arriving at the price-to-earnings multiples of the Comparable Companies and deriving the Business Valuation of the Target Group, Vigers has adjusted the net profits of the Comparable Companies and the Target Group by eliminating their non-operating and non-recurring charges or gains and their tax effects, in order to measure the operating profit of the Comparable Companies and the Target Group. In arriving at the Business Valuation, Vigers has also applied appropriate adjustments including (i) adjustments for non-operating cash position and non-operating assets and liabilities of the Target Group, such as amounts due to/from its shareholders and/or related parties; (ii) applying a 12% control premium which is adopted with reference to the low end value of a list of acquisitions of majority control and/or privatization of companies listed on the Stock Exchange from 2018 to 2020, to reflect the Company's controlling interest in the End-user Business after Completion; and (iii) applying a 30% discount for lack of marketability with reference to valuation literatures.

Based on the above, the Board is of the view that (i) the selected Comparable Companies are fair and representative; and (ii) the adjustments on the price-to-earnings multiples of the Comparable Companies are fair and reasonable; (iii) the adjustments on the net profits of the Target Group are fair and reasonable; (iv) the control premium of 12% is fair and reasonable; and (v) the implied price-to-earnings multiple of the Consideration of 10.1x based on the Adjusted Net Profit, which reflects the operating profit of the Target Group, is fair and reasonable.

In addition, despite that the Target Group's contract assets have reduced from approximately HK$17.7 million as at 31 March 2020 to approximately HK$12.9 million as at 31 March 2021, the contract assets of the Target Group represent the amount of revenue which can be recognised according to accounting standards based on the work completed, but are not billed and hence not yet receivable based on the terms of the relevant contracts. The decrease in contract assets represents more works which revenue has been recognised have become billed and transferred to trade receivables (instead of classified as contract assets) according to the terms of the relevant contracts. The decrease in contract assets does not indicate that less revenue is to be recognised.

Furthermore, notwithstanding that the Acquisition is expected to create a substantial goodwill of approximately HK$107.5 million, the Consideration of HK$140 million, which represents a price-to-earnings multiple of 10.1x based on the Adjusted Net Profit, was determined with reference to and represents a discount of approximately 15.9% to the Business Valuation, representing 70% of the Target Group, of approximately HK$166.4 million. The Adjusted Net Profit has excluded the impact of non-recurring and non-operating charges and gains (and related tax effects) to reflect the operating profit of the Target Group, which excludes, among others, the (i) one-off wage subsidies under the Employment Support Scheme of approximately HK$6.5 million; and (ii) the one-off rent concession related to the COVID-19 pandemic of approximately HK$0.1 million.

With respect to the reduction in the emoluments for the five highest paid individuals (which include the emoluments of director and key management personnel) by approximately HK$3.7 million from approximately HK$10.0 million in FY2020 to approximately HK$6.3 million in FY2021 which partially contributed to the increase in the Adjusted Net Profit, such reduction in emoluments in FY2021 was substantially attributable to the decrease in emoluments for one of the key management of the Target Group of approximately HK$3.1 million in FY2021 due to his change in role from executive management to non-executive management, which his future remuneration will continue to be evaluated based on his non-executive role. As such, the decrease in senior management remuneration of the Target Group for FY2021 as reflected in the Adjusted Net Profit is not a one-off or temporary adjustment.

Taking into account the above, the Board is of the view that the implied price-to-earnings multiple of 10.1x based on the Adjusted Net Profit is fair and reasonable.

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 (namely Mr. Chu, Mr. Mok, Mr. Cheung and Mr. Lau) and Ms. Wong acquired 100% interest in China Expert (the holding company of a group of companies that were then principally engaged in the provision of IT infrastructure service, IT support service and the trading and selling of hardware products in China at that time) in a management buyout from a company which was then listed on the Singapore Exchange Limited in 2004 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 then End-user Business (which was a substantially less developed local business at the time) as at 31 March 2004 amounted to approximately US$390,000. The acquisition cost for 100% interest in China Expert in September 2004 for Mr. Chu, Mr. Mok, Mr. Cheung, Mr. Lau and Ms. Wong amounted to US$400,000, US$140,000, US$140,000 US$80,000 and US$40,000, respectively. In March 2007, Mr. Wong became a 10% shareholder of China Expert after Mr. Chu transferred certain of his shares in China Expert to Mr. Wong for a consideration of US$80,000.

After China Expert was acquired in 2004, its management and shareholders further evolved, developed and expanded the businesses of China Expert into three distinct businesses, namely the End-user Business, the Vendor Business and the Group's IT Infrastructure Solutions Business to become substantially more scalable and profitable. The IT Infrastructure Solutions Business was separately listed under the Company in 2016.

In September 2007, China Expert sold 30% equity interest of ServiceOne Limited, the then holding company of the Vendor Business and the End-user Business to an independent third party (which was one of the largest IT service companies in the Netherlands at that time) and in June 2017, China Expert acquired back the 30% equity interest in the Vendor (which became the holding company of the End-user Business and the Vendor Business after an internal reorganisation in December 2009) from the independent third party. Subsequently in August 2017, the Shareholders Group and Ms. Wong, via Top Classic Ventures Limited, acquired the 30% equity interest of the Vendor from China Expert for a consideration of HK$28 million.

The Shareholders Group and Ms. Wong incorporated Top Classic Ventures Limited in August 2017, which the Shareholders Group and Ms. Wong paid HK$25.2 million and HK$2.8 million, respectively, for their interest in Top Classic Ventures Limited.

For the avoidance of doubt, the Group has never been engaged in neither the End-user Business nor the Vendor Business.

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.

As at the Latest Practicable Date, none of the conditions set forth above has been fulfilled.

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, assets and liabilities of the Target Group will be consolidated into the financial statements of the Group.

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, which 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;

(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;

(iv) a premium of approximately 5.0% over the closing price of HK$0.160 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and

(v) a premium of approximately 10.5% over the audited net asset value per Share as at 31 March 2021, being HK$0.152 per Share.

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 then prevailing market price and the then trading performance of the Shares.

In accordance with the terms and conditions of the Convertible Bond, the Conversion Price shall be adjusted upon occurrence of the following events:

(a) **Consolidation or sub-division or reclassification:** If and whenever there shall be an alteration to the number of Shares in issue by reason of any consolidation or sub-division or reclassification, the Conversion Price in force immediately prior thereto shall be adjusted by multiplying it by the following fraction:

$$\frac{\mathbf{A}}{\mathbf{B}}$$

where:

A is the number of Shares in issue immediately after such alteration; and

B is the number of Shares in issue immediately before such alteration.

Each such adjustment shall be effective from the close of business in Hong Kong on the day immediately preceding the date on which the consolidation, sub-division or reclassification becomes effective.

(b) **Capitalisation of profits or reserves:**

(1) If and whenever the Company shall issue any Shares credited as fully paid to the Shareholders by way of capitalisation of profits or reserves including, Shares paid up out of distributable profits or reserves and/or share premium account (except any Scrip Dividend (as defined below)) and which would not have constituted a Distribution (as defined below), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{\mathbf{A}}{\mathbf{B}}$$

where:

A is the aggregate nominal amount of the issued Shares immediately before such issue; and

B is the aggregate nominal amount of the issued Shares immediately after such issue.

Such adjustment shall become effective on the date of issue of such Shares or if a Record Date (as defined below) is fixed thereof, immediately after such Record Date.

(2) In the case of an issue of Shares by way of a Scrip Dividend where the Current Market Price (as defined below) on the date of announcement of the terms of such issue of Shares multiplied by the number of Shares issued exceeds the amount of the Relevant Cash Dividend (as defined below) or the relevant part thereof and which would not have constituted a Distribution, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the issue of such Shares by the following fraction:

$$\frac{\mathbf{A + B}}{\mathbf{A + C}}$$

where:

A is the aggregate nominal amount of the issued Shares immediately before such Scrip Dividend;

B is the aggregate nominal amount of Shares issued by way of such Scrip Dividend multiplied by a fraction of which (i) the numerator is the amount of the whole, or the relevant part, of the Relevant Cash Dividend; and (ii) the denominator is such Current Market Price of the Shares issued by way of Scrip Dividend in respect of each existing Share in lieu of the whole, or the relevant part, of the Relevant Cash Dividend; and

C is the aggregate nominal amount of Shares issued by way of such Scrip Dividend;

or by making such other adjustment as an Independent Adviser (as defined below) shall certify to holder of the Convertible Bonds is fair and reasonable.

Such adjustment shall become effective on the date of issue of such Shares or if a Record Date is fixed thereof, immediately after such Record Date.

(c) **Distribution:** If and whenever the Company shall pay or make any Distribution to the Shareholders (except to the extent that the Conversion Price falls to be adjusted under paragraph (b) above), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such Distribution by the following fraction:

$$\frac{\mathbf{A - B}}{\mathbf{A}}$$

where:

A is the Current Market Price of one Share on the date on which the Distribution is publicly announced; and

B is the Fair Market Value (as defined below) on the date of such announcement of the portion of the Distribution attributable to one Share.

Such adjustment shall become effective on the date that such Distribution is actually made or if a Record Date is fixed therefor, immediately after such Record Date. In making any calculation pursuant to this paragraph (c), such adjustments (if any) shall be made as an Independent Adviser may consider appropriate to reflect (i) any consolidation or subdivision of the Shares; (ii) issues of Shares by way of capitalisation of profits or reserves, or any like or similar event; (iii) the modification of any rights to dividends of Shares; or (iv) any change in the fiscal year of the Company.

(d) **Rights issues of Shares or options, etc. over Shares:** If and whenever the Company shall issue Shares to all or substantially all Shareholders as a class by way of rights, or issue or grant to all or substantially all Shareholders as a class by way of rights, options, warrants or other rights to subscribe for or purchase or otherwise acquire any Shares, in each case at a price per Share which is less than 80 per cent. of the Current Market Price per Share on the trading day immediately preceding the date of the announcement of the terms of the issue or grant of such Shares, options, warrants or other rights, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such issue or grant by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A is the number of Shares in issue immediately before the date of such announcement;

B is the number of Shares which the aggregate amount (if any) payable for the Shares issued by way of rights, or for the options or warrants or other rights issued by way of rights and for the total number of Shares comprised therein, would subscribe for or purchase at such Current Market Price per Share; and

C is the aggregate number of Shares issued or, as the case may be, comprised in the issue or grant.

Such adjustment shall become effective on the date of the issue of such Shares or issue or grant of such options, warrants or other rights (as the case may be).

(e) **Rights issues of other securities:** If and whenever the Company shall issue any securities (other than Shares or options, warrants or other rights to subscribe for or purchase Shares) to all or substantially all Shareholders as a class, by way of rights, or the grant to all or substantially all Shareholders as a class by way of rights, of any options, warrants or other rights to subscribe for or purchase, any securities (other than Shares or options, warrants or other rights to subscribe or purchase Shares), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue or grant by the following fraction:

$$\frac{\mathbf{A - B}}{\mathbf{A}}$$

where:

A is the Current Market Price of one Share on the date on which such issue or grant is publicly announced; and

B is the Fair Market Value on the date of such announcement, as determined in good faith by an approved merchant bank, of the portion of the rights attributable to one Share.

Such adjustment shall become effective on the date of issue of the securities or grant of such rights, options or warrants (as the case may be).

(f) **Issues at less than Current Market Price:** If and whenever the Company shall issue (otherwise than as mentioned in paragraph (d) above) wholly for cash or for no consideration any Shares (other than Shares issued on the exercise of the Conversion Right or on the exercise of any other rights of conversion into, or exchange or subscription for, Shares) or issue or grant (otherwise than as mentioned in paragraph (d) above) wholly for cash or for no consideration options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares in each case at a price per Share which is less than 80 per cent. of the Current Market Price on the trading day immediately preceding the date of the announcement of the terms of such issue, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such issue by the following fraction:

$$\frac{A + B}{C}$$

where:

A is the number of Shares in issue immediately before the date of such announcement;

B is the number of Shares which the aggregate consideration (if any) receivable for the issue of such additional Shares would purchase at such Current Market Price per Share; and

C is the number of Shares in issue immediately after the issue of such additional Shares.

References to additional Shares in the above formula shall, in the case of an issue by the Company of options, warrants or other rights to subscribe or purchase Shares, mean such Shares to be issued assuming that such options, warrants or other rights are exercised in full at the initial exercise price on the date of issue or grant of such options, warrants or other rights.

Such adjustment shall become effective on the date of issue of such additional Shares or, as the case may be, the issue or grant of such options, warrants or other rights.

(g) **Other issues at less than Current Market Price:** Save in the case of an issue of securities arising from a conversion or exchange of other securities in accordance with the terms applicable to such securities themselves falling within the provisions of this paragraph (g), in the event of the issue wholly for cash by the Company or any of its subsidiary (otherwise than as mentioned in paragraphs (d), (e) or (f) above) or (at the direction or request of or pursuant to any arrangements with the Company or any of its subsidiary) by any other company, person or entity of any securities (other than the Convertible Bond) which by their terms of issue carry rights of conversion into, or exchange or subscription for, Shares to be issued by the Company upon conversion, exchange or subscription at a consideration per Share which is less than 80 per cent. of the Current Market Price on the date of announcement of the terms of issue of such securities, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{\mathbf{A + B}}{\mathbf{A + C}}$$

where:

A is the number of Shares in issue immediately before such issue;

B is the number of Shares which the aggregate consideration receivable by the Company for the Shares to be issued on conversion or exchange or on exercise of the right of subscription attached to such securities would purchase at such Current Market Price per Share; and

C is the maximum number of Shares to be issued on conversion or exchange of such securities or on the exercise of such rights of subscription attached thereto at the initial conversion, exchange or subscription price or rate.

Such adjustment shall become effective on the date of issue of such securities.

(h) **Modification of rights of conversion etc:** If and whenever there shall be any modification of the rights of conversion, exchange or subscription attaching to any such securities as are mentioned in paragraph (g) above (other than in accordance with the terms applicable to such securities) so that the consideration per Share (for the number of Shares available on conversion, exchange or subscription following the modification) is less than 80 per cent. of the Current Market Price on the date of announcement of the proposals for such modification, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such modification by the following fraction:

$$\frac{\mathbf{A + B}}{\mathbf{A + C}}$$

where:

A is the number of Shares in issue immediately before such modification;

B is the number of Shares which the aggregate consideration (if any) receivable by the Company for the Shares to be issued, or otherwise made available, on conversion or exchange or on exercise of the right of subscription attached to the securities, in each case so modified, would purchase at such Current Market Price per Share or, if lower, the existing conversion, exchange or subscription price of such securities; and

C is the number of Shares which the aggregate consideration (if any) receivable for the Shares to be issued or otherwise made available upon conversion or exchange or upon exercise of the right of subscription, purchase or acquisition attached to the securities so modified would purchase at such Current Market Price per Share or, if lower, the existing conversion, exchange, subscription, purchase or acquisition price or rate of such securities.

Such adjustment shall become effective on the date of modification of the rights of conversion, exchange or subscription attaching to such securities.

(i) **Other offers to Shareholders:** If and whenever the Company or any of its subsidiary or (at the direction or request of or pursuant to any arrangements with the Company or any of its subsidiary) any other company, person or entity issues, sells or distributes any securities in connection with an offer by or on behalf of the Company or any of its subsidiary or such other company, person or entity pursuant to an offer in which the Shareholders generally (meaning for these purposes the holders of at least 50 per cent. of the Shares outstanding at the time such offer is made) are entitled to participate in arrangements whereby such securities may be acquired by them (except where the Conversion Price falls to be adjusted under paragraphs (d), (e), (f) or (g) above), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{\mathbf{A - B}}{\mathbf{A}}$$

where:

A is the Current Market Price of one Share on the date on which such issue is publicly announced; and

B is the Fair Market Value on the date of such announcement, as determined in good faith by an an approved merchant bank, selected by the Company and approved in writing by the holder of the Convertible Bond, of the portion of the rights attributable to one Share.

Such adjustment shall become effective on the date of issue of the securities.

For the purpose of the adjustments of the Conversion Price:

"**Current Market Price**" means 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 fifteen (15) consecutive trading days ending on the trading day immediately preceding such date provided that if at any time during the said fifteen (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:

(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

(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.

"**Distribution**" means any distribution of assets in specie by the Company for any financial period whenever paid or made and however described, and for these purposes a distribution of assets in specie includes without limitation an issue of shares or other securities credited as fully or partly paid (other than Shares credited as fully paid by way of capitalisation of reserves).

"**Fair Market Value**" means, with respect to any asset, security, option, warrant or other right on any date, the fair market value of that asset, security, option, warrant or other right as determined by an Independent Adviser, provided that (i) the fair market value of a cash dividend paid or to be paid per Share shall be the amount of such cash dividend per Share determined as at the date of announcement of such dividend; and (ii) where options, warrants or other rights are publicly traded in a market of adequate liquidity (as determined by such Independent Adviser) the fair market value of such options, warrants or other rights shall equal the arithmetic mean of the daily closing prices of such options, warrants or other rights during the period of five trading days on the relevant market commencing on the first such trading day such options, warrants or other rights are publicly traded.

"**Independent Adviser**" means (i) an independent financial adviser which is licensed to carry out Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong); or (ii) the auditors of the Company (acting as an expert), selected by the Company to make decisions or opine on the adjustments to be made to the Conversion Price pursuant to the terms and conditions of the Convertible Bond.

"**Record Date**" means the date and time by which a subscriber or transferee of securities of the class in question would have to be registered in order to participate in the relevant distribution or rights.

"**Relevant Cash Dividend**" means the aggregate cash dividend or distribution declared by the Company including any cash dividend in respect of which there is any Scrip Dividend.

"**Scrip Dividend**" means an issue of Shares paid up out of distributable profits or reserves (including any share premium account and/or contributed surplus and/or capital redemption reserve) and issued instead of the whole or any part of a cash dividend which the Shareholders would or could otherwise have received.

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 anytime 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 as at the Latest Practicable Date 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 Latest Practicable Date, 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 Latest Practicable Date, 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.

As at the Latest Practicable Date, the Vendor Group had not provided any services to the Group.

INFORMATION OF THE TARGET GROUP

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

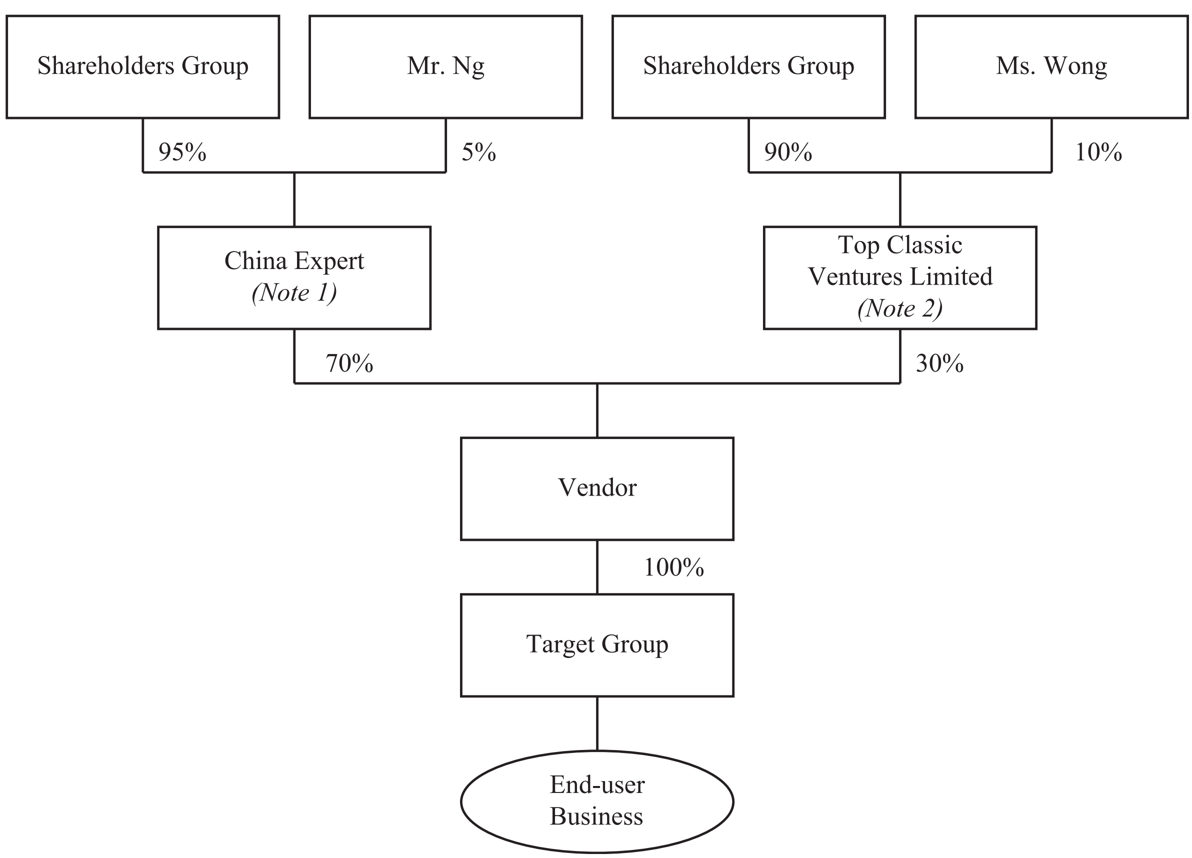
As at the Latest Practicable Date, the Target Group, comprising (i) nine companies established in the BVI, Hong Kong, the PRC, Macau, Australia, Singapore and Japan; and (ii) four branch companies established in Guangzhou, Beijing, Taiwan and Korea, is principally engaged in the End-user Business, which 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). It has a recurring customers base as demonstrated by the fact that the same group of certain top 20 customers consistently contributed over 40% of the Target Group's revenue for the year ended 31 March 2019 and over 50% of the Target Group's revenue for each of the two years ended 31 March 2020 and 2021. The Directors consider that there is no concentration risk with the End-user Business as the top customer and top 5 customers of the Target Group only accounts for approximately 11.3% and 37.3% of the revenue of the Target Group for the year ended 31 March 2021, respectively. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiry, as at the Latest Practicable Date, save for the Group, being one of the top 20 customers for each of the two years ended 31 March 2021, contributing approximately 1.1% of the revenue of the Target Group for each of the two years ended 31 March 2020 and 2021, each of the top 20 customers for each of the three years ended 31 March 2021 of the Target Group are third parties independent of the Company and the connected persons of the Company.

The End-user Business and the Vendor Business belong to different sectors of the same industry and serve different customer needs. The scope of services provided by the respective businesses are distinct and not conditional for or conditional upon the other. As such, there is no business competition between the End-user Business and the Vendor Business and there will not be any business competition between the End-user Business and the Vendor Business after Completion.

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 Latest Practicable Date 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.

As at the Latest Practicable Date, the Target Group had provided IT support services to the Group for its customers, which are services the Group generally does not provide to its customers on its own, including certain implementation work that requires broad level of skills but large labour force, as well as certain maintenance work, such as extended product warranties, technical support and software development (the "**IT Support Services**"). Such transaction is currently governed by a framework IT support agreement dated 26 April 2021 (the "**2021 Framework IT Support Agreement**") entered into between the Company and the Vendor, details of which are disclosed in the announcement of the Company dated 26 April 2021. Upon Completion, the Company will enter into a deed of novation between the Company, the Vendor and the Target Company to release and discharge the Vendor from the 2021 Framework IT Support Agreement and for the Target Company to take over and assume all the rights, benefits, duties, obligations and liabilities of the Vendor under the 2021 Framework IT Support Agreement. Further announcement(s) in respect of the deed of novation will be made by the Company subject to and upon Completion.

As disclosed in the announcement of the Company dated 26 April 2021 and in note 27 of the Accountants' Report of the Target Group as set out in Appendix II to this circular, the historical service fees for the IT Support Services paid by the Group to the Target Group for the three years ended 31 March 2021 are set out below:

	For the year ended 31 March		
	2019	**2020**	**2021**
	HK$'000	*HK$'000*	*HK$'000*
Total amount of the service fees	2,210	2,995	2,987

As disclosed in the announcement of the Company dated 26 April 2021, for the years ending 31 March 2022, 2023 and 2024, the total amounts of the service fees for the IT Support Services payable by the Group to the Target Group shall not exceed the following caps:

	Annual Caps		
	For the year ending 31 March		
	2022	**2023**	**2024**
	HK$'000	*HK$'000*	*HK$'000*
Total amount of the service fees	3,500	4,100	4,800

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 HKFRS.

	Year ended 31 March		
	2019	**2020**	**2021**
	(Audited)	(Audited)	(Audited)
	HK$'000	*HK$'000*	*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 audited combined net asset value of the Target Group as at 31 March 2021 was approximately HK$34.1 million.

Further details of the financial information of the Target Group is presented in Appendix II to this circular.

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**
	HK$'000	*HK$'000*	*HK$'000*
Net profit of the Target Group	12,358	16,102	26,030
Adjusted for non-operating and non-recurring items:			
(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

INFORMATION OF THE PURCHASER

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

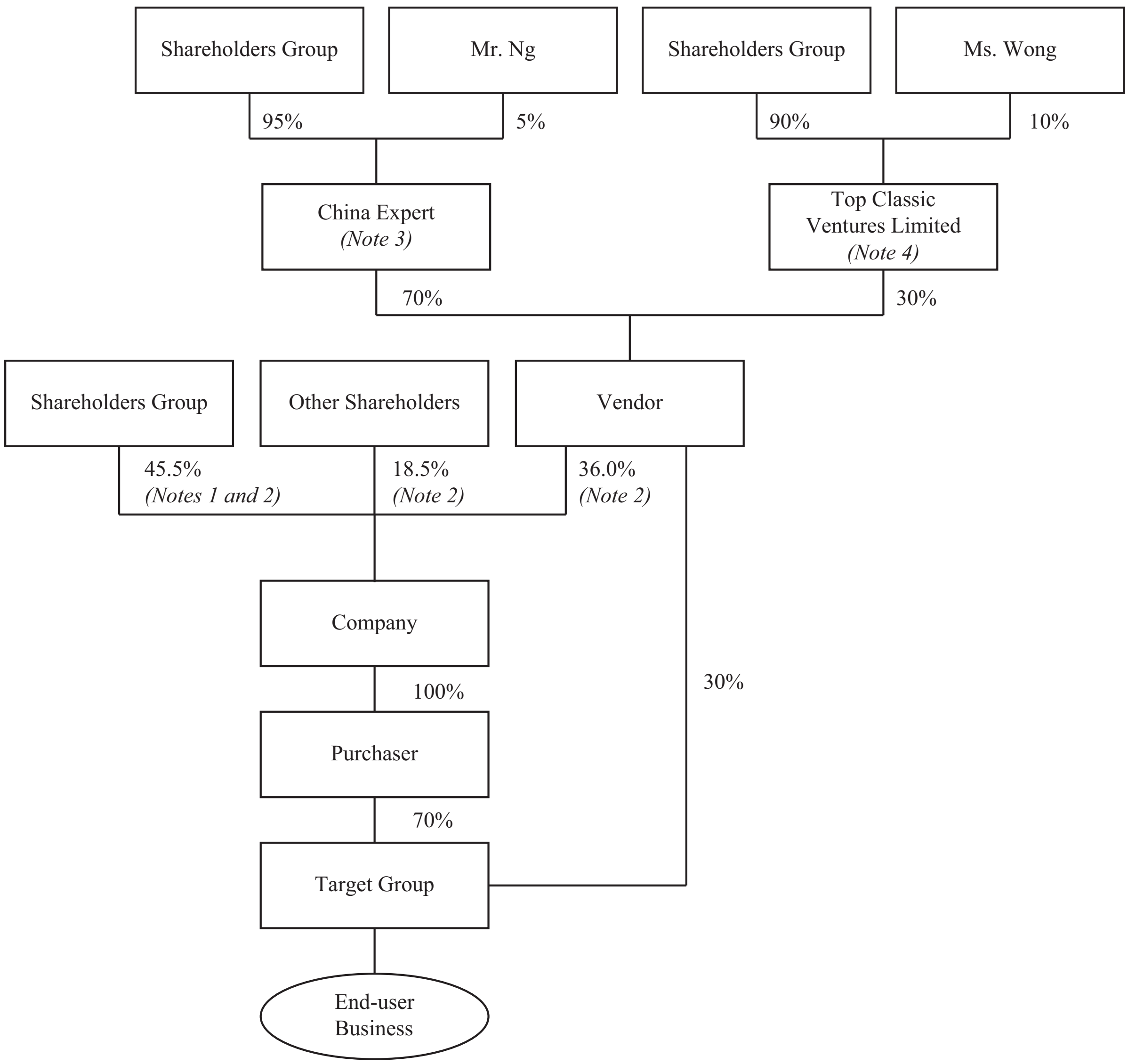
EFFECT ON THE SHAREHOLDING STRUCTURE

The shareholding structure of the Company (i) as at the Latest Practicable Date; (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 Latest Practicable Date and up to the date of full conversion of the Convertible Bond other than the issue of the Conversion Shares); and (iii) after Completion and immediately upon conversion of the Convertible Bond up to the 25% public float threshold (assuming that there will be no change in the issued share capital of the Company from the Latest Practicable Date and up to the date of conversion of the Convertible Bond other than the issue of the Conversion Shares) is set out below:

Shareholders	**As at the Latest Practicable Date**		**After Completion and immediately upon full conversion of the Convertible Bond** *(Note)*		**After Completion and immediately upon conversion of the Convertible Bond up to the 25% public float threshold**	
	Number of Shares	*%*	*Number of Shares*	*%*	*Number of Shares*	*%*
Mr. Chu	226,890,000	28.3	226,890,000	18.1	226,890,000	24.5
Mr. Lau	100,000,000	12.5	100,000,000	8.0	100,000,000	10.8
Mr. Mok	91,800,000	11.5	91,800,000	7.4	91,800,000	9.9
Mr. Cheung	89,760,000	11.2	89,760,000	7.2	89,760,000	9.7
Mr. Wong	53,300,000	6.7	53,300,000	4.3	53,300,000	5.7
Mr. Chan	6,720,000	0.8	6,720,000	0.5	6,720,000	0.7
The Vendor	—	—	450,000,000	36.0	127,320,000	13.7
Sub-total	568,470,000	71.0	1,018,470,000	81.5	695,790,000	75.0
Public Shareholders	231,930,000	29.0	231,930,000	18.5	231,930,000	25.0
Total	800,400,000	100.0	1,250,400,000	100.0	927,720,000	100.0

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 Latest Practicable Date 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 Latest Practicable Date, 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 Company.

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 that the acquisition of the Sale Shares, representing 70% of the equity interests of the Target Company, is beneficial to the Company, having considered the financial position and internal resources of the Group and the fact acquiring 70% of the equity interests of the Target Company enables the Company to become the controlling shareholder of the Target Company after Completion. As at the Latest Practicable Date, the Company has no intention to acquire the remaining 30% interest in the issued share capital of the Target Company.

As at the Latest Practicable Date, the Vendor has no intention to nominate, change and/or appoint any representative to the Board. After Completion, the business operation of the Target Group will continue to be managed by its existing management. The existing key management of the Target Group include Mr. Chu, Mr. Wong and Mr. Chan who are directors of the Company. As the Board considers that it possesses the relevant experience in the End-user Business through Mr. Chu, Mr. Wong and Mr. Chan, there is no shareholders agreement or understanding in relation to the operation and control of the Target Group after Completion. Furthermore, if there is any conflict of interest issue with the minority shareholders of the Target Company (who are also the controlling shareholders of the Company) after Completion, such issues will be resolved by the Directors who are independent of the controlling shareholders of the Company, being the two executive Directors namely Ms. Lau Tsz Yan and Mr. So Cheuk Wah Benton; and the independent non-executive Directors, namely Mr. Au Yu Chiu Steven, Mr. Chung Fuk Wing Danny, Mr. Ko Man Fu and Mr. Mak Wai Sing, who have been appointed by the Company to provide checks and balance over the Board's decision in relation to any transactions which would involve any actual or potential conflict of interests.

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 (including the independent non-executive Directors but excluding those Directors who are considered to have a material interest in the Acquisition as set out in the paragraph headed "Approval by the Board" below) 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.

FINANCIAL EFFECTS OF THE ACQUISITION

Upon Completion, the Target Company will become an indirect non-wholly-owned subsidiary of the Company, of which 70% of the entire issued share capital of the Target Company will be held by the Company, and the financial results, assets and liabilities of the Target Group will be consolidated into the financial statements of the Group.

Assets and liabilities

Based on the unaudited pro forma financial information of the Enlarged Group set out in Appendix IV to this circular, assuming the Acquisition had been completed on 31 March 2021, the consolidated total assets of the Enlarged Group as at 31 March 2021 would have increased from approximately HK$258.0 million to approximately HK$526.2 million, whereas the consolidated total liabilities of the Enlarged Group as at 31 March 2021 would have increased from approximately HK$136.0 million to approximately HK$381.7 million. The consolidated equity attributable to owners of the Company as at 31 March 2021 would have increased from approximately HK$122.0 million to approximately HK$130.6 million.

Earnings

The net profit of the Group for the year ended 31 March 2021 amounted to approximately HK$21.7 million based on the annual report of the Company for the year ended 31 March 2021. According to the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to this circular, assuming the Acquisition had been completed on 1 April 2020, the net profit of the Enlarged Group attributable to owners of the Company for the year ended 31 March 2021 would have increased to approximately HK$32.7 million, which is after the deduction of transactions costs relating to the Acquisition of approximately HK$3.0 million, being non-recurring in nature. On the same assumption that the Acquisition had been completed on 1 April 2020, the earnings before interest, tax, depreciation and amortisation of the Enlarged Group attributable to owners of the Company for the year ended 31 March 2021 would have increased from approximately HK$27.6 million to approximately HK$50.4 million.

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. For the avoidance of doubt, the Enlarged Group has rights to engage other IT service providers for the provision of similar services.
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**
	HK$'000	*HK$'000*	*HK$'000*
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 2023	2024
	HK$'000 *(Note)*	*HK$'000*	*HK$'000*
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 average historical growth in the Target Group's revenue earned from its End-user Business for the three years ended 31 March 2021 of approximately 6.2%;

(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.

With respect to factor (ii) above, the estimated annual growth rate of approximately 6.2% applied in the Annual Caps calculation represents the average annual growth rate of the Target Group's revenue generated from the End-user Business for the three years ended 31 March 2021. The Board considers the service fees for the Outsourced IT Services are correlated to the Target Group's End-user Business and the revenue from the End-user Business is generally recurring in nature as evidenced by the proven track record of the Target Group. In addition, it is a general practice for the customers of the Target Group to enter into long-term service contracts ranging from two to three years with the Target Group. Furthermore, the Target Group has a recurring customers base as demonstrated by the fact that the same group of certain top 20 customers consistently contributed over 40% of the Target Group's revenue for the year ended 31 March 2019 and over 50% of the Target Group's revenue for each of the two years ended 31 March 2020 and 2021, which the Target Group has also maintained stable and long-term business relationships ranging from three to 15 years with such customers. Taking into account the above, the Board considers the average historical growth rate in the Target Group's revenue for the three years ended 31 March 2021 of approximately 6.2% to be a relevant factor and basis in determining the Annual Caps, which is also in line with the historical growing trend of the service fees for the Outsourced IT Services paid by the Target Group to the Vendor Group.

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. The Group does not provide IT services similar to those provided by the Vendor Group.

Outsourced IT Services — IT Hardware Maintenance and Support Services

As mentioned in the section headed ''Information of the Target Group'' above, 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 (including the independent non-executive Directors but excluding 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" below) 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.

Among the Shareholders Group, (i) Mr. Chu owns approximately 28.3% of the Company, (ii) Mr. Lau owns approximately 12.5% of the Company, (iii) Mr. Mok owns approximately 11.5% of the Company, (iv) Mr. Cheung owns approximately 11.2% of the Company, (v) Mr. Wong owns approximately 6.7% of the Company, and (vi) Mr. Chan owns approximately 0.8% of the Company. 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 Latest Practicable Date, 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

A notice convening the EGM to be held at United Conference Centre, 10/F United Centre, 95 Queensway, Admiralty, Hong Kong on Wednesday, 6 October 2021 at 10:00 a.m. for the purpose of considering and, if thought fit, 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) is set out on pages EGM-1 to EGM-4 of this circular. As at the Latest Practicable Date, 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 Latest Practicable Date, 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.

The Board confirms that to the best of their knowledge, information and belief having made all reasonable enquiries, as at the Latest Practicable Date, there was no voting trust or other agreement or arrangement or understanding (other than an outright sale) entered into by or binding upon any Shareholder and there was no obligation or entitlement of any Shareholder whereby he has or may have temporarily or permanently passed control over the exercise of the voting right in respect of his Shares to a third party, either generally or on a case-by-case basis.

Pursuant to Rule 17.47(4) of the GEM 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. As such, all resolutions set out in the notice of EGM will be voted on by way of poll.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM in person, please complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar and transfer office in Hong Kong. Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong by 10:00 a.m. on Monday, 4 October 2021 or in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the accompanying form of proxy will not preclude you from attending and voting at the EGM should you so wish.

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 or better and in the ordinary and usual course of business of the Group, 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 or better and in the ordinary and usual course of business of the Group, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee to the Independent Shareholders set out on pages 51 to 52 of this circular and the letter from the Independent Financial Adviser on pages 53 to 97 of this circular which contains their advice 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) as well as the principal factors and reasons taken into consideration in arriving at their advice.

The Directors consider that the Acquisition and the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder and the terms of the IT Services Agreement as well as the Annual Caps are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to 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). You are advised to read the letter from the Independent Board Committee and the letter from the Independent Financial Adviser mentioned above before deciding how to vote on the resolutions to be proposed at the EGM.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the EGM, the transfer books and the register of members of the Company will be closed from Thursday, 30 September 2021 to Wednesday, 6 October 2021, both days inclusive, during which period no transfer of the Shares will be registered. In order to establish the right to attend and vote at the EGM, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, located at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 29 September 2021.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this 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.

Yours faithfully,
By Order of the Board
Expert Systems Holdings Limited
Wong Chu Kee Daniel
Chairman and non-executive Director

The following is a full text of the letter from the Independent Board Committee prepared for the purpose of inclusion in this Circular.

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)

17 September 2021

To the Independent Shareholders

Dear Sir or Madam,

(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

We refer to the circular dated 17 September 2021 of the Company (the "**Circular**") of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

We have been appointed to form the Independent Board Committee to consider and to advise the Independent Shareholders as to whether, in our opinion, 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 or better and in the ordinary and usual course of business of the Group, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Having considered, among other things, the principal factors and reasons underlying 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 the advice of the Independent Financial Adviser as set out on pages 53 to 97 of the Circular, we consider that:

(i) the terms of the Sale and Purchase Agreement are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned, and although the Acquisition is not in the ordinary and usual course of business of the Group, it is in the interests of the Company and the Shareholders as a whole; and

(ii) the terms of the IT Services Agreement (including the Annual Caps) are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned, and the transactions contemplated under the IT Services Agreement are in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to 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).

Yours faithfully
Independent Board Committee

Mr. Au Yu Chiu Steven	**Mr. Chung Fuk Wing Danny**	**Mr. Ko Man Fu**	**Mr. Mak Wai Sing**
Independent non-executive Director	*Independent non-executive Director*	*Independent non-executive Director*	*Independent non-executive Director*

The following is the full text of a letter of advice from Lego Corporate Finance Limited to 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), which has been prepared for the purpose of inclusion in this circular.

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

17 September 2021

To: The Independent Board Committee and the Independent Shareholders of Expert Systems Holdings Limited

Dear Sirs or Madams,

**(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**

INTRODUCTION

We refer to our appointment as the independent financial adviser to 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), details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular of the Company to the Shareholders dated 17 September 2021 (the "**Circular**"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless otherwise defined or the context requires otherwise.

On 9 July 2021, 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.

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.

Among the Shareholders Group, (i) Mr. Chu owns approximately 28.3% of the Company; (ii) Mr. Lau owns approximately 12.5% of the Company; (iii) Mr. Mok owns approximately 11.5% of the Company; (iv) Mr. Cheung owns approximately 11.2% of the Company; (v) Mr. Wong owns approximately 6.7% of the Company; and (vi) Mr. Chan owns approximately 0.8% of the Company. 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.

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 upon which the Target Company will become an indirect non-wholly-owned subsidiary of the Company. As such, on 9 July 2021, 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 transactions contemplated under the IT Services Agreement (the "**Outsourced IT Services Transactions**") 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 Outsourced IT Services Transactions 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.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Au Yu Chiu Steven, Mr. Chung Fuk Wing Danny, Mr. Ko Man Fu and Mr. Mak Wai Sing, 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 Outsourced IT Services Transactions and the Annual Caps), and to advise and provide recommendation to the Independent Shareholders as to whether the same are on normal commercial terms or better and in the ordinary and usual course of business of the Group, fair and reasonable and in the interests of the Company and the Shareholders as a whole. We, Lego Corporate Finance Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in these regards.

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationships or interests with the Company or any other parties that could reasonably be regarded as relevant to our independence. In the last two years prior to the Latest Practicable Date, there was no engagement between the Company and us. Apart from normal professional fees paid or payable to us in connection with this appointment, no arrangement exists whereby we had received or will receive any fees or benefits from the Company. Accordingly, we are qualified to give independent advice in respect of the Acquisition, the issue of the Convertible Bond, the grant of the Specific Mandate and the IT Services Agreement (including the Outsourced IT Services Transactions and the Annual Caps).

BASIS OF OUR OPINION

In formulating our opinion and recommendations to the Independent Board Committee and the Independent Shareholders, we have relied on the information, facts and representations contained or referred to in the Circular and the information, opinions and representations provided or expressed to us by the Directors and/or the management of the Company (the "**Management**"). We have assumed that all information, facts and representations contained or referred to in the Circular, and all information, opinions and representations provided or expressed by the Directors and/or the Management, for which they are solely responsible, were true, accurate and complete in all material respects at the time when they were provided and continue to be so as at the Latest Practicable Date and that they may be relied upon in formulating our opinion. We have also assumed that all such opinions and statements of intention or belief expressed by the Directors and/or the Management and those as set out or referred to in the Circular were reasonably made after due and careful enquiries.

The Directors have confirmed to us that no material facts have been withheld or omitted from the information provided, representations made or opinions expressed. We have no reason to suspect that any relevant information has been withheld or omitted, nor are we aware of any facts or circumstances which would render the information provided, representations made or opinions expressed to us untrue, inaccurate or misleading. We consider that we have been provided with, and have reviewed, sufficient information currently available, and that we have performed all the necessary steps to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinion. We have not, however, carried out any independent verification of the information provided, representations made or opinions expressed by the Directors and/or the Management, nor have we conducted any form of in-depth investigation into the businesses, affairs, operations, financial position or future prospects of the Enlarged Group. Our opinion is necessarily based on the financial, economic, market and other conditions in effect, and the information made available to us, as at the Latest Practicable Date.

The Circular, 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 regarding the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in the 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 therein or the Circular misleading.

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Acquisition, the issue of the Convertible Bond, the grant of the Specific Mandate and the IT Services Agreement (including the Outsourced IT Services Transactions and the Annual Caps). Except for its inclusion in the Circular, this letter is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion in respect of the Acquisition, the issue of the Convertible Bond, the grant of the Specific Mandate and the IT Services Agreement (including the Outsourced IT Services Transactions and the Annual Caps), we have considered the following principal factors and reasons:

1. Information on the Group and the Purchaser

1.1. The Group

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. The Group has never been engaged in either the End-user Business or the Vendor Business.

Set out below is a summary of the financial results of the Group for the year ended 31 March 2019 ("**FY2019**"), the year ended 31 March 2020 ("**FY2020**") and the year ended 31 March 2021 ("**FY2021**") as extracted from the annual reports of the Company for FY2020 (the "**2020 Annual Report**") and FY2021 (the "**2021 Annual Report**"), respectively:

	For the year ended 31 March		
	2019	**2020**	**2021**
	HK$'000	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)
Revenue	432,529	467,293	533,944
Gross profit	53,950	58,383	72,008
Net profit attributable to the Shareholders	10,753	10,695	21,720

For FY2019 and FY2020

The Group's revenue increased by approximately 8.0% from approximately HK$432.5 million for FY2019 to approximately HK$467.3 million for FY2020. According to the 2020 Annual Report, such increase was primarily attributable to the increase in demand from the Group's customers in both private and public sectors for IT infrastructure solutions in FY2020 as compared to FY2019.

The Group's gross profit amounted to approximately HK$58.4 million for FY2020, representing an increase of approximately 8.2%, as compared to that of approximately HK$54.0 million for FY2019. Such increase was in line with the increase in revenue of the Group as mentioned above. The gross profit margin of the Group in FY2020 was approximately 12.5%, which was maintained at the same level as that in FY2019.

The Group recorded a net profit attributable to the Shareholders of approximately HK$10.7 million for FY2020, which remained stable as compared to that of approximately HK$10.8 million for FY2019.

For FY2020 and FY2021

The Group's revenue increased by approximately 14.3% from approximately HK$467.3 million for FY2020 to approximately HK$533.9 million for FY2021. According to the 2021 Annual Report, such increase was primarily attributable to the increase in demand from the Group's customers in both private and public sectors for IT infrastructure solutions in FY2021 as compared to FY2020.

The Group's gross profit amounted to approximately HK$72.0 million for FY2021, representing an increase of approximately 23.3%, as compared to that of approximately HK$58.4 million for FY2020. Such increase was mainly due to the increase in revenue of the Group as explained above. The gross profit margin of the Group in FY2021 was approximately 13.5%, representing an increase of approximately 1.0 percentage point as compared to that of approximately 12.5% in FY2020. Such increase was resulted from the efforts of the Group in obtaining more favourable terms from its suppliers.

The Group recorded a net profit attributable to the Shareholders of approximately HK$21.7 million for FY2021, which represented an increase of approximately 103.1% as compared to that of approximately HK$10.7 million for FY2020. According to the 2021 Annual Report, such increase was mainly due to (i) the increase in gross profit as mentioned above; and (ii) the one-off government subsidy of approximately HK$4.5 million from the Employment Supporting Scheme under the Anti-Epidemic Fund. Excluding such government subsidy, the adjusted net profit attributable to the Shareholders amounted to approximately HK$17.2 million for FY2021, representing an increase of approximately 61.0% as compared to that for FY2020.

Set out below is a summary of the financial position of the Group as at 31 March 2019, 2020 and 2021 as extracted from the 2020 Annual Report and the 2021 Annual Report, respectively:

	As at 31 March		
	2019	**2020**	**2021**
	HK$'000	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)
Total assets	212,702	220,382	257,975
Non-current assets	7,286	13,420	8,556
Current assets, including:	205,416	206,962	249,419
— Cash and cash equivalents	99,074	95,399	152,105
Total liabilities	116,995	116,870	135,980
Non-current liabilities	559	6,485	4,938
Current liabilities	116,436	110,385	131,042
Net current assets	88,980	96,577	118,377
Net assets	95,707	103,512	121,995

As at 31 March 2021, the non-current assets of the Group mainly comprised (i) property, plant and equipment of approximately HK$6.0 million; and (ii) other receivables of approximately HK$2.4 million. Meanwhile, the Group's current assets mainly consisted of (i) cash and cash equivalents of approximately HK$152.1 million; (ii) trade receivables of approximately HK$83.7 million; (iii) prepayments, deposits and other receivables of approximately HK$7.3 million; (iv) inventories of approximately HK$4.0 million; and (v) bank deposits of approximately HK$2.0 million.

As at 31 March 2021, the non-current liabilities of the Group mainly comprised (i) lease liabilities of approximately HK$4.3 million; and (ii) other payables of approximately HK$0.6 million. Meanwhile, the Group's current liabilities mainly consisted of (i) trade payables of approximately HK$98.4 million; (ii) accruals, deposits received and other payables of approximately HK$29.1 million; (iii) tax payables of approximately HK$1.9 million; and (iv) lease liabilities of approximately HK$1.5 million.

As at 31 March 2021, the consolidated net current assets and net assets of the Group were approximately HK$118.4 million and HK$122.0 million, respectively. According to the 2021 Annual Report, the Group's gearing ratio, which is calculated by total debt (defined as other debts incurred not in the ordinary course of business and bank loans) divided by total equity, was nil as at 31 March 2021.

1.2. The Purchaser

The Purchaser is a company incorporated in the BVI with limited liability and a direct wholly-owned subsidiary of the Company. It is principally engaged in investment holding.

2. Information on the Vendor

The Vendor is a company incorporated in the BVI with limited liability. As at the Latest Practicable Date, 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 Latest Practicable Date, 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, which is the provision of IT hardware after-sale maintenance and replacement and related logistics according to the vendor's requirements and policies.

As at the Latest Practicable Date, the Vendor Group had not provided any services to the Group.

3. Information on the Target Group

3.1. Background 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 Latest Practicable Date, the Target Company is a direct wholly-owned subsidiary of the Vendor.

As at the Latest Practicable Date, the Target Group, comprising (i) nine companies established in the BVI, Hong Kong, the PRC, Macau, Australia, Singapore and Japan; 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). It has a recurring customers base as demonstrated by the fact that the same group of certain top 20 customers consistently contributed over 40% of the Target Group's revenue for the year ended 31 March 2019 and over 50% of the Target Group's revenue for each of the two years ended 31 March 2020 and 2021. The Directors consider that there is no concentration risk with the End-user Business as the top customer and top 5 customers of the Target Group only accounts for approximately 11.3% and 37.3% of the revenue of the Target Group for FY2021, respectively. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiry, as at the Latest Practicable Date, save for the Group, being one of the top 20 customers for each of FY2020 and FY2021, contributing approximately 1.1% of the revenue of the Target Group for each of FY2020 and FY2021, each of the top 20 customers for each of FY2019, FY2020 and FY2021 of the Target Group are third parties independent of the Company and the connected persons of the Company.

The End-user Business and the Vendor Business belong to different sectors of the same industry and serve different customer needs. The scope of services provided by the respective businesses are distinct and not conditional for or conditional upon the other. As such, there is no business competition between the End-user Business and the Vendor Business and there will not be any business competition between the End-user Business and the Vendor Business after Completion.

As disclosed in the Letter from the Board, the profile of each of the End-user Business' s top five customers for FY2021 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

As at the Latest Practicable Date, the Target Group had provided IT support services to the Group for its customers, which are services the Group generally does not provide to its customers on its own, including certain implementation work that requires broad level of skills but large labour force, as well as certain maintenance work, such as extended product warranties, technical support and software development (the "**IT Support Services**"). Such transaction is currently governed by a framework IT support agreement dated 26 April 2021 (the "**2021 Framework IT Support Agreement**") entered into between the Company and the Vendor, details of which are disclosed in the announcement of the Company dated 26 April 2021. Upon Completion, the Company will enter into a deed of novation between the Company, the Vendor and the Target Company to release and discharge the Vendor from the 2021 Framework IT Support Agreement and for the Target Company to take over and assume all the rights, benefits, duties, obligations and liabilities of the Vendor under the 2021 Framework IT Support Agreement. Further announcement(s) in respect of the deed of novation will be made by the Company subject to and upon Completion.

As disclosed in the announcement of the Company dated 26 April 2021 and in note 27 of the accountants' report on the Target Group as set out in Appendix II to the Circular, the historical service fees for the IT Support Services paid by the Group to the Target Group for FY2019, FY2020 and FY2021 are set out below:

	For the year ended 31 March		
	2019	**2020**	**2021**
	HK$'000	*HK$'000*	*HK$'000*
Total amount of the service fees	2,210	2,995	2,987

As further disclosed in the announcement of the Company dated 26 April 2021, for the years ending 31 March 2022, 2023 and 2024, the total amounts of the service fees for the IT Support Services payable by the Group to the Target Group shall not exceed the following caps:

	For the year ending 31 March		
	2022	**2023**	**2024**
	HK$'000	*HK$'000*	*HK$'000*
Total amount of the service fees	3,500	4,100	4,800

3.2. Financial information of the Target Group

Set out below is a summary of the financial results of the Target Group for FY2019, FY2020 and FY2021 as extracted from Appendix II to the Circular and the Letter from the Board:

	For the year ended 31 March		
	2019	**2020**	**2021**
	HK$'000	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)
Revenue	247,218	284,218	277,063
Gross profit	60,899	60,648	62,243
Net profit attributable to the shareholders of the Target Company	12,358	16,102	26,030
	(unaudited)	(unaudited)	(unaudited)
Adjusted net profit *(Note)*	11,703	15,049	19,755

Note: 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 of the Target Group but are not indicative of the operating performance of the Target Group.

For FY2019 and FY2020

The Target Group's revenue principally consists of fees derived from the provision of post-implementation IT infrastructure management services. The Target Group's revenue increased by approximately 15.0% from approximately HK$247.2 million for FY2019 to approximately HK$284.2 million for FY2020. According to ''Management Discussion and Analysis of the Target Group'' as set out in Appendix III to the Circular (''**MD&A of the Target Group**''), such increase was mainly attributable to the increase in service demand from certain major customers for post-implementation IT services.

The Target Group's gross profit amounted to approximately HK$60.6 million for FY2020, which remained stable as compared to that of approximately HK$60.9 million for FY2019. The gross profit margin of the Target Group decreased from approximately 24.6% in FY2019 to approximately 21.3% in FY2020, which was mainly contributed by the mix of post-implementation services provided by the Target Group, where the Target Group recorded larger contribution from projects with lower margin and smaller contribution from maintenance services with higher margin in FY2020 as compared to that for FY2019.

The Target Group recorded a net profit of approximately HK$16.1 million for FY2020, representing an increase of approximately 30.3%, as compared to that of approximately HK$12.4 million for FY2019. Such increase was primarily due to (i) the decrease in administrative expenses which was mainly contributed by the decrease in staff bonus and commission; (ii) the decrease in income tax expense; and (iii) the increase in other incomes and gains. For reference purpose, the adjusted net profit of the Target Group amounted to approximately HK$15.0 million for FY2020.

For FY2020 and FY2021

The Target Group's revenue slightly decreased by approximately 2.5% from approximately HK$284.2 million for FY2020 to approximately HK$277.1 million for FY2021. According to MD&A of the Target Group, such decrease was mainly attributable to the decrease in IT spending from certain customers as a result of customers' service requirements during FY2021.

The Target Group's gross profit slightly increased by approximately 2.6% from approximately HK$60.6 million for FY2020 to approximately HK$62.2 million for FY2021. The gross profit margin of the Target Group remained relatively stable at approximately 22.5% in FY2021 as compared to that of approximately 21.3% in FY2020.

The Target Group recorded a net profit of approximately HK$26.0 million for FY2021, representing an increase of approximately 61.7%, as compared to that of approximately HK$16.1 million for FY2020. Such increase was primarily due to (i) the increase in gross profit as mentioned above; (ii) the decrease in administrative expenses which was mainly contributed by (a) the decrease in senior management compensation of approximately HK$3.7 million, of which approximately HK$3.1 million was contributed by the decrease in emoluments for one of the key management of the Target Group, to reflect his permanent change in role and responsibilities from being executive management to non-executive management; (b) the decrease in staff cost for non-operational staff (excluding senior management) of approximately HK$1.4 million, as a result of the Target Group exercising tighter cost control; and (c) the decrease in marketing expenses of approximately HK$0.2 million; and (iii) the increase in other incomes and gains which was primarily contributed by the one-off government subsidy from the Employment Supporting Scheme under the Anti-Epidemic Fund, partly off-set by the increase in income tax expense. For reference purpose, the adjusted net profit of the Target Group amounted to approximately HK$19.8 million for FY2021 (the "**Adjusted Net Profit**"). As disclosed in the Letter from the Board, the Adjusted Net Profit has excluded the impact of non-recurring and non-operating charges and gains (and related tax effects) to reflect the operating profit of the Target Group, which excludes, among others, (i) the one-off wage subsidies under the Employment Supporting Scheme of approximately HK$6.5 million; and (ii) the one-off rent concession related to the COVID-19 pandemic of approximately HK$0.1 million.

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Set out below is a summary of the financial position of the Target Group as at 31 March 2019, 2020 and 2021 as extracted from Appendix II to the Circular:

	As at 31 March		
	2019	**2020**	**2021**
	HK$'000	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)
Total assets	181,323	185,981	167,939
Non-current assets	9,122	8,980	7,077
Current assets	172,201	177,001	160,862
Total liabilities	117,402	107,713	133,884
Non-current liabilities	5,578	4,693	2,297
Current liabilities	111,824	103,020	131,587
Net current assets	60,377	73,981	29,275
Net assets	63,921	78,268	34,055

As at 31 March 2021, the non-current assets of the Target Group mainly comprised (i) property, plant and equipment of approximately HK$6.0 million; (ii) rental deposit of approximately HK$0.6 million; and (iii) intangible assets of approximately HK$0.4 million. Meanwhile, the Target Group's current assets mainly consisted of (i) bank deposits of approximately HK$51.7 million; (ii) cash and cash equivalents of approximately HK$50.6 million; (iii) trade receivables of approximately HK$39.4 million; and (iv) prepayments, deposits and other receivables of approximately HK$17.9 million.

As at 31 March 2021, the non-current liabilities of the Target Group mainly comprised (i) other payables of approximately HK$1.5 million; and (ii) lease liabilities of approximately HK$0.8 million. Meanwhile, the Target Group's current liabilities mainly consisted of (i) accruals and other payables of approximately HK$69.9 million; (ii) amount due to a shareholder of approximately HK$47.3 million; (iii) trade payables of approximately HK$9.4 million; and (iv) lease liabilities of approximately HK$4.0 million.

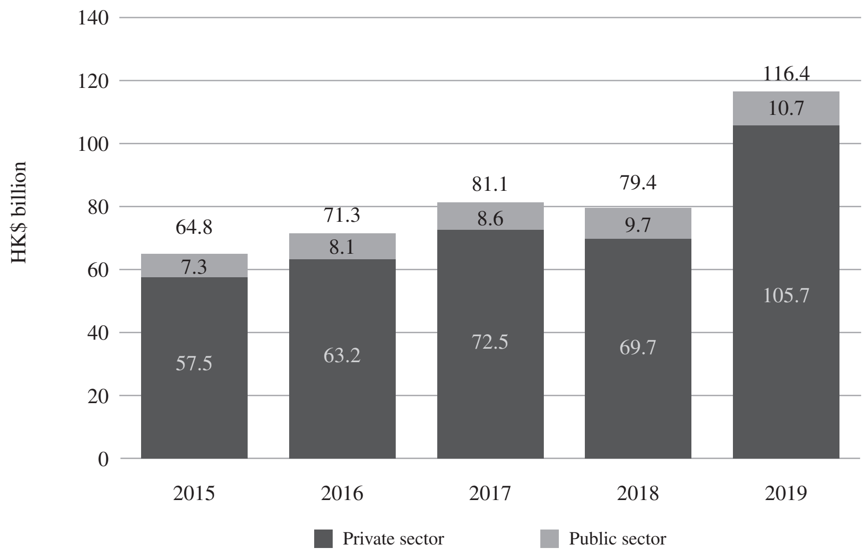
As at 31 March 2021, the consolidated net current assets and net assets of the Target Group were approximately HK$29.3 million and HK$34.1 million, respectively. As the Target Group did not have any bank borrowings as at 31 March 2021, the Target Group's gearing ratio was nil as at 31 March 2021.

3.3. Prospects of the Target Group

As mentioned above, the Target Group is principally engaged in the provision of post-implementation infrastructure management services including IT hardware maintenance, helpdesk, IT outsourcing, and workflow automation services to end-users, serving the IT networks of its customers in the Greater China Area and the Asia Pacific region. In particular, we noted from the accountants' report on the Target Group as set out in the Appendix II to the Circular that the Target Group generated over 90% of its revenue for each of FY2019, FY2020 and FY2021 from Hong Kong and the PRC in aggregate. As a result, it is expected that the financial performance of the Target Group is closely related to the development of the IT services industry in Hong Kong and the PRC.

The chart below sets forth the market value of IT industry in Hong Kong from 2015 to 2019:

Market value of IT industry in Hong Kong, 2015–2019



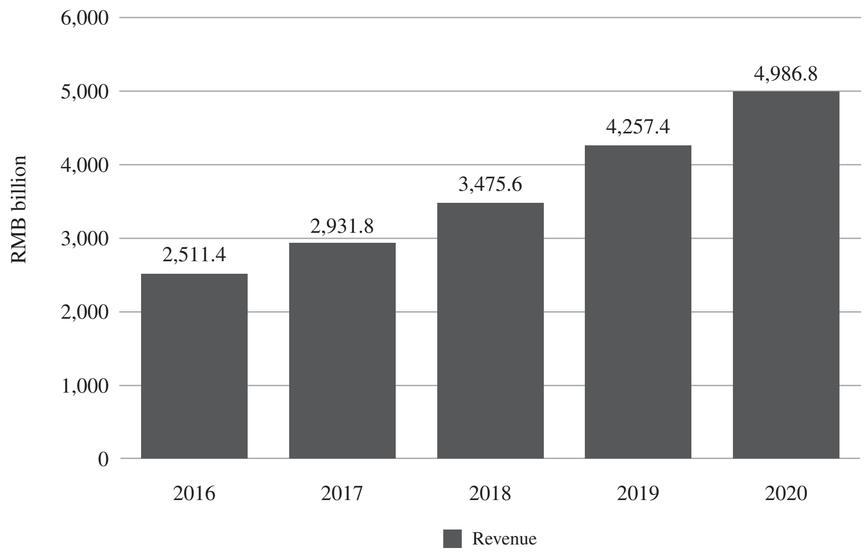
Source: Census and Statistics Department of Hong Kong

As shown in the chart above, the market value of IT industry in Hong Kong (which refers to the total IT expenditure) experienced an increase from approximately HK$64.8 billion in 2015 to approximately HK$116.4 billion in 2019, representing a compound annual growth rate ("**CAGR**") of approximately 15.8%. The market value in the private sector accounted for the largest proportion of the market value of IT industry in Hong Kong, recording growth from approximately HK$57.5 billion to HK$105.7 billion at a CAGR of approximately 16.4% during the said period. As for the public sector, the market value increased from approximately HK$7.3 billion in 2015 to approximately HK$10.7 billion in 2019 at a CAGR of approximately 10.0%.

Under the social distancing measures adopted under the global COVID-19 outbreak, traditional businesses and operation models experience difficulties in sustaining and operating under COVID-19 pandemic. A number of organisations have then undergone digitisation to enable remote working arrangement while retailers have tried to launch e-commerce platforms to secure their business. Such changes have spiked an increase in demand for IT system integration solutions as well as the demand for IT products, such as virtual private network services, real-time communication tools as well as remote working software. The shift to IT solution, triggered by the outbreak of COVID-19, is expected to sustain even in the post-COVID-19 era and creating an opportunity to the IT industry in Hong Kong.

The chart below sets forth the market size of IT services (by revenue) in the PRC from 2016 to 2020:

Market size of IT services (by revenue) in the PRC, 2016–2020



Source: Ministry of Industry and Information Technology of the PRC

As shown in the chart above, the IT services market in the PRC experienced a continuous growth from 2016 to 2020, attributable to industrial and economic transformation including but not limited to proliferation of cloud computing, data analytics and sustained expenditure in research and development. The market size of IT services industry in the PRC increased from approximately RMB2,511.4 billion in 2016 to approximately RMB4,986.8 billion in 2020, representing a CAGR of approximately 18.7%.

Moreover, according to a research report published in March 2021 by Research and Markets (http://www.researchandmarkets.com), an international market research and market data provider, the total revenue of IT services industry in Asia Pacific region amounted to approximately US$408.1 billion in 2020, representing a CAGR of approximately 10.1% from 2016 to 2020, and is forecasted to reach approximately US$619.6 billion by 2025 with a CAGR of approximately 8.7%. It is also mentioned in the report that the IT services industry is highly correlated with the gross domestic product ("**GDP**") of a country. According to the data published by International Monetary Fund in April 2021, the real GDP growth rate in Asia is estimated at approximately 7.6%, 5.4%, 5.1%, 4.9% and 4.8% for the five years from 2021 to 2025, respectively.

On the above basis, we are of the view that the prospects of the Target Group remain positive.

4. The Acquisition

4.1. Reasons for and benefits of the Acquisition

The Group is principally engaged in the provision of IT infrastructure solutions whereby 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 disclosed in the 2021 Annual Report, in view of the continual changes of local market competition landscape over the past few years, while the Group was positioning itself as a premium IT infrastructure solution provider, the Group continues to explore any appropriate merger and acquisition opportunities for the enhancement of its enterprise value.

The Target Group is principally engaged in the End-user Business with a long history of establishment. 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 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, which will enhance customer's experience and create business synergy.

Moreover, it is noted that the Target Group has a solid and proven track record, as detailed in the section headed "3.2 Financial information of the Target Group" above. Particularly, the Target Group generated revenue of approximately HK$247.2 million, HK$284.2 million and HK$277.1 million, net profit of approximately HK$12.4 million, HK$16.1 million and HK$26.0 million and adjusted net profit of approximately HK$11.7 million, HK$15.0 million and HK$19.8 million for FY2019, FY2020 and FY2021, respectively. Between FY2019 and FY2021, the Target Group's revenue, net profit and adjusted net profit grew at CAGRs of approximately 5.9%, 44.8% and 30.1%, respectively.

Given (i) that the provision of post-implementation IT support services of the End-user Business through the Acquisition represents a logical vertical extension of the Group's existing business; (ii) the profitable track record of the Target Group and the long history of establishment of the End-user Business; and (iii) the positive outlook of the IT services industry, as detailed in the section headed "3.3 Prospects of the Target Group" above, we concur with the Directors' view that the Acquisition will broaden the Group's revenue base, improve its profitability and complement its existing business, allowing the Group to offer more comprehensive IT solution services to its customers, which will be beneficial to the business development of the Group.

As further disclosed in the Letter from the Board, the Directors consider that the acquisition of the Sale Shares, representing 70% equity interest in the Target Company, is beneficial to the Company, having considered the financial position and internal resources of the Group and the fact the Acquisition enables the Company to become the controlling shareholder of the Target Company after Completion. As at the Latest Practicable Date, (i) the Company has no intention to acquire the remaining 30% interest in the issued share capital of the Target Company; and (ii) the Vendor has no intention to nominate, change and/or appoint any representative to the Board. After Completion, the business operation of the Target Group will continue to be managed by its existing management. The existing key management of the Target Group include Mr. Chu, Mr. Wong and Mr. Chan who are also the Directors. As the Board considers that it possesses the relevant experience in the End-user Business through Mr. Chu, Mr. Wong and Mr. Chan, there is no shareholders agreement or understanding in relation to the operation and control of the Target Group after Completion. Furthermore, if there is any conflict of interest issue with the minority shareholders of the Target Company (who are also the controlling shareholders of the Company) after Completion, such issues will be resolved by (i) the Directors who are independent of the controlling shareholders of the Company, being the two executive Directors, namely Ms. Lau Tsz Yan and Mr. So Cheuk Wah Benton; and (ii) the independent non-executive Directors, namely Mr. Au Yu Chiu Steven, Mr. Chung Fuk Wing Danny, Mr. Ko Man Fu and Mr. Mak Wai Sing, who have been appointed by the Company to provide checks and balance over the Board's decision in relation to any transactions which would involve any actual or potential conflict of interest.

Having considered the above reasons and benefits and the terms of the Sale and Purchase Agreement being on normal commercial terms and fair and reasonable as discussed below, we are of the view that the Acquisition, although not in the ordinary and usual course of business of the Group, is in the interests of the Company and the Shareholders as a whole.

4.2. Principal terms of the Sale and Purchase Agreement

The principal terms of the Sale and Purchase Agreement, details of which are set out under the section headed "The Sale and Purchase Agreement" in the Letter from the Board, are summarised 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 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.

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.

As at the Latest Practicable Date, none of the conditions set forth above has been fulfilled.

Completion: Completion shall take place on the Completion Date after all the conditions of the Sale and Purchase Agreement have been fulfilled.

Transfer of Target Shares by the Vendor: Please refer to the paragraph headed "The Sale and Purchase Agreement — Transfer of Target Shares by the Vendor" in the Letter from the Board for details.

Based on our review of the Sale and Purchase Agreement, it is noted that the above principal terms are customary for similar type of transactions in the market. Taking into account the Consideration being fair and reasonable as discussed below, we are of the view that the terms of the Sale and Purchase Agreement are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned.

4.3. Analysis on the fairness and reasonableness of the Consideration

As stated in the Letter from the Board, the Consideration of HK$140.0 million is determined based on arm's length negotiations between the Company and the Vendor with reference to the Business Valuation.

In order to assess the fairness and reasonableness of the Consideration, we have obtained and reviewed the valuation report in relation to the Business Valuation (the "**Valuation Report**") and the underlying calculation spreadsheet prepared by Vigers Appraisal and Consulting Limited (the "**Valuer**"). As stated in the Valuation Report, the fair value of 70% equity interest in the Target Company as at 30 April 2021 (the "**Valuation Date**") is estimated to be approximately HK$166.4 million. Accordingly, the Consideration represents a discount of approximately 15.9% to such value. Independent Shareholders' attention is drawn to the full text of the Valuation Report as set out in Appendix VI to the Circular.

We have performed the works as required under Note 1(d) to Rule 17.92(2)(b) of the GEM Listing Rules and paragraph 5.3 of the Corporate Finance Adviser Code of Conduct in respect of the Valuation Report, which included, among others, (i) review of the terms of engagement and the scope of work of the Valuer; (ii) assessment of the Valuer's qualification and experience in relation to the preparation of the Valuation Report and its independence; (iii) discussion on the procedures taken and basis and major assumptions adopted by the Valuer; and (iv) discussion with the Valuer regarding the selection of valuation methodology.

Scope of work

We have reviewed the terms of engagement of the Valuer and consider that its scope of work is appropriate to the opinion required to be given and we are not aware of any limitation on the scope of work which might adversely impact on the degree of assurance given by the Valuation Report. Furthermore, we noted that the Valuation Report is prepared in accordance with International Valuation Standards published by the International Valuation Standards Council.

Qualification, experience and independence of the Valuer

We have enquired into the qualification, experience and independence of the Valuer in relation to the preparation of the Valuation Report. We understand that Mr. Jason Wong Chi Wah, the director of the Valuer and person-in-charge of the Valuation Report, is a Chartered Financial Analyst who has over 10 years of experience in the valuation of business, intangibles and financial assets. We have also obtained information on the Valuer's track records on other business valuations and noted that the Valuer has provided a wide range of valuation services to numerous companies listed on the Stock Exchange in the past. The Valuer has also confirmed that it is independent from the Group, the Target Group and their respective associates. Based on the above, we are satisfied with the qualification and experience of the Valuer for the purpose of the Business Valuation.

Procedures taken and basis and major assumptions adopted by the Valuer

We have enquired with and were advised by the Valuer that it had performed necessary due diligence works for the preparation of the Valuation Report, which included, among others, review of the historical financial information of the Target Company and discussion with the management of the Group and/or the Target Group in relation to the future business strategy, market position, customer segmentation, optimal finance structure, cost of financing, etc.

According to the Valuation Report, the Business Valuation has been carried out on a fair value basis, which refers to 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. We also noted that the Valuer has made major assumptions based on its experience in valuing businesses of similar nature, including but not limited to that (i) there will be no material adverse change in the political, legal, fiscal or economic condition in Greater China Area and Asia Pacific region in which the Target Group operates; (ii) the Target Group will retain the key management, competent personnel and technical staff to support its ongoing operation; (iii) the market trend and conditions for the Target Group in related areas will not deviate significantly from the economic forecasts in general and consumer behaviour will have no significant change throughout the valuation period; and (iv) the general management practice of the Target Group, including but not limited to accounting policy and dividend policy, will have no significant deviation from the current practice adopted by the Target Group.

Selection of valuation methodology

We have further discussed with the Valuer on the selection of valuation methodology. In arriving at the Business Valuation, the Valuer made reference to three generally accepted approaches, namely the market approach, asset approach and income approach. Please refer to the Valuation Report as set out in Appendix VI to the Circular for the key features of these three different valuation approaches.

According to the Valuation Report, the market approach was adopted for the Business Valuation. We understand from the Valuer that in determining the appropriate valuation approach, the Valuer has considered the merits and limitations of the aforesaid valuation methodologies, the status of the Target Group as at the Valuation Date and also the availability and reliability of the information provided. As advised by the Valuer, since the Target Company is a private company, income approach is one of the possible approaches to be considered. However, the income approach requires relatively subjective assumptions to which the valuation is largely influenced by any inappropriate assumptions made. Secondly, asset approach may not be appropriate to the Business Valuation since it fails to consider the on-going operation of the Target Group in future. When considering the market approach, the Valuer noted that there is a group of comparable companies listed in Hong Kong which engaged in similar business operation as the Target Group. Such comparable companies provided a benchmark of valuation multiples for the assessment of the Target Group. The market approach also has the merit of capturing the market sentiment to infer an objective valuation and is relatively more objective as publicly available data is used which reflects the market consensus on the pricing of similar business. As such, the Valuer considers, and we concur, that it is most appropriate to adopt market approach to assess the Target Group. Based on our enquiries with the Valuer, we understand that the market approach is one of the commonly adopted approaches for valuing companies of similar nature.

In identifying comparable companies, the Valuer has considered the following selection criteria: (i) the comparable companies shall be listed in mature stock markets; (ii) the comparable companies shall be in the same industry as that of the Target Group; (iii) the comparable companies shall report positive earnings so to infer meaningful multiples for comparison; and (iv) the Valuer may not consider observable outliers. Based on the above criteria, the Valuer has identified five comparable companies (the "**Comparable Companies**"). We have discussed with the Valuer on such selection criteria and reviewed the scope of business of the Comparable Companies. With reference to the Valuation Report, the Comparable Companies are categorised into the "IT infrastructure solutions" segment according to their business nature and the End-user Business can be classified into the same segment. As advised by the Valuer, the IT Infrastructure Solutions Business and the End-user Business are in the same IT service supply chain. We have also performed our own search for comparable companies based on the selection criteria adopted by the Valuer and obtained the same results of comparable companies as chosen by the Valuer. As such, we are of the view that (i) the selection criteria are fair and reasonable; and (ii) the Comparable Companies are fair and representative for the purpose of valuation multiples analysis by the Valuer.

We noted that the Valuer has considered various multiples, such as the earning-based multiples (e.g. enterprise value to earnings before interest, tax, depreciation and amortisation and price to earnings) and assets-based multiples (e.g. price to book). Asset-based multiples method considers the market value in relation to the operating assets owned by a company. However, when a company operates at its normal earnings level, the use of assets-based multiples may not be an effective measure of the earnings capability of the company. In addition, the assets-based multiples may be affected by the different accounting policies on the depreciation and amortisation of assets. Furthermore, since the Target Group is engaged in provision of services which is asset-light in nature, we consider that using price-to-book multiple is not appropriate as price-to-book multiple is generally effective in valuing asset-intensive companies.

As advised by the Valuer, since the earnings reported by the Target Group for FY2021 can sufficiently reflect its normal operating performance, earnings multiples can provide better estimation of the company value on the basis of its earnings capability. Thus, the Valuer has adopted earning-based multiples in the Business Valuation and considered that the use of price to earnings ("**P/E**") multiple is appropriate since the Target Group's capital structure consists of no debt which differs significantly with the Comparable Companies. Also, P/E ratio is an indicator on the relationship of return on equity and the value of a company, which facilitates a reasonable assessment of the subject value based on its earnings capability.

We further understand that the Valuer has normalised the earnings of the Comparable Companies and the Target Group by eliminating non-operating and non-recurring expenses or gains and their tax effects such that the Valuer can measure the operating performance of the Target Group and the Comparable Companies on the same basis. With reference to the Letter from the Board, the implied P/E multiple of the Acquisition is approximately 10.1x which is calculated by dividing the total Consideration of HK$140.0 million by 70% of the Adjusted Net Profit of approximately HK$19.8 million, whereas, according to the Valuation Report, the average P/E multiple of the Comparable Companies is approximately 12.6x. In arriving at the Business Valuation of approximately HK$166.4 million, the Valuer firstly derived the estimated 100% enterprise value of the Target Group by multiplying the normalised earnings of the Target Group for FY2021 by the average P/E multiple of the Comparable Companies, and then adjusted for (i) the non-operating cash position and non-operating assets and liabilities of the Target Group such as amounts due to/from its shareholders and/or related parties; (ii) 70% equity interest in the Target Company; (iii) a control premium (the "**Control Premium**") of 12%; and (iv) a discount for lack of marketability (the "**DLOM**") of 30%.

We have discussed with the Valuer in relation to the adoption of the Control Premium and DLOM. As advised by the Valuer, the equity value of the Target Group inferred from the P/E multiple of the Comparable Companies is presented on non-controlling basis. Since the Company will gain control of the Target Group after the Acquisition, a control premium shall be considered in the course of valuation. We were advised by the Valuer that the Control Premium was adopted with reference to a list of acquisitions of majority control and/or privatisations of companies listed on the Stock Exchange from 2018 to 2020. For our due diligence purpose, we have obtained and reviewed such list of transactions and noted that the yearly average control premium of the relevant transactions ranged from approximately 12.4% to 17.7%. Based on our discussion with the Valuer, we understand that the Valuer aimed to determine a reasonable control premium that is applicable to the Target Group and therefore made reference to the low end of such range for conservative purpose. In view of the above, we concur with the Valuer that the Control Premium of 12% applied in the Business Valuation is fair and reasonable. As for the DLOM, since the Target Company is a private company whose shares are not publicly traded in the open market, a discount for lack of marketability shall be considered in the course of valuation to discount for lack of ability of converting shares of the Target Company into immediate cash. We understand from the Valuer that the DLOM was adopted with reference to various studies on the marketability discount such as a restricted stock study provided by Bruce A. Johnson (the "**Johnson Study**"), a partner of the valuation firm Munroe, Park & Johnson and a restricted stock study provided by William L. Silber (the "**Silber Study**"), a professor of finance and economics at the Stern School of Business, New York University. For our due diligence purpose, we have obtained and reviewed the extract of the relevant studies and noted that the average discount inferred by the Johnson Study was approximately 20.0% and the average discount inferred by the Silber Study was approximately 33.8%. The Valuer also advised that, for a company with moderate cash flow generating power and an expected medium holding period, the suggested marketability discount falls into the scale of 30%. In this regard, we noted from the accountants' report on the Target Group as set out in the Appendix II to the Circular that the Target Group generated positive operating cash flows before movements in working capital of approximately HK$19.3 million, HK$22.2 million and HK$36.8 million for FY2019, FY2020 and FY2021, respectively. Based on the aforesaid, we concur with the Valuer that the DLOM of 30% applied in the Business Valuation is fair and reasonable.

During the course of our discussion with the Valuer, we have not identified any major factors which would lead us to cast doubt on the fairness and reasonableness of the valuation methodology and the principal basis and assumptions adopted in arriving at the Business Valuation.

Considering the above, we are of the view that the Business Valuation was arrived at after due and careful consideration and, given the fact that the Consideration represents a discount of approximately 15.9% to the Business Valuation, we concur with the view of the Directors that the Consideration is fair and reasonable so far as the Independent Shareholders are concerned.

4.4. The Convertible Bond

4.4.1 Principal terms of the Convertible Bond

The principal terms of the Convertible Bond, details of which are set out under the section headed "The Convertible Bond" in the Letter from the Board, 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, which 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;

(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;

(iv) a premium of approximately 5.0% over the closing price of HK$0.160 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and

(v) a premium of approximately 10.5% over the audited net asset value per Share as at 31 March 2021, being HK$0.152 per Share.

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 then prevailing market price and the then trading performance of the Shares.

In accordance with the terms and conditions of the Convertible Bond, the Conversion Price shall be adjusted upon occurrence of certain events, details of which are set out in the paragraph headed "The Convertible Bond — Conversion Price" in the Letter from the Board.

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 anytime 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 as at the Latest Practicable Date 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: Please refer to the paragraph headed "The Convertible Bond — Events of default" in the Letter from the Board for details.

4.4.2 Analysis of the principal terms of the Convertible Bond

In assessing the fairness and reasonableness of the principal terms of the Convertible Bond, we have, on a best effort basis, researched and identified 8 transactions announced by companies listed on the Stock Exchange during the period from 1 July 2020 up to and including the date of the Sale and Purchase Agreement in relation to issue of convertible bonds (excluding those are perpetual in term and have no maturity date) as full or partial settlement of consideration for acquisitions conducted by the respective listed companies (the "**Comparable CB Issues**"). We consider such review period of approximately 12 months to be sufficient and appropriate for our analysis as it has covered the prevailing market conditions and sentiments in the Hong Kong stock market at the time which the terms of the Convertible Bond were determined such that the Comparable CB Issues could reflect the recent market trends of the terms involved in issuing convertible bonds as full or partial settlement of consideration for acquisitions under similar market conditions and sentiments. Based on the above, we consider that the Comparable CB Issues are fair and representative to provide a general reference for the recent market practice of similar transactions in Hong Kong. However, it should be noted that the companies involved in the Comparable CB Issues may have different principal activities, market capitalisation, profitability and financial position as compared with those of the Company, and circumstances leading such companies to issue convertible bonds may differ from those of the Company.

Details of the Comparable CB Issues are summarised as below:

Date of announcement	Name of company (stock code)	Maximum principal amount	Maturity (years)	Interest rate per annum	Premium/(Discount) of conversion price over/(to): The closing share price on the date of the respective agreement	The average closing share price for the last five consecutive trading days immediately prior to/up to and including the date of the respective agreement	The average closing share price for the last ten consecutive trading days immediately prior to/up to and including the date of the respective agreement	Conversion price being subject to adjustment events (Yes/No)	Connected transaction (Yes/No)
11 August 2020	Indigo Star Holdings Limited (8373.HK)	HK$9,000,000	1	0.0%	2.65%	0.00%	(0.85)%	Yes	Yes
4 September 2020	Hao Tian International Construction Investment Group Limited (1341.HK)	HK$150,000,000	3	5.0%	(6.25)%	(7.12)%	(21.10)%	Yes	No
30 October 2020	Summit Ascent Holdings Limited (102.HK) *(Note)*	US$3,000,000	5	0.0%	293.30%	275.50%	294.10%	Yes	No
27 November 2020	Elife Holdings Limited (223.HK)	HK$20,000,000	3	0.0%	29.90%	37.00%	39.30%	No	Yes
21 December 2020	Kinetix Systems Holdings Limited (8606.HK)	HK$48,000,000	5	0.0%	(14.29)%	1.49%	8.97%	Yes	No
13 January 2021	Jiayuan International Group Limited (2768.HK)	HK$3,420,640,000	5	0.0%	5.10%	6.45%	6.90%	Yes	Yes
17 March 2021	Qingdao Holdings International Limited (499.HK) *(Note)*	HK$2,224,200,000	9	0.0%	289.60%	336.90%	385.84%	Yes	Yes
11 June 2021	VBG International Holdings Limited (8365.HK)	HK$30,000,000	2	5.0%	11.10%	11.10%	13.00%	Yes	No
			Maximum *(Note)*	**5.0%**	**29.90%**	**37.00%**	**39.30%**		
			Minimum *(Note)*	**0.0%**	**(14.29)%**	**(7.12)%**	**(21.10)%**		
			Average *(Note)*	**1.7%**	**4.70%**	**8.15%**	**7.70%**		
			Median *(Note)*	**0.0%**	**3.88%**	**3.97%**	**7.94%**		
			The Convertible Bond	**2.5%**	**5.7%**	**7.0%**	**9.9%**		

Source: the website of the Stock Exchange

Note: The proposed issue of convertible bonds by Summit Ascent Holdings Limited (stock code: 102) and Qingdao Holdings International Limited (stock code: 499) are considered as outliers due to the fact that the premiums represented by the relevant conversion prices are exceptionally high as compared to other comparable issues, which may in turn provide an abnormal maximum value and average value for comparison and thus excluded from the above analysis.

(i) Maturity and coupon rate

As shown in the table above, the Comparable CB Issues have maturity terms ranging from one year to five years with coupon rates between zero and 5.0% per annum, whereas the Convertible Bond has a maturity term of five years with 2.5% coupon rate per annum. Both of the maturity term and coupon rate of the Convertible Bond fall within the relevant range of the Comparable CB Issues. We consider the maturity term and coupon rate of the Convertible Bond to be generally in line with the recent market practice.

We noted that the coupon rate of the Convertible Bond of 2.5% per annum is higher than the average coupon rate of the Comparable CB Issues of approximately 1.7% per annum. Nevertheless, having taken into account that the coupon rate of the Convertible Bond is within the range of the Comparable CB Issues and lower than the current prime lending rate of Hong Kong (which refers to the average rate of interest charged on loans by commercial banks to private individuals and companies) of 5%, we consider that the coupon rate of the Convertible Bond is fair and reasonable.

(ii) Conversion price

As shown in the table above, the conversion price of the Comparable CB Issues ranged from (i) a discount of approximately 14.29% to a premium of approximately 29.90% to/over the closing prices of the shares on the date of the respective agreements, with an average and a median of premium of approximately 4.70% and 3.88%, respectively; (ii) a discount of approximately 7.12% to a premium of approximately 37.00% to/over the average closing prices of the shares for the last five consecutive trading days immediately prior to or up to and including the date of the respective agreements, with an average and a median of premium of approximately 8.15% and 3.97%, respectively; and (iii) a discount of approximately 21.10% to a premium of approximately 39.30% to/over the average closing prices of the shares for the last ten consecutive trading days immediately prior to or up to and including the date of the respective agreements, with an average and a median of premium of approximately 7.70% and 7.94%, respectively.

Given that (i) the premiums of approximately 5.7%, 7.0% and 9.9% as represented by the Conversion Price over the closing price of the Shares on the date of the Sale and Purchase Agreement, the average closing price of the Shares for the last five consecutive trading days immediately prior to the date of the Sale and Purchase Agreement and the average closing price of the Shares for the last ten consecutive trading days immediately prior to the date of the Sale and Purchase Agreement, respectively, are within the respective ranges of the Comparable CB Issues; (ii) except the premium of approximately 7.0% as represented by the Conversion Price over the average closing price of the Shares for the last five consecutive trading days immediately prior to the date of the Sale and Purchase Agreement is slightly lower than the relevant average premium of the Comparable CB Issues, the relevant premiums as represented by the Conversion Price are higher than the respective averages and medians of premiums of the Comparable CB Issues; and (iii) the Conversion Price represents a premium of approximately 10.5% over the audited net asset value per Share as at 31 March 2021, we therefore consider the Conversion Price to be fair and reasonable.

(iii) Adjustments to conversion price

Pursuant to the terms of the Convertible Bond, the Conversion Price is subject to adjustments upon the occurrence of events which include (i) consolidation or sub-division or reclassification; (ii) capitalisation of profits or reserves; (iii) distribution; (iv) rights issues of Shares or options over Shares; (v) rights issues of other securities; (vi) issues at less than Current Market Price; (vii) other issues at less than Current Market Price; (viii) modification of rights of conversion; and (ix) other offers to Shareholders, details of which are set out in the paragraph headed "The Convertible Bond — Conversion Price" in the Letter from the Board.

In assessing the fairness and reasonableness of the adjustment terms of the Convertible Bond as regards the Conversion Price, we have compared such adjustment terms with the relevant adjustment terms of the Comparable CB Issues as disclosed and noted that (i) the conversion prices of most of the Comparable CB Issues are subject to adjustments upon occurrence of dilutive events, including consolidation or sub-division or reclassification, capitalisation of profits or reserves, distribution and rights issues of shares or options over shares; and (ii) only a few of the Comparable CB Issues have disclosed that their conversion prices are subject to adjustments upon occurrence of other dilutive events such as 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 and other offers to shareholders. For the purpose of comparing the adjustment terms, we have searched for other issues of convertible bonds (excluding A-share convertible bonds) announced by companies listed on the Stock Exchange within three months prior to the date of the

Sale and Purchase Agreement (the "**Other CB Issues**") and further compared the adjustment terms of the Conversion Price of the Convertible Bond with those of the Other CB Issues as disclosed. We noted that the conversion prices of the Other CB Issues are generally subject to adjustments upon occurrence of similar dilutive events as those of the Convertible Bond. For those Comparable CB Issues and Other CB Issues which have disclosed the formula for the relevant adjustment events, we noted that such adjustment formulae are similar to those of the Convertible Bond. Based on the above, we consider that the relevant adjustment terms of the Convertible Bond are fair and reasonable and common in the market.

Based on the above, we are of the view that the principal terms of the Convertible Bond are fair and reasonable so far as the Independent Shareholders are concerned.

4.5. Financial effects of the Acquisition

Upon Completion, the Target Company will become an indirect non-wholly-owned subsidiary of the Company and accordingly, the financial results, assets and liabilities of the Target Group will be consolidated into the financial statements of the Group. Based on the unaudited pro forma financial information of the Enlarged Group (the "**Unaudited Pro Forma Financial Information**") as disclosed in Appendix IV to the Circular, the financial effects of the Acquisition on the Enlarged Group are set out below:

4.5.1 Earnings

As discussed in the section headed "4.1 Reasons for and benefits of the Acquisition" above, it is expected that the Acquisition will broaden the Group's revenue base and improve its profitability. In view of the track record of financial performance of the Target Group, it is believed that the positive effect on the future earnings of the Enlarged Group brought by the Acquisition will outweigh the impact on the future earnings of the Enlarged Group by the amount of interest expenses on the Convertible Bond to be incurred before its maturity or early redemption.

The net profit of the Group attributable to the Shareholders for FY2021 amounted to approximately HK$21.7 million based on the 2021 Annual Report. According to the Unaudited Pro Forma Financial Information, assuming the Acquisition had been completed on 1 April 2020, the unaudited pro forma net profit of the Enlarged Group attributable to the Shareholders for FY2021 would have increased by approximately HK$11.0 million from approximately HK$21.7 million to approximately HK$32.7 million, which is after the deduction of transactions costs relating to the Acquisition of approximately HK$3.0 million, being non-recurring in nature. On the same assumption that the Acquisition had been completed on 1 April 2020, the unaudited pro forma earnings before interest, tax, depreciation and amortisation of the Enlarged Group attributable to the Shareholders for FY2021 would have increased from approximately HK$27.6 million to approximately HK$50.4 million.

4.5.2 Net asset value

As at 31 March 2021, the consolidated total assets and total liabilities of the Group amounted to approximately HK$258.0 million and HK$136.0 million, respectively, with a net asset value attributable to the Shareholders of approximately HK$122.0 million. According to the Unaudited Pro Forma Financial Information, assuming the Acquisition had been completed on 31 March 2021, the unaudited pro forma consolidated total assets and total liabilities of the Enlarged Group as at 31 March 2021 would have increased to approximately HK$526.2 million and approximately HK$381.7 million, respectively. As a result, the unaudited pro forma net asset value of the Enlarged Group attributable to the Shareholders as at 31 March 2021 is estimated to increase by approximately HK$8.6 million from approximately HK$122.0 million to approximately HK$130.6 million.

4.5.3 Working capital

The total Consideration of HK$140.0 million will be satisfied as to HK$64.4 million by cash and HK$75.6 million by the issue of the Convertible Bond by the Company to the Vendor. As the maturity date of the Convertible Bond is the date falling on the fifth anniversary from the issue date of the Convertible Bond, the Acquisition would only result in an immediate cash outflow of HK$64.4 million. For reference purpose, the cash and cash equivalents of the Group amounted to approximately HK$152.1 million as at 31 March 2021 which is sufficient for funding the cash portion of the Consideration.

As at 31 March 2021, the working capital of the Group (being its current assets less its current liabilities) was approximately HK$118.4 million. According to the Unaudited Pro Forma Financial Information, assuming the Acquisition had been completed on 31 March 2021, the Enlarged Group would have net current assets of approximately HK$80.2 million as at 31 March 2021.

As disclosed in the section headed "3. Sufficiency of Working Capital" in Appendix I to the Circular, the Directors, after due and careful consideration, are of the opinion that, taking into consideration the financial resources available to the Enlarged Group including the internally generated funds, the present bank and other facilities, the Enlarged Group will have sufficient working capital for at least 12 months from the date of publication of the Circular.

4.5.4 Gearing ratio

The gearing ratio of the Group (being its total debt divided by its total equity) was nil as at 31 March 2021. According to the Unaudited Pro Forma Financial Information, assuming the Acquisition had been completed on 31 March 2021, the unaudited pro forma gearing ratio of the Enlarged Group would have increased to approximately 44.2% as at 31 March 2021 due to the issue of the Convertible Bond.

The gearing ratio of the Enlarged Group may rise in the short term and following the conversion of the Convertible Bond into the Conversion Shares, the gearing ratio of the Enlarged Group will be reduced. On the other hand, if the conversion rights attaching to the Convertible Bond are not exercised upon maturity of the Convertible Bond, the Company would have to repay the loan to the Vendor with cash. The gearing position of the Enlarged Group would still be improved on the condition that all other financial factors remain constant and the then cash position of the Enlarged Group is sufficient to repay the loan as well as to maintain the operation of the Enlarged Group.

Shareholders are reminded that the above analysis is for illustrative purposes only and does not purport to represent how the financial position of the Enlarged Group would be upon Completion.

4.6. Effect on the shareholding structure of the Company

Independent Shareholders' attention is drawn to the section headed ''Effect on the shareholding structure'' in the Letter from the Board for the details of changes in the shareholding structure of the Company as a result of the conversion of the Convertible Bond into the Conversion Shares.

As at the Latest Practicable Date, the Company has 800,400,000 Shares in issue. Assuming the conversion rights attached to the Convertible Bond is fully exercised, the Company will issue 450,000,000 Conversion Shares to the Vendor based on the principal amount of HK$75,600,000 and the Conversion Price of HK$0.168 per Conversion Share, representing (i) approximately 56.2% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 36.0% of the enlarged issued share capital of the Company after Completion and immediately upon full conversion of the Conversion Bond.

As set out in the Letter from the Board, the shareholding of the public Shareholders will be diluted from the current level of approximately 29.0% to approximately 18.5% upon full conversion of the Convertible Bond into the Conversion Shares. However, such dilution effect is for illustration purpose only as, subject to the terms and conditions of the Convertible Bond, the Bondholder shall not exercise any conversion rights to such 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.

Having considered (i) the reasons for and benefits of the Acquisition as discussed in the section headed "4.1 Reasons for and benefits of the Acquisition" above; (ii) the fairness and reasonableness of the principal terms of the Sale and Purchase Agreement (including the Consideration) and the issue of the Convertible Bond as discussed in the sections headed "4.2 Principal terms of the Sale and Purchase Agreement", "4.3 Analysis on the fairness and reasonableness of the Consideration" and "4.4 The Convertible Bond" above; (iii) the generally positive financial effects of the Acquisition on the Enlarged Group as discussed in the section headed "4.5 Financial effects of the Acquisition" above; and (iv) the conversion of the Conversion Bond will not result in a change in control of the Company, we are of the view that the aforementioned dilution effect on the shareholding of the existing public Shareholders is acceptable.

5. The Outsourced IT Services Transactions

5.1. Reasons for and benefits of the Outsourced IT Services Transactions

As disclosed in the Letter from the Board, 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. The Group does not provide IT services similar to those provided by the Vendor Group.

As further stated in the Letter from the Board, the Target Group considers that it is not cost effective or time efficient to serve its customers in the PRC whose IT network are located in areas outside of its major hubs by its operational staff in such major hubs. Therefore, the Target Group from time to time 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. On the other hand, 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.

Based on our discussion with the Management, we understand that the Vendor Group has been providing various IT support services to the Target Group for over 10 years and thereby has developed an in-depth understanding of the needs from the End-user Business. Leveraging on the extensive industry experience and resources that the Vendor Group possesses, it is believed that the Vendor Group will continue to provide high quality and value-added services to the Group for the End-user Business upon Completion.

In addition, the IT Services Agreement was entered into between the Vendor and the Company to streamline the Outsourced IT Services on a non-exclusive basis. Accordingly, it provides an additional channel for the Group to procure IT support services for the End-user Business while the Group is not obliged to transact with the Vendor Group if such transaction is not in the commercial interests of the Group.

Having considered the above reasons and benefits and the terms of the IT Services Agreement being on normal commercial terms and fair and reasonable as discussed below, we concur with the Directors' view that the Outsourced IT Services Transactions are conducted in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

5.2. Principal terms of the IT Services Agreement

The principal terms of the IT Services Agreement, details of which are set out under the section headed "The IT Services Agreement" in the Letter from the Board, are summarised 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. For the avoidance of doubt, the Enlarged Group has rights to engage other IT service providers for the provision of similar services.
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" in the Letter from the Board), 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" in the Letter from the Board), 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.

For our due diligence purpose, we have obtained and reviewed the IT Services Agreement and further discussed with the Management in relation to the pricing policy as stated above. We were given to understand that the Enlarged Group will, subject to practical availability and feasibility, obtain price quotations from at least two independent IT service providers for the provision of the Outsourced IT Services and evaluate whether the relevant terms offered by the Vendor Group are comparable to or no less favourable to the Enlarged Group than those offered by independent IT service providers before conducting the Outsourced IT Services Transactions with the Vendor Group. We consider such arrangement to be reasonable for the Enlarged Group to assess the prevailing market terms of similar services offered by independent third parties.

In light of the above and in particular that the abovementioned pricing policy will ensure the fees charged for the Outsourced IT Services to be determined in accordance with the prevailing market conditions, we concur with the Directors' view that the terms of the IT Services Agreement are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned.

5.3. Historical transaction amounts and the Annual Caps

The following table sets out 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 as extracted from the Letter from the Board:

	For the year ended 31 March		
	2019	**2020**	**2021**
	HK$'000	*HK$'000*	*HK$'000*
Total amount of service fees	16,900	19,100	19,800

As depicted from the table above, the historical service fees for the Outsourced IT Services increased from approximately HK$16.9 million for FY2019 to approximately HK$19.1 million for FY2020 and further increased to approximately HK$19.8 million for FY2021, representing an average annual growth rate of approximately 8.3%. As advised by the Management, such growing trend was mainly attributable to the increase in demand from customers who were located in certain locations outside the major hubs of the Target Group (i.e. Guangzhou, Shanghai, Beijing, Hong Kong and Macau).

The following table sets out the Annual Caps in respect of the Outsourced IT Services Transactions contemplated under the IT Services Agreement for the period commencing from the Completion Date and ending on 31 March 2024 as extracted from the Letter from the Board:

	For the period from the Completion Date to 31 March 2022 *(Note)*	**For the year ending 31 March 2023**	**For the year ending 31 March 2024**
	HK$'000	*HK$'000*	*HK$'000*
Annual Caps	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.

As set out in the Letter from the Board, the Annual Caps have been determined with reference to: (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 average historical growth in the Target Group's revenue earned from its End-user Business for the three years ended 31 March 2021 of approximately 6.2%; (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.

In assessing the fairness and reasonableness of the Annual Caps, we have obtained and reviewed the underlying calculation of the Annual Caps (the "**Annual Caps Calculation**") from the Company and discussed with the Management regarding the bases and assumptions adopted therein. We noted from the Annual Caps Calculation that the Annual Caps for the three years ending 31 March 2024 are arrived at based on (i) the estimated or actual (as the case may be) amount of service fees in the previous year; (ii) an estimated annual growth rate of 6.2% for each of the three years ending 31 March 2024; and (iii) a buffer of 10%. It is also noted that the Annual Cap for the period commencing from the Completion Date and ending on 31 March 2022 is calculated on pro-rata basis assuming that Completion will take place on or after 31 August 2021.

We noted that the estimated annual growth rate of 6.2% applied in the Annual Caps Calculation represents the average annual growth rate of the Target Group's revenue generated from the End-user Business from FY2019 to FY2021. In this regard, we have enquired with and were advised by the Management and the management of the Target Group that the service fees for the Outsourced IT Services were correlated to the Target Group's End-user Business. As further advised by them, the revenue from the End-user Business is generally recurring in nature as evidenced by the proven track record of the Target Group and it is a general practice for the customers of the Target Group to enter into long-term service contracts ranging from two to three years with the Target Group. Therefore, the Directors are of the view that it is reasonable to determine the Annual Caps with reference to the estimated annual growth rate of the Target Group's revenue. For our due diligence purpose, we have obtained the Target Group's revenue breakdown by top 20 customers for FY2019, FY2020 and FY2021 and noted that the same group of certain top 20 customers consistently contributed over 40% of the Target Group's revenue for FY2019 and over 50% of the Target Group's revenue for each of FY2020 and FY2021. We further understand from the management of the Target Group that the Target Group has maintained stable and long-term business relationships ranging from three to 15 years with such customers. Taking into account the above and in particular that the estimated annual growth rate of 6.2% of the Annual Caps is in line with the historical growing trend of the service fees for the Outsourced IT Services paid by the Target Group to the Vendor Group as mentioned above, we consider such estimated annual growth rate to be fair and reasonable.

In respect of the prevailing market prices for the IT Hardware Maintenance and Support Services and IT Software Services, we understand that the fees charged for such services largely depend on the required manpower and time cost of IT engineers and technicians. In this regard, we have conducted a research on salaries of employees in the IT industry. According to the data published by the National Bureau of Statistics of the PRC, the average annual salary of employees in the private sector of the information transmission, software and information technology services industry in the PRC grew at a CAGR of approximately 10.3% from 2015 to 2019. According to the data published by the Census and Statistics Department of Hong Kong, the average monthly salary of employees in the information and communications technology industry in Hong Kong grew at a CAGR of approximately 3.4% from 2016 to 2020. It is observed that there has been an increasing trend of salaries of employees in the IT industry in both the PRC and Hong Kong.

As discussed with the Management, we understand that the buffer of 10% is applied mainly to cater for (i) ad hoc projects as required by the customers from time to time; (ii) potential increase in price of services; and (iii) acquisition of new customers. As such, we consider such buffer to be acceptable.

Having taken into account the above, we are of the view that the Annual Caps and their basis of determination are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

However, the Shareholders should note that as the Annual Caps are determined based on various factors relating to future events and assumptions which may or may not remain valid for the entire period up to 31 March 2024, they do not represent forecasts of service fees to be incurred from the Outsourced IT Services Transactions. Consequently, we express no opinion as to how closely the actual amount of service fees to be incurred from the Outsourced IT Services Transactions will correspond with the Annual Caps.

5.4. Internal control measures

We have discussed with and understood from the Management that the Enlarged Group will implement the following internal control measures to monitor the Outsourced IT Services Transactions:

(i) the service department of the Enlarged Group will review the Outsourced IT Services 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 Services 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.

We noted from the above that the Enlarged Group will adopt a set of internal control measures to assign specific responsibilities to various designated departments and management of the Enlarged Group in obtaining and comparing price quotations, performing regular checks and monitoring transaction amounts to ensure that the Outsourced IT Services Transactions will be conducted on normal commercial terms and in accordance with the IT Services Agreement. For our due diligence purpose, we have obtained and reviewed the internal control policies of the Group and the Target Group (which will together govern the internal control of the Enlarged Group after Completion) and noted that the relevant internal control measures as mentioned above are generally consistent with the internal control policies of the Group and/or the Target Group.

Taking the above into account, we are of the view that there are appropriate measures in place to govern the conduct of the Outsourced IT Services Transactions, thereby safeguarding the interests of the Independent Shareholders.

RECOMMENDATION

Having considered the above principal factors and reasons, we are of the opinion that:

(i) the terms of the Sale and Purchase Agreement are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned, and although the Acquisition is not in the ordinary and usual course of business of the Group, it is in the interests of the Company and the Shareholders as a whole; and

(ii) the terms of the IT Services Agreement (including the Annual Caps) are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned, and the Outsourced IT Services Transactions are in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Acquisition, the issue of the Convertible Bond, the grant of the Specific Mandate and the IT Services Agreement (including the Outsourced IT Services Transactions and the Annual Caps).

Yours faithfully,
For and on behalf of
Lego Corporate Finance Limited
Joshua Liu
Managing Director

Mr. Joshua Liu is a licensed person registered with the Securities and Futures Commission and a responsible officer of Lego Corporate Finance Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 20 years of experience in the securities and investment banking industries.

1. FINANCIAL INFORMATION

Details of the financial information of the Group for the three years ended 31 March 2019, 2020 and 2021 are disclosed in the annual reports of the Company for each of the three years ended 31 March 2019, 2020 and 2021; together with the relevant notes thereto are disclosed in the following documents which have been published and are available on the website of the Stock exchange (*http://www.hkex.com.hk*) and the website of the Company (*http://www.expertsystems.com.hk*):

The audited consolidated financial statements of the Group for the year ended 31 March 2019 are set out on pages 38 to 88 in the annual report for the year ended 31 March 2019 of the Company, which was published on 27 June 2019 (available on: *https://www1.hkexnews.hk/listedco/listconews/gem/2019/0627/gln20190627107.pdf*).

The audited consolidated financial statements of the Group for the year ended 31 March 2020 are set out on pages 38 to 94 in the annual report for the year ended 31 March 2020 of the Company, which was published on 26 June 2020 (available on: *https://www1.hkexnews.hk/listedco/listconews/gem/2020/0626/2020062600491.pdf*).

The audited consolidated financial statements of the Group for the year ended 31 March 2021 are set out on pages 38 to 92 in the annual report for the year ended 31 March 2021 of the Company, which was published on 28 June 2021 (available on: *https://www1.hkexnews.hk/listedco/listconews/gem/2021/0628/2021062800555.pdf*).

2. INDEBTEDNESS STATEMENT

As at the close of business on 31 July 2021, being the latest practicable date for the purpose of the statement of indebtedness prior to the printing of this circular, the Enlarged Group had lease liabilities amounting to approximately HK$8.9 million in aggregate. The lease liabilities are secured by rental deposits.

As at 31 July 2021, the Enlarged Group also had an amount due to a shareholder amounting to approximately HK$43.1 million.

Save as aforesaid and apart from accruals, deposits received and other payables, lease liabilities, tax payables and the trade payables incurred in the ordinary course of business, the Enlarged Group did not have (a) any debt securities issued and outstanding, or authorised or otherwise created but unissued term loans; (b) borrowings or indebtedness in the nature of borrowing including bank overdrafts and liabilities under acceptance (other than normal trade bills), acceptance credits or hire purchase commitments; (c) mortgages and charges; or (d) guarantees or other material contingent liabilities.

3. SUFFICIENCY OF WORKING CAPITAL

The Directors, after due and careful consideration, are of the opinion that, taking into consideration the financial resources available to the Enlarged Group including the internally generated funds, the present bank and other facilities, the Enlarged Group will have sufficient working capital for at least twelve (12) months from the date of publication of this circular.

4. MATERIAL ADVERSE CHANGE

The Directors confirm that there had been no material adverse change in the financial or trading position of the Group since 31 March 2021, being the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date.

5. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

The Group

For the year ended 31 March 2021, the Group recorded total revenue of approximately HK$533.9 million, representing an increase of approximately 14.3% as compared to that of approximately HK$467.3 million for the year ended 31 March 2020. As set out in the Company's annual report for the year ended 31 March 2021 (the "**Annual Report**"), the Group has taken action in adjusting its business prioritization plans for the short-to-medium term to reflect the shift in customer demand and to capture new business opportunities that help its customers navigate through their challenges. The Group believes that enterprises and institutions will keep adopting digital transformation in the long run with the purpose not only to enhance their operation efficiency, but also create their own digital business models. Therefore, the Group is enhancing its product portfolio and support resources to provide the best valued solutions and services to its customers. The Group remains focused on its long-term plan in driving strategic development and growth in key business opportunities including (i) Hybrid Cloud, Multi Cloud & "as-a-Service"; (ii) Container Technology & DevOps; (iii) Cyber Security; and (iv) Application Management Services.

As set out in the Annual Report, in order to capture the above-mentioned opportunities, the Group is not only continuously strengthening its strategic relationship with its suppliers, but also enhancing its specialised technical expertise and domain knowhow on the latest and proven infrastructure solutions. The Group also strives to develop an even more diversified customer base across private and public sectors. The Group will be cautious in managing the business risk, prepare to respond to changes in the economic and business environment, and aim at strategically developing the Group's business.

The Enlarged Group

Upon Completion, the Target Company will become an indirect non-wholly-owned subsidiary of the Company, of which 70% of the entire issued share capital of the Target Company will be held by the Company, and the financial results, assets and liabilities of the Target Group will be consolidated into the financial statements of the Group.

After the Completion, the Enlarged Group will engage in the existing IT Infrastructure Solutions Business of the Group and the End-user Business. The Acquisition can complement the existing business of the Group and cater for its customers' needs at different stages involved in the IT infrastructure service chain, enabling the Group to provide both IT infrastructure solutions and post-implementation services. For details, please refer to the section headed "Reasons for and benefits of the Acquisition" in the Letter from the Board.

In the financial aspect, the Acquisition will enhance the income and asset base of the Group, create new business opportunities for the Group and broaden its revenue base.

The following is the text of a report set out on pages II-1 to II-44, received from the Company's reporting accountants, BDO Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

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ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF EXPERT SYSTEMS HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We report on the historical financial information of End-user Business (the "**Target Group**") of ServiceOne International Holdings Limited (the "**Target Company**") set out on pages II-3 to II-44, which comprises the combined statements of financial position as at 31 March 2019, 2020 and 2021 and the combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for each of the years then ended (the "**Track Record Period**") and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages II-3 to II-44 forms an integral part of this report, which has been prepared for inclusion in the circular of Expert Systems Holdings Limited (the "**Company**") dated 17 September 2021 (the "**Circular**") in connection with the proposed connected acquisition of the Target Group by the Company.

DIRECTORS' RESPONSIBILITY FOR THE HISTORICAL FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Note 2 to the Historical Financial Information.

The financial statements of the Target Group for the Track Record Period (the "**Underlying Financial Statements**"), on which the Historical Financial Information is based, were prepared by the directors of the Company based on the previously issued financial statements of the Target Group for the Track Record Period. The directors of the Target Group are responsible for the preparation and fair presentation of the previously issued financial statements of the Target Group in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, ''Accountants' Reports on Historical Financial Information in Investment Circulars'' issued by the HKICPA. This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical 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, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial positions of the Target Company as at 31 March 2019, 2020 and 2021, the combined financial positions of the Target Group as at 31 March 2019, 2020 and 2021 of its combined financial performance and its combined cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in Note 2 to the Historical Financial Information.

REPORT ON MATTERS UNDER THE RULES GOVERNING LISTING OF SECURITIES ON GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements have been made.

BDO Limited
Certified Public Accountants
Tang Tak Wah
Practising Certificate no. P06262
Hong Kong, 17 September 2021

I. HISTORICAL FINANCIAL INFORMATION OF THE TARGET GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The Underlying Financial Statements on which the Historical Financial Information is based, were audited by BDO Limited in accordance with Hong Kong Standards on Auditing issued by HKICPA.

The Historical Financial Information is presented in Hong Kong Dollars ("**HK$**") and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

COMBINED STATEMENTS OF COMPREHENSIVE INCOME

		Year ended 31 March		
		2019	2020	2021
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	*7*	247,218	284,218	277,063
Cost of services		(186,319)	(223,570)	(214,820)
Gross profit		60,899	60,648	62,243
Other incomes and gains	*7*	986	1,763	7,766
Administrative expenses		(45,811)	(43,812)	(38,352)
Finance cost		(354)	(380)	(302)
Profit before income tax expense	*8*	15,720	18,219	31,355
Income tax expense	*9*	(3,362)	(2,117)	(5,325)
Net profit attributable to shareholders of the Target Group		12,358	16,102	26,030
Other comprehensive income for the year				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences arising from translation of foreign operations		(1,412)	(1,755)	2,757
Total comprehensive income attributable to shareholders of the Target Group		10,946	14,347	28,787

COMBINED STATEMENTS OF FINANCIAL POSITION

		As at 31 March		
		2019	**2020**	**2021**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	*13*	8,352	8,077	6,034
Intangible assets	*14*	154	241	433
Rental deposit	*18*	616	662	610
		9,122	8,980	7,077
Current assets				
Inventories	*16*	892	879	690
Trade receivables	*17*	47,440	38,787	39,371
Prepayments, deposits and other receivables	*18*	16,136	24,198	17,858
Amount due from a shareholder	*22*	10,072	18,028	—
Amounts due from related companies	*22*	25,485	26,522	91
Tax recoverable		214	358	476
Bank deposits	*19*	50,018	42,097	51,740
Cash and cash equivalents	*19*	21,944	26,132	50,636
		172,201	177,001	160,862
Current liabilities				
Trade payables	*20*	10,490	9,792	9,425
Accruals and other payables	*21*	86,047	73,949	69,937
Amount due to a shareholder	*22*	—	—	47,251
Amount due to a related party	*22*	12,515	15,500	—
Lease liabilities	*15*	2,602	3,527	3,986
Income tax payables		170	252	988
		111,824	103,020	131,587
Net current assets		60,377	73,981	29,275
Total assets less current liabilities		69,499	82,961	36,352

		As at 31 March		
		2019	**2020**	**2021**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
Non-current liabilities				
Lease liabilities	*15*	4,058	3,173	777
Other payables	*21*	1,520	1,520	1,520
		5,578	4,693	2,297
Net assets		63,921	78,268	34,055
EQUITY				
Share capital	*23*	3,036	3,036	—*
Reserve	*24*	60,885	75,232	34,055
Total equity		63,921	78,268	34,055

* *The balance represents an amount less than HK$1,000*

STATEMENT OF FINANCIAL POSITION OF THE TARGET COMPANY

		As at 31 March
		2021
	Notes	*HK$'000*
ASSETS AND LIABILITIES		
Non-current asset		
Investments in subsidiaries		773
Current liability		
Amount due from a subsidiary		7
Net assets		766
EQUITY		
Share capital	*24*	—*
Reserve	*25*	766
Total equity		766

* *The balance represents an amount less than HK$1,000*

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Statutory surplus reserve	Translation Reserve	Retained earnings	Merger reserve	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 23)	*(Note 24(a))*	*(Note 24(b))*	*(Note 24(c))*	*(Note 24(d))*	
As at 1 April 2018	3,024	1,488	388	48,063	—	52,963
Profit for the year	—	—	—	12,358	—	12,358
Exchange differences arising from translations of foreign operations	—	—	(1,412)	—	—	(1,412)
Transfer to statutory reserve	—	408	—	(408)	—	—
Issuance of new shares	12	—	—	—	—	12
As at 31 March 2019 and 1 April 2019	3,036	1,896	(1,024)	60,013	—	63,921
Profit for the year	—	—	—	16,102	—	16,102
Exchange differences arising from translations of foreign operations	—	—	(1,755)	—	—	(1,755)
As at 31 March 2020 and 1 April 2020	3,036	1,896	(2,779)	76,115	—	78,268
Profit for the year	—	—	—	26,030	—	26,030
Exchange differences arising from translations of foreign operations	—	—	2,757	—	—	2,757
Dividend declared *(Note 12)*	—	—	—	(73,000)	—	(73,000)
Transferred to statutory reserve	—	1,069	—	(1,069)	—	—
Reorganisation	(3,036)	—	—	—	3,036	—
As at 31 March 2021	—*	2,965	(22)	28,076	3,036	34,055

* *The balance represents an amount less than HK$1,000*

COMBINED STATEMENTS OF CASH FLOWS

	Year ended 31 March		
	2019	**2020**	**2021**
	HK$'000	*HK$'000*	*HK$'000*
OPERATING ACTIVITIES			
Profit before income tax expense	15,720	18,219	31,355
Adjustments for:			
Bank Interest income	(700)	(1,152)	(468)
Interest expenses on lease liabilities	354	380	302
Exchange losses, net	54	119	502
Depreciation of property, plant and equipment	3,838	4,513	5,036
Amortisation of intangible assets	56	106	217
Rent concessions	—	—	(134)
Operating cash flows before movements in working capital	19,322	22,185	36,810
Decrease in inventories	260	13	189
(Increase)/decrease in trade receivables	(13,493)	8,653	(584)
(Increase)/decrease in prepayments, deposits and other receivables	(3,766)	(8,108)	6,392
Decrease/(increase) in amount due from related companies	6	(267)	386
Increase/(decrease) in trade payables	4,196	(698)	(367)
Increase/(decrease) in accruals and other payables	30,706	(12,098)	(4,012)
Cash generated from operations	37,231	9,680	38,814
Income tax paid	(1,918)	(2,165)	(4,884)
NET CASH GENERATED FROM OPERATING ACTIVITIES	35,313	7,515	33,930

	Year ended 31 March		
	2019	2020	2021
	HK$'000	*HK$'000*	*HK$'000*
INVESTING ACTIVITIES			
Interest received	700	1,152	468
Increase in bank deposits	(52,402)	(25,120)	(15,790)
Withdrawal of bank deposits	29,613	33,041	5,733
Repay to related companies	(13,825)	(770)	(600)
(Repay to)/advance from a shareholder	(91)	(7,956)	18,028
Purchase of property, plant and equipment	(792)	(629)	(797)
Purchase of intangible assets	(219)	(202)	(379)
Prepayment of right-of-use assets	(64)	(264)	(81)
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES	(37,080)	(748)	6,582
FINANCING ACTIVITIES			
Repay to a shareholder	—	—	(18,016)
Advance from a related party	4,500	2,985	3,412
Interest paid on lease liabilities	(354)	(380)	(302)
Principal elements of lease payments	(2,926)	(3,347)	(3,849)
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES	1,220	(742)	(18,755)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(547)	6,025	21,757
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	23,590	21,944	26,132
Effect of exchange rate changes	(1,099)	(1,837)	2,747
CASH AND CASH EQUIVALENTS AT END OF YEAR	21,944	26,132	50,636

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 GENERAL INFORMATION

The combined financial information represents the End-user Business of ServiceOne International Holdings Limited (the "**Target Company**") and its subsidiaries (the "**Target Group**"). The Target Group's primary activity is principally engaged in provision of post-implementation infrastructure management services, including IT hardware maintenance, helpdesk, IT outsourcing, and workflow automation services to end-users in Great China Area and the Asia-Pacific region.

2 BASIS OF PRESENTATION AND PREPARATION OF HISTORICAL FINANCIAL INFORMATION

(a) Reorganisation and basis of presentation

Pursuant to the Target Group's reorganisation completed on 22 April 2021 (the "**Reorganisation**"), Target Company became the holding company of the End-user Business. Prior to the incorporation of the Target Company, the End-user Business were carried out by ServiceOne Global Holdings Limited and its subsidiaries. During the Track Record Period, the ultimate controlling shareholders are Mr. Chu Siu Sum Alex, Mr. Lau Wai Kwok, Mr. Wong Chu Kee Daniel, Mr. Chan Kin Mei Stanley, Mr. Mok Chu Leung Terry and Mr. Cheung Nap Kai (the "**Ultimate Controlling Shareholders Group**"). To rationalise the corporate structures in preparation of the proposed acquisition, the Target Group underwent the Reorganisation as detailed in the section headed "Reasons for and benefits of the acquisition" in this Circular.

Accordingly, the Historical Financial Information has been prepared as if the Target Group had always been in existence. The combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Target Group include the financial performance and cash flows of the companies now comprising the Target Group for the Track Record Period as if the current group structure had been in existence and remained unchanged throughout the Track Record Period (or where a company now comprising the Target Group was incorporated or established or first under common control at a date later than 1 April 2018, for the period from the date of incorporation or establishment or becoming under common control, where this is a shorter period). The combined statements of financial position of the Target Group as at 31 March 2019, 2020 and 2021 have been prepared to present the state of affairs of the companies now comprising of the Target Group as at those dates as if the current group structure had been in existence as at the respective dates, taking into account the respective dates of incorporation/establishment or becoming under common control, where applicable.

Intra-group balances, transactions and unrealised gains/losses on intra-group transactions are eliminated in full in preparing the Historical Financial Information.

During the Track Record Period, a company now included in the Target Group had also engaged in a Vendor business ("**VB**") which is delineated from the End-user Business (the "**Excluded Business**"). The Excluded Business had been managed separately and maintained separate accounting records. In preparation of reorganisation, the Excluded Business had been transferred from the Target Group to a company controlled by the Ultimate Controlling Shareholders Group. The Historical Financial Information of the Target Group excluded the assets, liabilities and results of operations of the Excluded Business whose business is, in the opinion of the directors of the Company, clearly delineated from the End-user Business and whose assets, liabilities, revenue and expenditures are clearly identifiable.

The combined financial information has been prepared on a "carve out" basis from the consolidated financial statements of ServiceOne Global Holdings Limited using the historical results from operations, assets, liabilities and cash flows attributable to the Target Group and include allocations of revenue, income, expenses, assets and liabilities from Target Group. Allocations were made using relative customers or suppliers, headcounts or other methods, which are considered reasonable under the circumstances and further explained below:

- Overheads performed for the End-user Business — These overheads include, but are not limited to, human resources, marketing and office supplies. The cost of such service have been allocated to the End-user Business based on the most relevant allocation method to the service provided, primarily based on relative percentage of headcount. Management of Target Group believes such allocations are reasonable. The cost allocated for these functions is included in administrative expenses in the combined statement of comprehensive income for the Track Record Period presented.

- Taxation — The Target Group is the legal entity to submit relevant tax documents, whereas the submission amount based on the assessable profit before "carve out" basis. After the allocation mention above, the taxation expenses could be separately identified and recharge back to the VB.

  No significant adjustments or allocations of expenses were made in the Financial Information.

The Target Company believes the basis of preparation described above results in the Financial Information reflecting the assets and liabilities associated with the End-user Business and reflects cost associated with the functions that would be necessary to operate independently.

The following table shows the legal entities and operations that comprise the Target Group:

Name	Place and date of incorporation/ establishment	Principal activities	Issued and fully paid up/ registered share capital	Percentage of equity attributable to the Target Company	
				Directly	Indirectly
ServiceOne Solutions Singapore Pte. Ltd.	Singapore 8 June 2018	IT supporting services	SGD1,000	100%	—
領先科技服務有限公司 ServiceOne Limited	Hong Kong 5 February 1999	IT supporting services	HK$3,000,000	100%	—
領先科技服務澳門有限公司 ServiceOne Technology Services Macau Limited	Macau 15 April 2008	IT supporting services	MOP25,000	100%	—
ServiceOne Solutions Australia Pty Ltd	Australia 20 August 2018	IT supporting services	AUD1,000	100%	—
ServiceOne Global Limited	BVI 24 April 2009	Investment holding	USD1	100%	—
領冠數碼發展有限公司 SOG Development Limited	Hong Kong 10 June 2010	Investment holding	HK$10	—	100%
領冠數碼科技 (上海) 有限公司 ServiceOne Shanghai Limited	PRC 8 September 2010	IT supporting services	USD1,800,000	—	100%

The statutory financial statements of ServiceOne Solutions Singapore Pte. Ltd. for the period ended 31 March 2019 and the year ended 31 March 2020 were prepared in accordance with Financial Reporting Standards in Singapore and were audited by Stephen Liu & Associates.

The statutory financial statements of ServiceOne Limited for the years ended 31 March 2019 and 2020 were prepared in accordance with Hong Kong Financial Reporting Standards for Private Entities and were audited by Venture Partners CPA Limited.

The statutory financial statements of SOG Development Limited for the years ended 31 March 2019 and 2020 were prepared in accordance with Hong Kong Financial Reporting Standards and were audited by Venture Partners CPA Limited.

The statutory financial statements of ServiceOne Shanghai Limited for the years ended 31 December 2018, 2019 and 2020 were prepared in accordance with relevant accounting principles and financial regulations applicable in the Mainland China ("**PRC**") and were audited by Shanghai Huzhong Certified Public Accountant Co., Ltd.

No statutory audited financial statements were prepared for the entities established in the British Virgin Islands ("**BVI**"), Australia and Macau since their date of incorporation as they are incorporated in a jurisdiction where there are no statutory audit requirements or exempted from statutory audit requirements.

(b) Statement of compliance

The Historical Financial Information of the Target Group has been prepared in accordance with applicable Hong Kong Financial Reporting Standards ("**HKFRSs**"), Hong Kong Accounting Standards ("**HKASs**") and Interpretations (hereinafter collectively referred to as the "**HKFRSs**") issued by the HKICPA. The Historical Financial Information also complies with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosures required by the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited.

The preparation of Historical Financial Information in conformity with HKFRSs requires the use of significant accounting judgements and estimates. Although these judgements and estimates are based on the management's best knowledge, judgements and estimates of current events and actions, actual results maybe ultimately differ from those judgements and estimates. The areas involving a high degree of judgement or complexity, or areas whose assumptions and estimates are significant to the Historical Financial Information are set out in Note 5.

The HKICPA has issued a number of new and revised HKFRSs. For the purpose of preparing the Historical Financial Information, the Target Group has adopted all of applicable new and revised HKFRSs during the Track Record Period as set out in the significant accounting policies in Note 4, together with relevant transitional provisions including HKFRS 9 Financial Instruments ("**HKFRS 9**"), HKFRS 15 Revenue from contracts with customers ("**HKFRS 15**") and HKFRS 16 Leases ("**HKFRS 16**") and related amendments of those standards have been early adopted from 1 April 2018 except for any new amendments that are not yet effective for the financial period beginning on or after 1 April 2021.

(c) Basis of measurement

The Historical Financial Information have been prepared under the historical cost basis.

(d) Functional and presentation currency

The Historical Financial Information are presented in HK$, which is also the functional currency of the Target Company.

3.1 ADOPTION OF NEW/REVISED HKFRSs — EFFECTIVE 1 APRIL 2020

Amendments to HKFRS 16	COVID-19-Related Rent Concessions

The impact of the adoption of Amendments to HKFRS 16 "COVID-19-Related Rent Concessions" has been summarised below. The other new or amended HKFRSs that are effective from 1 April 2020 did not have any significant impact on the Target Group's results and financial position for current or prior period.

Amendment to HKFRS 16 — COVID-19-Related Rent Concessions

The Target Group has early adopted Amendment to HKFRS 16 — COVID-19-Related Rent Concessions retrospectively from 1 April 2020. The amendment provides an optional practical expedient allowing lessees to elect not to assess whether a rent concession related to COVID-19 is a lease modification. Lessees adopting this election may account for qualifying rent concessions in the same way as they would if they were not lease modifications. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

(a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

(b) any reduction in lease payments affects only payments due on or before 30 June 2021; and

(c) there is no substantive change to other terms and conditions of the lease.

The Target Group has applied the practical expedient to all qualifying COVID-19-related rent concessions.

Rent concessions approximately HK$134,000 have been accounted for as negative variable lease payments and recognised as rent concessions in "other income" in the combined statements of comprehensive income for the year ended 31 March 2021, with a corresponding adjustment to the lease liabilities.

3.2 NEW/REVISED HKFRSs THAT HAVE BEEN ISSUED BUT ARE NOT YET EFFECTIVE

The following new or revised HKFRSs that are potentially relevant to the Target Group's operations, have been issued but are not yet effective for the financial period of the Target Group beginning on or after 1 April 2021 and have not been early adopted.

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current[5]
HK Interpretation 5 (2020)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[5]
Amendment to HKAS 1	Disclosure of Accounting Policies[5]
Amendment to HKAS 8	Definition of Accounting Estimates[5]
Amendments to HKAS 16	Proceeds before Intended Use[3]
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract[3]
Amendments to HKFRS 3	Reference to the Conceptual Framework[4]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[5]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[6]
Amendments to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021[2]
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2[1]
Annual Improvements to HKFRS 2018–2020[3]	

1 Effective for annual periods beginning on or after 1 January 2021
2 Effective for annual periods beginning on or after 1 April 2021
3 Effective for annual periods beginning on or after 1 January 2022
4 Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022
5 Effective for annual periods beginning on or after 1 January 2023
6 Amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined.

The Target Group is in the progress of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Target Group's result of operation and financial positions.

4. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied to the Track Record Period presented, unless otherwise stated.

(a) Basis of combination

The combined financial information has been prepared on a "carve-out" basis from ServiceOne Global Holdings Limited consolidated financial statements using the historical results from operations, assets, liabilities and cash flows attributable to the Target Group and include allocations of revenue, income, expenses, assets and liabilities from Target Group. All intra-group balances, income, expenses and unrealised gains and losses arising from transactions between companies belonging to the Target Group were eliminated when preparing the combined financial information. All investments and the respective parent's portion of equity of each subsidiary within the Target Group were also eliminated. Transactions with non-Target Group entities of Target Group, are disclosed as transactions with related parties.

The combined financial information is comprised of assets, liabilities, income, revenues, expenses and cash flows directly attributable to the Target Group's legal entities. Additionally they include assets, liabilities, revenues and expenses which are allocated based on a specific identification basis reflecting the internal reporting structure of the operations in Target Group's entities. All of the Target Group's activities are under common control by Target Company for all periods presented.

(b) Subsidiaries

A subsidiary is an investee over which a group entity is able to exercise control. The group entity controls an investee if all three of the following elements are present: (1) power over the investee; (2) exposure, or rights, to variable returns from the investee; and (3) the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

(c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated 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.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Target Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each Track Record Period. The estimated useful lives are as follows:

Leasehold improvements	Over the shorter of 4 years and the period of the lease
Furniture and fixtures	3–4 years
Office equipment	3 years
Properties leased for own use	Shorter of assets expected useful live and lease terms

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

(d) Intangible assets

Amortisation is provided on a straight-line basis over their useful lives as follows. Intangible assets with indefinite useful lives are carried at cost less any accumulated impairment losses. The amortisation expense is recognised in profit or loss and included in administrative expenses.

Software	3 years

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

(e) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(f) Financial instruments

(i) Financial assets

The Target Group classifies its financial assets as measured at amortised cost only. Such classification of the Target Group's financial assets at initial recognition depends on the entity's business model for managing the financial assets and the contractual terms of cash flows.

At initial recognition, the Target Group measures its financial asset at fair value plus, in case of a financial asset not at fair value through profit or loss, transaction costs are directly attributable to the acquisition of the financial asset. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase of sale is a purchase or sale of a financial asset under a contract whose terms require deliver of the asset within the time frame established generally by regulation or convention in the market place concerned.

Financial assets are not reclassified subsequent to their initial recognition, except if and in the period, the Target Group changes its business model for managing financial assets.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as fair value through profit or loss:

— The financial asset is held within a business model whose objective is to hold financial assets to collect contractual cash flows; and

— The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The financial assets at amortised cost are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses, if any. Interest income, foreign exchange gains and losses and impairment losses are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss in which the period incurred.

(ii) Impairment loss on financial assets

The Target Group recognises loss allowances for expected credit losses ("**ECLs**") on trade receivables and other financial assets measured at amortised cost. The ECLs are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Target Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Target Group in accordance with the contract and all the cash flows that the Target Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Target Group has elected to measure loss allowances for trade receivables using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Target Group has established a provision matrix that is based on the Target Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12-months ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Target Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Target Group's historical experience and informed credit assessment and including forward-looking information.

The Target Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Target Group considers a financial asset to be credit-impaired when: (1) the borrower is unlikely to pay its credit obligations to the Target Group in full, without recourse by the Target Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

(iii) Financial liabilities

The Target Group classifies its financial liabilities depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost including trade and other payables, lease liabilities, accruals and deposits received and amounts due to a related party and a shareholder are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss. Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

Equity instruments issued by the a group entity are recorded at the proceeds received, net of direct issue costs.

(vi) Derecognition

The Target Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

Where the Target Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

(g) Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, demand deposits with banks and short-term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

(h) Leasing

All leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Target Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term not more than 12 months. The lease payments associated with those leases are expensed on straight-line basis over the lease term.

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee; and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Target Group measures the right-of-use assets applying a cost model. Under the cost model, the Target Group measures the right-of-use assets at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

Lease liability

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Target Group uses the Target Group's incremental borrowing rate.

The following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, the Target Group measures the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset. The only exceptions are any rent concessions which arose as a direct consequence of the COVID-19 pandemic and which satisfied the conditions set out in paragraph 46B of HKFRS 16 Leases. In such cases, the Target Group took advantage of the practical expedient set out in paragraph 46A of HKFRS 16 and recognised the change in consideration as if it were not a lease modification.

(i) Provision and contingent liabilities

A provision is recognised when the Target Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Target Group will be required to settle the obligation, and a reliable estimate can be made of the amount of obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of each Track Record Period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the Target Group are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(j) Impairment of non-financial assets

At the end of each Track Record Period, the Target Group reviews the carrying amounts of assets (other than inventories and financial assets) to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased.

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

(k) Employee benefits

Defined contribution retirement plan

The Target Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "**MPF Scheme**") under the Mandatory Provident Fund Schemes Ordinance for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are recognised as an expense in profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Target Group in an independently administered fund. The Target Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

A state-managed retirement benefit scheme in the PRC pursuant to which the Target Group pays a fixed percentage of its qualifying staff's wages as contributions to the scheme.

Short-term employee benefits

Short-term employee benefits are recognised when they accrue to employees. In particular, a provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of each Track Record Period. Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

Termination benefits

Termination benefits are recognised on the earlier of when the Target Group can no longer withdraw the offer of those benefits and when the Target Group recognises restructuring costs involving the payment of termination benefits.

(l) Foreign currencies

Transactions entered into by Target Group entities in currencies other than the currency of the primary economic environment in which they operate (the "**functional currency**") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of each Track Record Period. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

(m) Income taxes

Income tax comprises current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of Track Record Period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of Track Record Period.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

(n) Revenue recognition

Revenue is recognised to depict the transfer of promised services to customers in an amount that reflects the consideration to which the Target Group expects to be entitled in exchange for those services.

Specifically, the Target Group uses a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer

- Step 2: Identify the performance obligations in the contract

- Step 3: Determine the transaction price

- Step 4: Allocate the transaction price to the performance obligations in the contract

- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Revenue is recognised when, or as, obligations under the terms of a contract are satisfied, which occurs when control of the promised products or services is transferred to customers. Revenue is measured as the amount of consideration the Target Group expects to receive in exchange for transferring products or services to a customer ("**transaction price**").

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Target Group's performance as the Target Group performs;

- the Target Group's performance creates and enhances an asset that the customer controls as the Target Group performs; or

- the Target Group's performance does not create an asset with an alternative use to the Target Group and the Target Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Target Group's right to consideration in exchange for goods or services that the Target Group has transferred to a customer that is not yet unconditional. In contrast, a receivable represents the Target Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Target Group's obligation to transfer goods or services to a customer for which Target Group has received consideration (or an amount of consideration is due) from the customer.

Generally, significant payment terms are disclosed within the contents of a given contract and are in the form of either milestone payment terms representing a percentage of the total budgeted contract price or corresponding directly with the value to the customer of the Target Group's performance. Revenues recognised in excess of billings are recognised as contract assets and disclosed in the combined statement of financial position as contract assets. Amounts billed in accordance with contracted payment schedules but in excess of revenues earned are recognised as contract liabilities and disclosed in the combined statement of financial position as contract liabilities.

Contracts are terminable by the customers upon proper notice specified within the contracts, generally 7 to 90 days. A termination fee is generally assessed in addition to the Target Group being entitled to compensation equivalent to the efforts and costs incurred to satisfy any performance obligations.

Contracts with customers may contain multiple performance obligations. For such arrangements, the transaction price is allocated to each performance obligation based on the estimated relative standalone selling prices of the promised products or services underlying each performance obligation, inclusive of reimbursable expenses.

When the sum of the stand-alone transaction prices of those products or services exceeds the promised consideration in a contract, the Target Group recognises a discount on that particular contract. If the entity does not have observable evidence that the entire discount relates to one or more, but not all performance obligations under the specific contract, the discount is proportionately applied to all performance obligations under a contract.

The selection of the method to measure progress towards completion requires judgement and is based on the nature of the products or services to be provided. Depending on which better depicts the transfer of value to the customer, the Target Group generally measures its progress using either cost-to-cost (input method) or units produced/services transferred to the customer to date (output method). The Target Group uses the known cost measure of progress when it best depicts the transfer of value to the customer which occurs as the Target Group incurs costs on its contract, generally related to fixed fee service contracts. Under the cost-to-cost measure of progress, the extent of progress towards completion is measured based on the ratio of costs incurred to date to the total estimated costs at completion of the performance obligation. Revenue is recorded proportionally as costs are incurred. The units produced/services transferred to the customer to date measure of progress is generally related to rate per unit contracts or contracts for the delivery of services, as the extent of progress towards completion is measured based on discrete service or time-based increments, such as samples tested or services transferred.

Interest income from bank deposits is recognised on a time proportion basis using the effective interest method.

Contract liabilities

A contract liability represents the Target Group's obligation to transfer of goods and services to a customer for which the Target Group has received consideration (or an amount of consideration is due) from the customer.

(o) Government subsidy

Government subsidy is not recognised until there is reasonable assurance that the Target Group will comply with the conditions attaching to them and that the subsidy will be received.

(p) Related parties

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

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

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

(c) is a member of key management personnel of the Target Group or the Target Group's parent.

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

(a) 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).

(b) 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).

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

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

(e) The entity is a post-employment benefit plan for the benefit of the employees of the Target Group or an entity related to the Target Group.

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

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

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

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:

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

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

(iii) dependents of that person or that person's spouse or domestic partner.

5. CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

In the application of the Target Group's accounting policies, which are described in Note 4, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates, judgements and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if revision affects both current and future periods.

Critical judgments in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors have made in the process of applying the Target Group's accounting policies and that have the most significant effect on the amounts recognised in the combined financial statements.

(a) Judgments in determining performance obligations and timing of satisfaction of performance obligations

(i) Performance obligation determination

In making their judgements, the directors considered the detailed criteria for recognition of revenue set out in HKFRS 15. In determining performance obligations, the directors consider whether the customer benefits from each service on its own and whether it is distinct in the context of the contract. Specifically, when concluding a contract has multiple performance obligations, the directors consider that the individual performance obligation is regularly sold separately and the service is separately identifiable from other promises within the contract.

(ii) Timing of satisfaction of performance obligations

The directors have determined that certain performance obligations are satisfied over time. The key judgment is that the Target Group's performance does not create an asset with alternative future use and the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs.

Depends on which better depicts the transfer of value to the customer, the directors make judgement to measure the progress of the projects using either cost-to-cost (input method) or units services transferred to the customer to date (output method).

(b) Provision of ECL for trade receivables

The Target Group uses provision matrix to calculate ECL for the trade receivables. The provision rates are based on internal credit ratings as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Target Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Target Group's trade receivables and contract assets are disclosed in Note 26.

6. SEGMENT INFORMATION

The chief operating decision maker ("**CODM**") is identified as executive directors of the Target Company. The Target Group has identified its operating segment based on the regular internal financial information reported to the CODM for their decisions about resources allocation and review of performance. For the Track Record Period, the CODM have considered the only operating segment of the Target Group to be the provision of post-implementation infrastructure management service.

No segment assets and liabilities are presented as they were not regularly provided to the CODM for the purpose of performance assessment and resources allocation.

Geographical information

The following is an analysis of the Target Group's revenue by the geographical locations of service render.

	Year ended 31 March		
	2019	**2020**	**2021**
	HK$'000	*HK$'000*	*HK$'000*
Hong Kong	121,930	164,391	149,026
PRC	120,105	114,417	120,286
Others	5,183	5,410	7,751
	247,218	284,218	277,063

Information about the Target Group's non-current assets by geographical location of the assets are presented below:

	Year ended 31 March		
	2019	2020	2021
	HK$'000	*HK$'000*	*HK$'000*
Hong Kong	4,804	3,373	1,468
PRC	4,168	4,996	5,193
Others	150	611	416
	9,122	8,980	7,077

Information about major customers

	Year ended 31 March		
	2019	2020	2021
	HK$'000	*HK$'000*	*HK$'000*
Customer A	N/A[1]	43,868	N/A[1]
Customer B	N/A[1]	N/A[1]	31,394

[1] The corresponding revenue did not contribute over 10% of the Target Group's total revenue in the respective year.

7. REVENUE AND OTHER INCOMES AND GAINS

The Target Group's principal activity is the provision of post-implementation infrastructure management service. The amounts of revenue recognised during the Track Record Period are as follows:

	Year ended 31 March		
	2019	2020	2021
	HK$'000	*HK$'000*	*HK$'000*
At a point in time			
Integration	30,438	18,162	21,942
Services	2,598	3,859	5,739
Overtime			
Services	214,182	262,197	249,382
	247,218	284,218	277,063

An analysis of the other incomes and gains are as follows:

	Year ended 31 March		
	2019	2020	2021
	HK$'000	*HK$'000*	*HK$'000*
Bank interest received	700	1,152	468
Government subsidies *(note (a))*	—	—	6,469
Rent concessions *(note (b))*	—	—	134
Management fee income	233	209	203
Sundry income	53	402	492
	986	1,763	7,766

Note:

(a) The government subsidies represented a one-off subsidy under Employment Support Scheme launched by the Government of Hong Kong Special Administrative Region and 10-Billion-Pataca Fund Scheme launched by the Government of Macau.

(b) The rent concessions related to COVID-19 pandemic approximately of HK$134,000 has been credited in the combined profit or loss during the year ended 31 March 2021.

The following table provides information about trade receivables, contract assets and contract liabilities from contracts with customers.

	As at 31 March		
	2019	**2020**	**2021**
	HK$'000	*HK$'000*	*HK$'000*
Trade receivables *(Note 17)*	47,440	38,787	39,371
Contract assets *(Note 18)*	9,316	17,687	12,880
Contract liabilities *(Note 21)*	55,970	43,576	42,681

Transaction price allocated to future performance obligations

The aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) were approximately HK$132,417,000, HK$125,462,000 and HK$130,387,000 as at 31 March 2019, 2020 and 2021, respectively. Management of the Target Group expects the majority of the transaction price allocated to the unsatisfied contracts as of the end of each Track Record Period during the Track Record Period will be recognised within 1 to 4 years from the end of each Track Record Period.

8. PROFIT BEFORE INCOME TAX EXPENSE

Profit before income tax expense is arrived at after charging:

	Year ended 31 March		
	2019	**2020**	**2021**
	HK$'000	*HK$'000*	*HK$'000*
Cost of inventories	26,109	20,996	24,796
Auditor's remuneration	229	152	116
Depreciation of property, plant and equipment	3,838	4,513	5,036
Amortisation of intangible assets	56	106	217
Exchange losses, net	54	119	502
Short-term leases with application of recognition exemption	1,532	406	33
Staff costs (including directors' remuneration)			
— Wages, salaries and other benefits	88,816	109,785	110,534
— Retirement benefits scheme contributions	13,205	15,508	11,194
	102,021	125,293	121,728

9. INCOME TAX EXPENSE

The income tax expense in the combined statement of comprehensive income represents:

	Year ended 31 March		
	2019	2020	2021
	HK$'000	*HK$'000*	*HK$'000*
Current tax:			
— Hong Kong profits tax	2,066	2,329	1,690
— Macau complementary tax	46	—	—
— PRC Enterprise Income Tax ("**EIT**")	1,250	—	3,553
— Others	—	86	82
Over provision in respect of prior year	—	(298)	—
Total income tax expense	3,362	2,117	5,325

The Target Group entities incorporated in Hong Kong are subject to Hong Kong profits tax at a rate of 16.5% on the estimated assessable profits for the years ended 31 March 2019, 2020 and 2021. On March 21, 2018, the Hong Kong Legislative Council passed the Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on March 28, 2018 and was gazette on the following day. Under the two-tiered profits tax rates regime, the first HK$2,000,000 of profits of qualifying corporations will be taxed at 8.25%, and profits above HK$2,000,000 will be taxed at 16.5%. The two-tiered profits tax rates regime is applicable to one of the Target Group's Hong Kong subsidiaries with estimated assessable profits for its annual Track Record Period ending on or after April 1, 2018.

Macau Complementary Tax has been provided at the statutory tax rate of 12% (2019:12%; 2020:12%) of the taxable profit for the year. Regarding to a Target Group entity, namely ServiceOne Technology Services Macau Limited, which have received tax notices issued by the Macau Financial Services Bureau, no respective tax provision has been made for both years. The related tax payments were classified as tax recoverable under the current assets in the combined statement of financial position.

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the standard EIT rate of the PRC subsidiaries is 25%.

The Target Group entities established in the BVI are not subject to income tax or capital gains tax under the law of the BVI.

The income tax expense for the Track Record Period can be reconciled to the profit before income tax expense per the combined statements of comprehensive income as follows:

	Year ended 31 March		
	2019	**2020**	**2021**
	HK$'000	*HK$'000*	*HK$'000*
Profit before income tax expense	15,720	18,219	31,355
Tax at the applicable tax rate of 16.5%	2,594	3,006	5,174
Tax effect of income not taxable for tax purpose	(114)	(185)	(1,143)
Tax effect of expenses not deductible for tax purpose	52	—	—
Tax effect of profit which are exempted from tax	(15)	(48)	(33)
Tax losses not recognised	39	9	18
Over provision of current tax in prior year	—	(298)	—
Effect of deductible temporary differences not recognised	25	48	11
Effect of tax concession	—	(20)	(10)
Tax effect of two-tiered profits tax rates regime	(165)	(165)	(165)
Effect of different tax rate of subsidiaries operating in other jurisdictions	407	58	1,325
Others	539	(288)	148
Total income tax expense	3,362	2,117	5,325

No deferred tax asset has been recognised in relation to deductible temporary differences of HK$26,000, HK$319,000 and HK$384,000 as at 31 March 2019, 2020 and 2021 respectively relating to the depreciation charges as it is not material.

As at 31 March 2019, 2020 and 2021, the Target Group had estimated unrecognised tax losses of approximately HK$ 28,000, HK$19,000, HK$ 15,000, respectively, available for offset against future taxable profits in Singapore, South Korea, and Australia. No deferred tax asset has been recognised in respect of the estimated unrecognised tax losses due to the unpredictability of future profit streams. The tax losses are subject to final approval by the tax authorities in different tax jurisdictions.

Under the EIT Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiary from 1 January 2008 onwards. Deferred taxation has not been provided for in the combined financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiary amounting to HK$13,608,000, HK$12,252,000 and HK$21,688,000 as at 31 March 2019, 2020 and 2021, as the Target Group is able to control the timing of the reversal of the temporary differences and it is not probable that the subsidiary will distribute such profits in foreseeable future.

10. DIRECTOR'S EMOLUMENTS

Details of the emoluments paid or payable to the director of the Target Group for the services provided to the Target Group during the Track Record Period are as follows:

Year ended 31 March 2019

	Directors' fee	Salaries and other benefits	Performance-based bonus	Retirement benefit scheme contributions	Share-based compensation	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive Director:						
Mr. Wong Chu Kee Daniel	—	720	1,863	18	—	2,601

Year ended 31 March 2020

	Directors' fee	Salaries and other benefits	Performance-based bonus	Retirement benefit scheme contributions	Share-based compensation	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive Director:						
Mr. Wong Chu Kee Daniel	—	1,296	1,260	18	—	2,574

Year ended 31 March 2021

	Directors' fee	Salaries and other benefits	Performance-based bonus	Retirement benefit scheme contributions	Share-based compensation	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive Director:						
Mr. Wong Chu Kee Daniel	—	1,037	1,037	18	—	2,092

The emoluments of Mr. Wong Chu Kee Daniel disclosed above include those for services rendered by him in connection with the management of the affairs of the Target Group during the Track Record Period.

11. FIVE HIGHEST PAID INDIVIDUALS

The five individuals with the highest emoluments in the Target Group during the Track Record Period include one director of the Target Company, details of whose remuneration are set out in Note 10 above. The emoluments of the five highest paid individuals during the Track Record Period were as follows:

	Year ended 31 March		
	2019	**2020**	**2021**
	HK$'000	*HK$'000*	*HK$'000*
Salaries and other benefits	2,766	4,500	3,448
Performance-based bonus	3,892	5,364	2,757
Retirement benefits scheme contributions	90	90	90
	6,748	9,954	6,295

The emoluments of the five highest paid individuals were within the following bands:

	Year ended 31 March		
	2019	**2020**	**2021**
	HK$'000	*HK$'000*	*HK$'000*
HK$nil to HK$1,000,000	3	1	2
HK$1,000,001 to HK$1,500,000	1	2	2
HK$2,000,001 to HK$2,500,000	—	—	1
HK$2,500,001 to HK$3,000,000	1	1	—
HK$3,500,001 to HK$4,000,000	—	1	—

During the Track Record Period, no emoluments were paid by the Target Group to the director of the Target Company or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Target Group or as compensation for loss of office. None of the director of the Target Company have waived any emoluments during the Track Record Period.

12. DIVIDEND

Prior to the Reorganisation, certain subsidiaries of the Target Company, had declared interim dividends HK$nil, HK$nil, HK$73,000,000 for the years ended 31 March 2019, 2020 and 2021 respectively to their then shareholders. The rate of dividends and number of shares ranking for dividend are not presented as such information is not meaningful having regard to the purpose of this report.

13. PROPERTY, PLANT AND EQUIPMENT

	Properties leased for own use *HK$'000*	Furniture and fixtures *HK$'000*	Office equipment *HK$'000*	Leasehold improvement *HK$'000*	Total *HK$'000*
COST					
As at 1 April 2018	11,976	201	3,097	2,689	17,963
Additions	2,157	9	783	—	2,949
Written off	—	—	(491)	—	(491)
Exchange realignment	(441)	—	(31)	(88)	(560)
As at 31 March 2019 and 1 April 2019	13,692	210	3,358	2,601	19,861
Additions	3,893	—	299	330	4,522
Written off	—	—	(90)	(1,316)	(1,406)
Exchange realignment	(586)	—	(51)	(162)	(799)
As at 31 March 2020 and 1 April 2020	16,999	210	3,516	1,453	22,178
Additions	1,846	—	482	315	2,643
Written off	—	—	(117)	—	(117)
Exchange realignment	910	—	79	53	1,042
As at 31 March 2021	19,755	210	3,960	1,821	25,746
ACCUMULATED DEPRECIATION					
As at 1 April 2018	4,748	24	2,790	909	8,471
Provided for the year	2,821	57	267	693	3,838
Written off	—	—	(491)	—	(491)
Exchange realignment	(234)	—	(30)	(45)	(309)
As at 31 March 2019 and 1 April 2019	7,335	81	2,536	1,557	11,509
Provided for the year	3,460	53	415	585	4,513
Written off	—	—	(90)	(1,316)	(1,406)
Exchange realignment	(352)	—	(13)	(150)	(515)
As at 31 March 2020 and 1 April 2020	10,443	134	2,848	676	14,101
Provided for the year	3,910	46	476	604	5,036
Written off	—	—	(117)	—	(117)
Eliminated on disposals	639	—	42	11	692
As at 31 March 2021	14,992	180	3,249	1,291	19,712
NET BOOK VALUE					
As at 31 March 2019	6,357	129	822	1,044	8,352
As at 31 March 2020	6,556	76	668	777	8,077
As at 31 March 2021	4,763	30	711	530	6,034

The net book value of the Target Group's right-of-use assets included in property, plant and equipment as at Track Record Period represented the properties leased for own use and carried at depreciated cost.

For the years ended 31 March 2019, 2020 and 2021, the Target Group leases various offices for its operations. Lease contracts are entered into for fixed term of 2 to 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Target Group applies the definition of a contract and determines the period for which the contract is enforceable.

14. INTANGIBLE ASSETS

	Software
	HK$'000
COST	
As at 1 April 2018	—
Additions	219
Exchange realignment	(12)
As at 31 March 2019 and 1 April 2019	207
Additions	202
Exchange realignment	(14)
As at 31 March 2020 and 1 April 2020	395
Additions	379
Exchange realignment	50
As at 31 March 2021	824
ACCUMULATED AMORTISATION	
As at 1 April 2018	—
Provided for the year	56
Exchange realignment	(3)
As at 31 March 2019 and 1 April 2019	53
Provided for the year	106
Exchange realignment	(5)
As at 31 March 2020 and 1 April 2020	154
Provided for the year	217
Eliminated on disposals	20
As at 31 March 2021	391
NET BOOK VALUE	
As at 31 March 2019	154
As at 31 March 2020	241
As at 31 March 2021	433

15. LEASE LIABILITIES

The following table shows the remaining contractual maturities of the lease liabilities at the end of the Track Record Period:

	As at 31 March		
	2019	2020	2021
	HK$'000	*HK$'000*	*HK$'000*
Within 1 year	2,602	3,527	3,986
More than 1 year but within 2 years	2,337	2,846	756
More than 2 years but within 5 years	1,721	327	21
	6,660	6,700	4,763

Future lease payments are due as follows:

	As at 31 March		
	2019	2020	2021
	HK$'000	*HK$'000*	*HK$'000*
Minimum lease payment			
Not later than 1 year	2,879	3,788	4,130
More than 1 year but within 2 years	2,490	2,934	774
More than 2 years but within 5 years	1,766	334	21
	7,135	7,056	4,925
Less: future interest expense	(475)	(356)	(162)
Present value of lease liabilities	6,660	6,700	4,763

The present value of future lease payments are analysed as:

	As at 31 March		
	2019	2020	2021
	HK$'000	*HK$'000*	*HK$'000*
Current liabilities	2,602	3,527	3,986
Non-current liabilities	4,058	3,173	777
	6,660	6,700	4,763

16. INVENTORIES

	As at 31 March		
	2019	2020	2021
	HK$'000	*HK$'000*	*HK$'000*
Merchandise	892	879	690

17. TRADE RECEIVABLES

	As at 31 March		
	2019	**2020**	**2021**
	HK$'000	*HK$'000*	*HK$'000*
Trade receivables	47,440	38,787	39,371

The Target Group allows a credit period ranging from 7 to 90 days to its customers. The following is an aging analysis of trade receivables (net of provision for impairment), presented based on the invoice dates, at the end of each Track Record Period:

	As at 31 March		
	2019	**2020**	**2021**
	HK$'000	*HK$'000*	*HK$'000*
Within 1 month	24,860	22,588	24,023
More than 1 month but not more than 3 months	19,561	13,860	13,738
More than 3 months but not more than 6 months	2,825	2,029	1,259
More than 6 months but not more than a year	169	307	351
More than a year	25	3	—
	47,440	38,787	39,371

Details of impairment assessment of trade receivables for the years ended 31 March 2019, 2020 and 2021 are set out in Note 26.

18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 March		
	2019	**2020**	**2021**
	HK$'000	*HK$'000*	*HK$'000*
Prepayments	6,587	6,347	4,463
Deposits	744	698	933
Other receivables	105	128	192
Contract assets *(note)*	9,316	17,687	12,880
	16,752	24,860	18,468
Less: non-current portion of rental deposit	(616)	(662)	(610)
	16,136	24,198	17,858

Note:

Contract assets

The contract assets mainly represent revenue of IT integration and service which the Target Group's rights to receive consideration for work completed but not billed as at the Track Record Period. The contract assets are transferred to receivables when the rights become unconditional.

Contract assets increased by approximately HK$3,622,000 and HK$8,371,000 during the years ended 31 March 2019 and 2020 respectively were primarily due to increase of outgoing IT service contract in progress during the years. However, contract assets decreased by approximately HK$4,807,000 during the year ended 31 March 2021 was primarily due to decrease of outgoing IT service contract in progress during the year.

Changes in contract assets primarily relate to the Target Group's performance of IT services under the contracts. Trade receivables of approximately HK$5,694,000, HK$9,316,000, and HK$17,687,000 of the Target Group were recognised for the years ended 31 March 2019, 2020 and 2021 that were included in the contract assets at the beginning of the relevant years, respectively.

There was no impairment loss recognised on contract assets during the Track Record Period. Details of impairment assessment of trade receivables for the year ended 31 March 2019, 2020 and 2021 are set out in Note 26.

19. CASH AND CASH EQUIVALENTS AND BANK DEPOSITS

	As at 31 March		
	2019	**2020**	**2021**
	HK$'000	*HK$'000*	*HK$'000*
Cash and cash equivalents *(note (a))*	21,944	26,132	50,636
Bank deposits *(note (b))*	50,018	42,097	51,740
	71,962	68,229	102,376

Note:

(a) Cash and cash equivalents represent cash at banks and in hand. Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

(b) Bank deposits represent fixed deposits with maturity more than three months from the date of acquisition which carried interest at prevailing market rates ranging from 1.5% to 2.7%, 1.1% to 2.1% and 0.1% to 0.3% as at 31 March 2019, 2020 and 2021, respectively.

20. TRADE PAYABLES

	As at 31 March		
	2019	**2020**	**2021**
	HK$'000	*HK$'000*	*HK$'000*
Trade payables	10,490	9,792	9,425

Payment terms with suppliers are mainly on credit ranging from 30 to 60 days from invoice date. The following is an age analysis of trade payables presented based on invoice date at the end of each of the Track Record Period:

	As at 31 March		
	2019	**2020**	**2021**
	HK$'000	*HK$'000*	*HK$'000*
Within 1 month	8,046	7,805	7,558
More than 1 month but not more than 3 months	2,298	1,675	963
More than 3 months but not more than 6 months	146	170	193
More than 6 months but not more than a year	—	124	311
More than a year	—	18	400
	10,490	9,792	9,425

21. ACCRUAL AND OTHER PAYABLES

	As at 31 March		
	2019	2020	2021
	HK$'000	*HK$'000*	*HK$'000*
Accrual expenses	13,883	15,279	14,316
Salary and bonus payable	16,790	15,972	13,548
Other tax payables	901	416	894
Other payables	23	226	18
Contract liabilities *(note)*	55,970	43,576	42,681
	87,567	75,469	71,457
Less: Non-current portion of other payables	(1,520)	(1,520)	(1,520)
	86,047	73,949	69,937

Note:

Contract liabilities

Contract liabilities represent deposits received from customers in relation to their purchase contracts placed with the Target Group.

Changes in contract liabilities primarily relate to the Target Group's performance of services under the contracts. Revenue of approximately HK$33,755,000, HK$55,970,000, and HK$43,576,000 of the Target Group were recognised for the years ended 31 March 2019, 2020 and 2021 that were included in the contract liabilities at the beginning of the relevant years, respectively.

22. AMOUNTS DUE FROM/(TO) A SHAREHOLDER, RELATED COMPANIES AND PARTY

As at the end of each Track Record Period, the amounts due from/(to) a shareholder, related companies and party listed as follows were unsecured, interest-free and repayable on demand:

	As at 31 March		
Name of related companies	2019	2020	2021
	HK$'000	*HK$'000*	*HK$'000*
Amount due from/(to) a shareholder			
ServiceOne Global Holdings Limited	10,072	18,028	(47,251)
Amounts due from related companies			
Expert Systems Limited	210	477	91
北京直信創鄴數碼科技有限公司	25,275	26,045	—
	25,485	26,522	91
Amount due to a related party			
ServiceOne Limited — VB	12,515	15,500	—
Maximum outstanding balance during the year			
Expert Systems Limited	216	477	477
北京直信創鄴數碼科技有限公司	26,211	33,964	26,645

23. SHARE CAPITAL

The Target Company was incorporated in the British Virgin Islands on 2 March 2021 with an authorised share capital of 50,000 ordinary shares of US$1 each. On 5 March 2021, ten ordinary shares of total US$10 were issued and allotted to ServiceOne Global Holdings Limited as a consideration for acquisition of the subsidiaries as mentioned in Note 2(a).

For the purpose of this report, the share capital of the Target Group as at 31 March 2019, 2020 and 2021 represented the combined share capital of the entities now comprising the Target Group at the end of each the Track Record Period.

24. RESERVES

The amounts of the Target Group's reserves and the movements therein for the Track Record Period are presented in the combined statements of changes in equity on page II-8 of this circular.

(a) Statutory surplus reserve

In accordance with the articles of association of subsidiaries established in the PRC, these subsidiaries are required to transfer 10% of the profit after taxation to the statutory reserve until the reserve reaches 50% of the registered capital. Transfer to this reserve shall be made before distributing dividends to equity holders. The statutory reserve can be used to make up for previous years' losses, expand the existing operations or convert into additional capital of the subsidiaries.

(b) Translation reserve

The amount represents gains/losses arising on retranslating the net assets of foreign operations into presentation currency of the Target Group.

(c) Retained earnings

Cumulative net gains and losses recognised in profit or loss.

(d) Merger reserve

The merger reserve of the Target Group represents the capital contribution by the shareholder of the Target Company. Details of the Reorganisation refer to Note 2.

25. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The carrying amounts presented in the combined statement of financial position relate to the following categories of financial assets and financial liabilities.

	As at 31 March		
	2019	**2020**	**2021**
	HK$'000	*HK$'000*	*HK$'000*
Financial assets at amortised cost:			
Trade receivables	47,440	38,787	39,371
Other receivables and deposits	837	720	958
Amount due from a shareholder	10,072	18,028	—
Amounts due from related companies	25,485	26,522	91
Bank deposits	50,018	42,097	51,740
Cash and cash equivalents	21,944	26,132	50,636
	155,796	152,286	142,796
Financial liabilities at amortised cost:			
Trade payables	10,490	9,792	9,425
Accruals and other payables	30,696	31,477	27,882
Amount due to a shareholder	—	—	47,251
Amount due to a related party	12,515	15,500	—
Lease liabilities	6,660	6,700	4,763
	60,361	63,469	89,321

26. FINANCIAL RISK MANAGEMENT

The Target Group's financial assets that derive directly from its operations are trade and other receivables, deposits, amounts due from related companies and a shareholder, bank deposits and cash and cash equivalents. Principal financial liabilities of the Target Group include trade and other payables, amounts due to a related party and a shareholder and lease liabilities. The main purpose of these financial liabilities is to finance the Target Group's operations.

The main risks arising from the Target Group's financial instruments are credit risk, liquidity risk, and currency risk. The Target Group does not enter into or trade financial instruments for speculative purposes.

The Target Group's financial risk management policy seeks to ensure that adequate resources are available to manage the above risks and to create value for its shareholders.

Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Target Group. The Target Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its business.

The Target Group continuously monitors defaults of customers and other counterparties, identifies either individually or by group, and incorporates this information into its credit risk controls. The Target Group's policy is to deal only with creditworthy counterparties.

The Target Group's management considers that all financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due.

The Target Group has, to certain extent, a concentration of credit risk, the balance due from the Target Group's largest customer amounted to 18%, 15% and 14% of the total trade receivables at 31 March 2019, 2020 and 2021 respectively. The balances due from the Target Group's five largest customers amounted to 46%, 36% and 49% of the total trade receivables at 31 March 2019, 2020 and 2021 respectively.

The credit risk for cash at bank and bank deposits are considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

The Target Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Target Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Target Group's different customer bases.

The Target Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	**Description**	**Trade receivables**	**Other financial assets**
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL — not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL — not credit-impaired	Lifetime ECL — not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL — credit-impaired	Lifetime ECL — credit-impaired
Written off	There is evidence indicating that the debtor is in severe financial difficulty and the Target Group has no realistic prospect of recovery	Amount is written off	Amount is written off

The table below details the credit risk exposures of the Target Group's financial assets, which are subject to ECL assessment:

Financial assets at amortised cost	**External credit rating**	**Internal credit rating**	**12 months or life time ECL**	**As at 31 March**		
				2019	**2020**	**2021**
				HK$'000	*HK$'000*	*HK$'000*
Trade receivables	N/A	Low risk *(note (a))*	Lifetime ECL	47,440	38,787	39,371
Deposits and other receivables	N/A	Low risk *(note (b))*	12 months ECL	837	720	958
Amount due from a shareholder	N/A	Low risk *(note (b))*	12 months ECL	10,072	18,028	—
Amounts due from related companies	N/A	Low risk *(note (b))*	12 months ECL	25,485	26,522	91
Bank deposits	P-1	N/A	12 months ECL	50,018	42,097	51,740
Cash and cash equivalents	Aa1-A3	N/A	12 months ECL	21,944	26,132	50,636
				155,796	152,286	142,796

Notes:

(a) For trade receivables, the Target Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The ECL on trade receivables are assessed individually. The directors of the Target Group consider the counterparties with good credit worthiness with reference to external credit rating, historical observed default rates over the expected life and adjusted for forward-looking information that is available without undue cost or effort. In the opinion of the directors of the Company, the estimated loss rates of these counterparties are not significant and the Target Group assessed that the ECL on these balances are insignificant.

(b) For the purpose internal credit risk management, the Target Group uses past due information to assess whether credit risk has increased significantly since initial recognition. As at 31 March 2019, 2020 and 2021, none of the balance is impaired. In the opinion of the directors of the Target Group, the estimated loss rates of these counterparties are not significant and the Target Group assessed that the ECL on these balances is insignificant.

Liquidity risk

Liquidity risk relates to the risk that the Target Group will not be able to meet its obligations associated with its financial liabilities. The Target Group is exposed to liquidity risk in respect of settlement of trade and other payables, and also in respect of its cash flow management. The Target Group's objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and longer term.

The Target Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major banks and financial institutions to meet its liquidity requirements in the short and longer terms.

The liquidity policies have been followed by the Target Group during the Track Record Period and are considered to have been effective in managing liquidity risks.

The following tables show the remaining contractual maturities at the end of each Track Record Period of the Target Group's financial liabilities, based on undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the reporting date) and the earliest date the Target Group can be required to pay.

	Weighted average interest rate	On demand or less than one year	One to two years	Over two years	Total undiscounted cash flows	Carrying amount
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 March 2019						
Trade payables	N/A	10,490	—	—	10,490	10,490
Accruals and other payables	N/A	30,696	—	—	30,696	30,696
Amount due to a related party	N/A	12,515	—	—	12,515	12,515
Lease liabilities	5%	2,879	2,490	1,766	7,135	6,660
		56,580	2,490	1,766	60,836	60,361

	Weighted average interest rate	On demand or less than one year *HK$'000*	One to two years *HK$'000*	Over two years *HK$'000*	Total undiscounted cash flows *HK$'000*	Carrying amount *HK$'000*
As at 31 March 2020						
Trade payables	N/A	9,792	—	—	9,792	9,792
Accruals, deposits and other payables	N/A	31,477	—	—	31,477	31,477
Amount due to a related party	N/A	15,500	—	—	15,500	15,500
Lease liabilities	5%	3,788	2,934	334	7,056	6,700
		60,557	2,934	334	63,825	63,469
As at 31 March 2021						
Trade payables	N/A	9,425	—	—	9,425	9,425
Accruals, deposits and other payables	N/A	27,882	—	—	27,882	27,882
Amount due to a shareholder	N/A	47,251	—	—	47,251	47,251
Lease liabilities	5%	4,130	774	21	4,925	4,763
		88,688	774	21	89,483	89,321

Currency risk

The Target Group has foreign currency transactions, which exposes the Target Group to foreign currency risk. Certain cash and cash equivalents, trade receivables and trade payables of the Target Group are denominated in foreign currencies. The Target Group are mainly exposed to foreign currency of US$, EUR, RMB and JPY. The carrying amounts of the Target Group's cash and cash equivalents, trade receivables and trade payables denominated in foreign currencies at the end of each Track Record Period are summarised as follows:

	As at 31 March		
	2019 *HK$'000*	**2020** *HK$'000*	**2021** *HK$'000*
Assets			
US$	61,385	55,529	71,752
EUR	1,870	2,242	2,929
RMB	980	42	24
JPY	220	69	—
Liabilities			
US$	2,451	3,229	2,181

During the Track Record Period, the Target Group has not adopted any hedging strategy in the long run but management continuously monitors the foreign exchange risk exposure on a case-by-case basis. The Target Group has not used any hedging contracts to engage in speculative activities.

Sensitivity analysis

Since HK$ is pegged to US$, the management considers that the exchange rate fluctuation between Hong Kong dollars and US$ is not significant and therefore has not been included in the sensitivity analysis. In the opinion of the directors of the Target Group, the Target Group does not expect any significant movements between the exchange rate of US$ against HK$. Hence, only sensitivity of the change in foreign exchange rate of HK$ against EUR, RMB and JPY is considered. The sensitivity analysis uses outstanding foreign currency denominated monetary items as a base and adjusts their translation at the end of each Track Record Period for a 5% change in foreign currency rate. A positive number below indicates an increase in profit before tax where foreign currencies strengthens 5% against HK$. For a 5% weakening of foreign currencies against HK, there would be an equal and opposite impact on profit before tax.

	As at 31 March		
	2019	**2020**	**2021**
	HK$'000	*HK$'000*	*HK$'000*
Impact on profit before tax			
EUR	94	112	146
RMB	49	2	1
JPY	11	3	—

27. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in these financial statements, the Target Group had the following material related party transactions:

(a) Related party transactions

		Year ended 31 March		
	Nature of transaction	**2019**	**2020**	**2021**
		HK$'000	*HK$'000*	*HK$'000*
	Revenue			
Expert Systems Limited	Out-sourcing IT support service	2,054	2,839	2,831
	Maintenance services	48	48	48
Expert Systems (Macau) Limited	Out-sourcing IT support service	156	156	156
	Other incomes and gains			
ServiceOne Limited — VB	Management fee income	233	209	203
	Cost of services			
Expert Systems Limited	Cost of inventories	592	212	218
ServiceOne Limited — VB	Subcontract cost	113	330	204
北京直信創鄰數碼科技有限公司	Subcontract cost	16,748	18,772	19,553

(b) Compensation of key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Target Group. The remuneration of the director and other members of key management of the Target Group during the current and prior year was as follows:

	Year ended 31 March		
	2019	**2020**	**2021**
	HK$'000	*HK$'000*	*HK$'000*
Director's fee, salaries and other benefits	1,698	3,372	1,859
Performance-based bonus	3,038	4,403	2,250
Retirement benefit scheme contributions	54	54	44
	4,790	7,829	4,153

(c) The Target Group and Experts Systems Holdings Limited, entered into an arrangement to share certain office expenses ("**Shared Office Expenses**"), including local travelling expenses, printing and stationery expenses, repair and maintenance charges, communication charges, utilities charges, cleaning and sanitation and water and electricity expenses incurred by Experts Systems Holdings Limited. The Shared Office Expenses incurred during the Track Record Period were allocated based on the ratio of the office area occupied by the Target Group to that of Experts Systems Holdings Limited. Shared Office Expenses allocated to Target Group were approximately of HK$188,000, HK$166,000, HK$137,000 for the years ended 31 March 2019, 2020 and 2021 respectively.

28. NOTES TO THE COMBINED STATEMENT OF CASH FLOWS

(a) Reconciliation of liabilities arising from financing activities:

	Amount due to a shareholder	**Amount due to a related party**	**Lease liabilities**
	HK$'000	*HK$'000*	*HK$'000*
As at 1 April 2018	—	8,015	7,718
Financing cash flows			
— Interest paid on lease liabilities	—	—	(354)
— Repayment of lease liabilities	—	—	(2,926)
— Advance from a related party	—	4,500	—
Other changes			
— Interest expense recognised	—	—	354
— Recognition of lease liabilities	—	—	2,093
— Exchange realignment	—	—	(225)
As at 31 March 2019 and 1 April 2019	—	12,515	6,660
Financing cash flows			
— Interest paid on lease liabilities	—	—	(380)
— Repayment of lease liabilities	—	—	(3,347)
— Advance from a related party	—	2,985	—
Other changes			
— Interest expense recognised	—	—	380
— Recognition of lease liabilities	—	—	3,629
— Exchange realignment	—	—	(242)
As at 31 March 2020	—	15,500	6,700

	Amount due to a shareholder *HK$'000*	Amount due to a related party *HK$'000*	Lease liabilities *HK$'000*
As at 1 April 2020	—	15,500	6,700
Financing cash flows			
— Interest paid on lease liabilities	—	—	(302)
— Repayment of lease liabilities	—	—	(3,849)
— Repayment to shareholder	(18,016)	—	—
— Advance from related parties	—	3,412	—
Other changes			
— Interest expense recognised	—	—	302
— Recognition of lease liabilities	—	—	1,765
— Rent concessions	—	—	(134)
— Dividend declared *(Note 12)*	73,000	—	—
— Offsetting of related parties balance *(note b)*	(7,733)	(18,912)	—
— Exchange realignment	—	—	281
As at 31 March 2021	47,251	—	4,763

(b) Major non-cash transaction:

During the year ended 31 March 2021, the shareholder of Target Group entered into an agreement with related parties such that the amount due from 北京直信創鄴數碼科技有限公司 approximately of HK$26,645,000 and amount due to ServiceOne Limited — VB approximately of HK$18,912,000 were settled by offsetting the amount due from a shareholder.

29. CAPITAL MANAGEMENT

The Target Group's capital management objectives include:

(a) to safeguard the Target Group's ability to continue as a going concern, so that it continues to provide returns for owners and benefits for other stakeholders;

(b) to support the Target Group's stability and growth; and

(c) to provide capital for the purpose of strengthening the Target Group's risk management capability.

The Target Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder's returns, taking into consideration the future capital requirements of the Target Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities.

Management regards total equity attributable to owners of the Target Company as capital. The amount of capital as at 31 March 2019, 2020 and 2021 amounted to approximately HK$63,921,000, HK$78,628,000 and HK$34,055,000 respectively.

Set out below is the management discussion and analysis of the Target Group for each of the three years ended 31 March 2019, 2020 and 2021. All references to "FY2019", "FY2020" and "FY2021" mean the financial years ended 31 March 2019, 2020 and 2021, respectively.

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Revenue

Revenue of the Target Group consists principally of fees derived from the provision of post-implementation IT infrastructure management services. The amount of revenue recognised by the Target Group for each of FY2019, FY2020 and FY2021 are as follows:

	FY2019	**FY2020**	**FY2021**
	HK$'000	*HK$'000*	*HK$'000*
At a point in time			
Integration	30,438	18,162	21,942
Services	2,598	3,859	5,739
Overtime			
Services	214,182	262,197	249,382
	247,218	284,218	277,063

Set out below is a breakdown of the Target Group's revenue by geographical location for each of FY2019, FY2020 and FY2021.

	FY2019	**FY2020**	**FY2021**
	HK$'000	*HK$'000*	*HK$'000*
Hong Kong	121,930	164,391	149,026
PRC	120,105	114,417	120,286
Others *(Note)*	5,183	5,410	7,751
	247,218	284,218	277,063

Note: Others include Macau, Singapore, Taiwan, Korea and Australia.

Revenue of the Target Group for FY2020 amounted to approximately HK$284.2 million, representing an increase of approximately 15.0% as compared to that for FY2019 of approximately HK$247.2 million. The increase in revenue for FY2020 was mainly attributable to the increase in service demand from certain major customers for post-implementation IT services.

Revenue of the Target Group for FY2021 amounted to approximately HK$277.1 million, representing a slight decrease of approximately 2.5% as compared to that for FY2020 of approximately HK$284.2 million. The decrease was mainly attributable to the decrease in IT spending from certain customers as a result of customers' service requirements during FY2021.

Cost of services and gross profit

Cost of services of the Target Group mainly represented subcontracting fees, staff costs for operational staff and purchase costs for IT hardware and software, and amounted to approximately HK$186.3 million, HK$223.6 million and HK$214.8 million for FY2019, FY2020 and FY2021, respectively.

The gross profit of the Target Group amounted to approximately HK$60.9 million, HK$60.6 million and HK$62.2 million for FY2019, FY2020 and FY2021, respectively, representing gross profit margin of approximately 24.6%, 21.3% and 22.5% for FY2019, FY2020 and FY2021, respectively.

The decrease in gross profit margin by 3.3 percentage points from approximately 24.6% for FY2019 to approximately 21.3% for FY2020 was mainly contributed by the mix of post-implementation services provided by the Target Group, where the Target Group recorded larger contribution from projects with lower margin and smaller contribution from maintenance services with higher margin in FY2020 as compared to that for FY2019.

The slight increase in gross profit margin from approximately 21.3% for FY2020 to approximately 22.5% for FY2021 was mainly contributed by the Target Group recording smaller contribution from projects with lower margin in FY2021.

Other incomes and gains

Other incomes and gains of the Target Group of approximately HK$1.0 million and HK$1.8 million for FY2019 and FY2020, respectively, mainly represented bank interest income. Other incomes and gains of the Target Group of approximately HK$7.8 million for FY2021 mainly represented wage subsidies under the Employment Support Scheme of approximately HK$6.5 million and bank interest income of approximately HK$0.5 million. Rent concessions related to COVID-19 pandemic of approximately HK$0.1 million also contributed to the other income of the Target Group for FY2021.

Administrative expenses

The administrative expenses of the Target Group mainly represented staff costs for non-operational staff and other operating and administrative expenses including marketing expenses, utilities, travelling and entertainment and repair and maintenance expenses, which amounted to approximately HK$45.8 million, HK$43.8 million and HK$38.4 million for FY2019, FY2020 and FY2021, respectively.

The decrease in administrative expenses of the Target Group by approximately 4.4% from HK$45.8 million for FY2019 to approximately HK$43.8 million for FY2020 was mainly contributed by the decrease in staff bonus and commission. The further decrease in administrative expenses of the Target Group by approximately 12.5% from approximately HK$43.8 million for FY2020 to approximately HK$38.4 million for FY2021 was mainly contributed by (i) the decrease in senior management compensation of approximately HK$3.7 million, of which approximately HK$3.1 million was contributed by the decrease in emoluments for one of the key management of the Target Group, to reflect his permanent change in role and responsibilities from being executive management to non-executive management; (ii) the decrease in staff cost for non-operational staff (excluding senior management) of approximately HK$1.4 million, as a result of the Target Group exercising tighter cost control; and (iii) the decrease in marketing expenses of approximately HK$0.2 million.

Finance cost

The finance costs of the Target Group of approximately HK$0.4 million, HK$0.4 million and HK$0.3 million for FY2019, FY2020 and FY2021, respectively, mainly represented interest expenses arisen from lease liabilities.

Net profit

As a result of the above, the Target Group recorded net profit of approximately HK$12.4 million, HK$16.1 million, and HK$26.0 million for FY2019, FY2020 and FY2021, representing a net profit margin of approximately 5.0%, 5.7%,and 9.4%, respectively.

Adjusted net profit

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**
	HK$'000	*HK$'000*	*HK$'000*
Net profit of the Target Group	12,358	16,102	26,030
Adjusted for non-operating and non-recurring items:			
(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

The adjusted net profit of the Target Group amounted to approximately HK$11.7 million, HK$15.0 million and HK$19.8 million for FY2019, FY2020 and FY2021, respectively, representing an adjusted net profit margin of approximately 4.7%, 5.3% and 7.1%, respectively.

Major balance sheet items

Trade receivables

The trade receivables of the Target Group represented receivables from its customers, which amounted to approximately HK$47.4 million, HK$38.8 million and HK$39.4 million as at 31 March 2019, 2020 and 2021, respectively. The Target Group allows a credit period ranging from 7 to 90 days to its customers. As at 31 March 2021, more than 95% of the trade receivables of the Target Group were aged not more than 3 months based on invoice dates.

Prepayments, deposits and other receivables

The prepayments, deposits and other receivables of the Target Group mainly comprised contract assets. The contract assets of the Target Group represented the right to receive consideration for work completed but not billed, which amounted to approximately HK$9.3 million, HK$17.7 million and HK$12.9 million as at 31 March 2019, 2020 and 2021, respectively. The contract assets are transferred to trade receivables when the rights become unconditional. No impairment loss was recognised on contract assets during FY2019, FY2020 and FY2021.

Cash and cash equivalents and bank deposits

The cash and cash equivalents and bank deposits of the Target Group amounted to approximately HK$72.0 million, HK$68.2 million and HK$102.4 million as at 31 March 2019, 2020 and 2021, respectively. The increase in cash and cash equivalents and bank deposits as at 31 March 2021 was mainly attributable to the net cash generated from operating activities during FY2021.

Trade payables

The trade payables of the Target Group mainly represented fees payable to its subcontractors and suppliers. The payment terms with suppliers are mainly on credit ranging from 30 to 60 days from invoice date. As at 31 March 2021, more than 90% of the trade payables of the Target Group were aged not more than 3 months based on invoice dates.

Accruals and other payables

The accruals and other payables of the Target Group mainly represented contract liabilities. The contract liabilities of the Target Group represented deposits received from customers in relation to their purchase contracts placed with the Target Group, which amounted to approximately HK$56.0 million, HK$43.6 million and HK$42.7 million as at 31 March 2019, 2020 and 2021, respectively. The change in contract liabilities relate to the performance of services by the Target Group under the contracts.

The remaining accruals and other payables of the Target Group mainly represented expenses accrued for services performed, fees to non-trade suppliers and salary and bonus payable, which amounted to approximately HK$30.1 million, HK$30.4 million and HK$27.3 million as at 31 March 2019, 2020 and 2021, respectively.

Amount due from/to a shareholder

The Target Group had amount due from ServiceOne Global Holdings Limited of approximately HK$18.0 million as at 31 March 2020, which represented advances to ServiceOne Global Holdings Limited. Such balance was fully set off by the settlement of the dividend of approximately HK$73.0 million during FY2021. The Target Group had amount due to ServiceOne Global Holdings Limited of approximately HK$47.3 million as at 31 March

2021, which represented advances from ServiceOne Global Holdings Limited. The advances from ServiceOne Global Holdings Limited were unsecured and interest-free. Such balance will be fully settled prior to Completion.

Amounts due from related companies

The Target Group had amounts due from related companies of approximately HK$91,000 as at 31 March 2021, as compared to approximately HK$26.5 million as at 31 March 2020. The balance of approximately HK$26.5 million as at 31 March 2020 mainly represented amount due from an entity of the Vendor Group of approximately HK$26.0 million for advances, which was fully settled during FY2021. The balance as at 31 March 2021 of approximately HK$91,000 represented amount due from the Company for the provision of services by the Target Group.

Amount due to a related party

The Target Group had amount due to a related party of approximately HK$15.5 million as at 31 March 2020, representing amount due to ServiceOne Limited (Vendor Business) for advances. Such balance was fully settled during FY2021. As at 31 March 2021, the Target Group did not have any amount due to a related party.

Share Capital

The Target Group had share capital of less than HK$1,000 as at 31 March 2021, which represented the share capital of the Target Company incorporated on 2 March 2021. The share capital of approximately HK$3.0 million as at 31 March 2019 and 31 March 2020 represented the share capital of ServiceOne Limited, which was assumed as the holding entity of the Target Group in FY2019 and FY2020.

Reserve

The decrease in reserve from approximately HK$75.2 million as at 31 March 2020 to HK$34.1 million as at 31 March 2021 is mainly due to the net effect of (i) increase in net profit for FY2021 of approximately HK$26.0 million; (ii) increase in translation reserve of approximately HK$2.8 million which represents the gains arising from translating the net assets of foreign operations into the presentation currency of the Target Group; (iii) increase in merger reserve of approximately HK$3.0 million, which represents the capital contribution by the shareholder of the Target Company and (iv) deducting the dividend paid of approximately HK$73.0 million.

Dividend

Prior to the reorganisation of the Target Group, certain subsidiaries of the Target Company had declared interim dividends of HK$nil, HK$nil and HK$73.0 million for the years ended 31 March 2019, 2020 and 2021, respectively to their then shareholders. The dividend of HK$73.0 million declared by the Target Group for the year ended 31 March 2021 has been fully settled.

Human resources

As at 31 March 2021, the Target Group had 727 employees. Staff costs (including directors' remuneration) of the Target Group amounted to approximately HK$102.0 million, HK$125.3 million and HK$121.7 million for FY2019, FY2020 and FY2021, respectively. Staff remuneration is determined with reference to market terms and the performance, qualification and experience of the individual employee.

Liquidity and financial resources and borrowings

The Target Group finances its operations primarily through cash generated from its operating activities. As at 31 March 2021, the Target Group had cash and cash equivalents and bank deposits of approximately HK$102.4 million. Most of the Target Group's cash and cash equivalents were denominated in HK$, US$, Euro and Renminbi.

As the Target Group did not have any bank borrowings as at 31 March 2019, 2020 and 2021, the gearing ratio, which was calculated on the basis of the amount of total bank borrowings divided by the total equity attributable to owners of the Target Group, was nil, nil and nil as at 31 March 2019, 2020 and 2021, respectively.

Capital structure

As at 31 March 2019, 2020 and 2021, the capital structure of the Target Group comprised issued share capital and reserves.

Significant investments

As at 31 March 2019, 2020 and 2021, the Target Group did not hold any significant investments.

Material acquisitions and disposals

The Target Group did not have any material acquisitions or disposal of subsidiaries, associates or joint ventures for FY2019, FY2020 and FY2021, respectively.

Charges on the Target Group's assets

As at 31 March 2019, 2020 and 2021, none of the assets of the Target Group were pledged.

Foreign exchange exposure

The majority of the Target Group's transactions are denominated in HK$, US$ and Renminbi. Certain cash and cash equivalents, trade receivables and trade payables of the Target Group are denominated in foreign currencies, including US$, Renminbi, Euro and JPY. The Target Group does not have a foreign currency hedging policy and did not use any financial instruments to hedge foreign exchange risk. However, the Target Group will continue to closely monitor its exposure to currency movement and take proactive measures should the need arise.

Contingent liabilities

As at 31 March 2019, 2020 and 2021, the Target Group did not have any material contingent liabilities.

The information set out in this Appendix does not form part of the Accountants' Reports on the Target Group, as set out in "Appendix II Accountants' Reports on the Target Group", and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with the Accountants' Reports set out in "Appendix II Accountants' Reports on the Target Group".

A. BASIS OF PREPARATION OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The unaudited pro forma financial information presented below is prepared to illustrate (a) the financial position of Expert Systems Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") as if the acquisition of 70% of the entire issued share capital of ServiceOne International Holdings Limited (the "Acquisition") had been completed on 31 March 2021; and (b) the financial performance and cash flows of the Group as if the Acquisition had been completed on 1 April 2020. This unaudited pro forma financial information has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group as at 31 March 2021 or at any future date had the Acquisition been completed on 31 March 2021 or the financial performance and cash flows of the Group for the year ended 31 March 2021 or for any future period had the Acquisition been completed on 1 April 2020. The unaudited pro forma financial information is prepared based on the unaudited consolidated statement of financial position as at 31 March 2021, the audited consolidated statement of comprehensive income and audited consolidated statement of cash flows of the Group for the year ended 31 March 2021 extracted from the annual report of the Company for the year ended 31 March 2021 after giving effect to the pro forma adjustments described in the accompanying notes and was prepared in accordance with Rules 7.31 and 19.69(4)(a)(ii) of the GEM Listing Rules.

B. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

(i) Pro Forma Consolidated Statement of Financial Position of the Enlarged Group as at 31 March 2021

			Pro forma adjustment				
	Audited consolidated statement of financial position of the Group as at 31 March 2021	**Audited consolidated statement of financial position of the Target Group as at 31 March 2021**	**Fair value adjustment on date of acquisition**	**Purchase consideration and recognition of goodwill**	**Recognition of transaction costs**	**Elimination of intra-group balances within the Enlarged Group**	**Unaudited pro forma consolidated statement of position of the Enlarged Group as at 31 March 2021**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 1)*	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	
ASSETS AND LIABILITIES							
Non-current assets							
Property, plant and equipment	5,956	6,034	—	—	—	—	11,990
Finance lease receivables	244	—	—	—	—	—	244
Intangible assets	—	433	14,839	—	—	—	15,272
Rental deposits	—	610	—	—	—	—	610
Other receivables	2,356	—	—	—	—	—	2,356
Goodwill	—	—	—	107,488	—	—	107,488
	8,556	7,077	14,839	107,488	—	—	137,960

	Audited consolidated statement of financial position of the Group as at 31 March 2021	Audited consolidated statement of financial position of the Target Group as at 31 March 2021	Pro forma adjustment: Fair value adjustment on date of acquisition	Pro forma adjustment: Purchase consideration and recognition of goodwill	Pro forma adjustment: Recognition of transaction costs	Pro forma adjustment: Elimination of intra-group balances within the Enlarged Group	Unaudited pro forma consolidated statement of position of the Enlarged Group as at 31 March 2021
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 1)*	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	
Current assets							
Inventories	3,997	690	—	—	—	—	4,687
Trade receivables	83,742	39,371	—	—	—	—	123,113
Prepayments, deposits and other receivables	7,341	17,858	—	—	(654)	—	24,545
Amounts due from a related company	—	91	—	—	—	(91)	—
Finance lease receivables	213	—	—	—	—	—	213
Tax recoverable	—	476	—	—	—	—	476
Bank deposits	2,021	51,740	—	—	—	—	53,761
Cash and cash equivalents	152,105	50,636	—	(21,252)	—	—	181,489
	249,419	160,862	—	(21,252)	(654)	(91)	388,284

	Audited consolidated statement of financial position of the Group as at 31 March 2021	Audited consolidated statement of financial position of the Target Group as at 31 March 2021	Pro forma adjustment: Fair value adjustment on date of acquisition	Pro forma adjustment: Purchase consideration and recognition of goodwill	Pro forma adjustment: Recognition of transaction costs	Pro forma adjustment: Elimination of intra-group balances within the Enlarged Group	Unaudited pro forma consolidated statement of financial position of the Enlarged Group as at 31 March 2021
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 1)*	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	
Current liabilities							
Trade payables	98,351	9,425	—	—	—	—	107,776
Accruals, deposits received and other payables	29,148	69,937	—	—	2,393	—	101,478
Amount due to a shareholder	—	47,251	—	—	—	—	47,251
Amount due to a related company	91	—	—	—	—	(91)	—
Lease liabilities	1,538	3,986	—	—	—	—	5,524
Consideration payable	—	—	—	43,148	—	—	43,148
Tax payables	1,914	988	—	—	—	—	2,902
	131,042	131,587	—	43,148	2,393	(91)	308,079
Net current assets	118,377	29,275	—	(64,400)	(3,047)	—	80,205
Total assets less current liabilities	126,933	36,352	14,839	43,088	(3,047)	—	218,165

	Audited consolidated statement of financial position of the Group as at 31 March 2021	Audited consolidated statement of financial position of the Target Group as at 31 March 2021	Pro forma adjustment: Fair value adjustment on date of acquisition	Pro forma adjustment: Purchase consideration and recognition of goodwill	Pro forma adjustment: Recognition of transaction costs	Pro forma adjustment: Elimination of intra-group balances within the Enlarged Group	Unaudited pro forma consolidated statement of position of the Enlarged Group as at 31 March 2021
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 1)*	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	
Non-current liabilities							
Other payables	627	1,520	—	—	—	—	2,147
Convertible bond	—	—	—	63,904	—	—	63,904
Deferred tax liabilities	—	—	2,448	—	—	—	2,448
Lease liabilities	4,311	777	—	—	—	—	5,088
	4,938	2,297	2,448	63,904	—	—	73,587
Net assets	121,995	34,055	12,391	(20,816)	(3,047)	—	144,578
EQUITY							
Share capital	8,000	—	—	—	—	—	8,000
Reserves	113,995	34,055	12,391	(34,750)	(3,047)	—	122,644
Equity attributable to owners of the Company	121,995	34,055	12,391	(34,750)	(3,047)	—	130,644
Non-controlling interests	—	—	—	13,934	—	—	13,934
Total equity	121,995	34,055	12,391	(20,816)	(3,047)	—	144,578

(ii) Pro Forma Consolidated Statement of Comprehensive Income of the Enlarged Group for the year ended 31 March 2021

			Pro forma adjustment				
	Audited consolidated statement of comprehensive income of the Group for the year ended 31 March 2021	**Audited consolidated statement of comprehensive income of the Target Group for the year ended 31 March 2021**	**Elimination of intra-group transactions within the Enlarged Group**	**Recognition of transaction costs and interest on convertible bond**	**Recognition of non-controlling interests**	**Adjustments on amortisation and related tax effect**	**Unaudited pro forma consolidated statement of comprehensive income of the Enlarged Group for the year ended 31 March 2021**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 1)*	*(Note 5)*	*(Note 6)*	*(Note 7)*	*(Note 8)*	
Revenue	533,944	277,063	(3,253)	—	—	—	807,754
Cost of sales/services	(461,936)	(214,820)	3,253	—	—	—	(673,503)
Gross profit	72,008	62,243	—	—	—	—	134,251
Other incomes and gains	6,023	7,766	—	—	—	—	13,789
Selling expenses	(40,472)	—	—	—	—	—	(40,472)
Administrative expenses	(12,413)	(38,352)	—	(3,047)	—	(3,187)	(56,999)
Reversal of expected credit loss on financial assets	244	—	—	—	—	—	244
Finance cost	(339)	(302)	—	(2,343)	—	—	(2,984)
Profit before income tax expense	25,051	31,355	—	(5,390)	—	(3,187)	47,829
Income tax expense	(3,331)	(5,325)	—	—	—	526	(8,130)
Profit for the year	21,720	26,030	—	(5,390)	—	(2,661)	39,699

	Audited consolidated statement of comprehensive income of the Group for the year ended 31 March 2021	Audited consolidated statement of comprehensive income of the Target Group for the year ended 31 March 2021	Pro forma adjustment: Elimination of intra-group transactions within the Enlarged Group	Pro forma adjustment: Recognition of transaction costs and interest on convertible bond	Pro forma adjustment: Recognition of non-controlling interests	Pro forma adjustment: Adjustments on amortisation and related tax effect	Unaudited pro forma consolidated statement of comprehensive income of the Enlarged Group for the year ended 31 March 2021
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 1)*	*(Note 5)*	*(Note 6)*	*(Note 7)*	*(Note 8)*	
Profit for the year	21,720	26,030	—	(5,390)	—	(2,661)	39,699
Other comprehensive income							
Items that may be reclassified to profit or loss in subsequent periods							
Exchange differences on translating foreign operation	—	2,757	—	—	—	—	2,757
	21,720	28,787	—	(5,390)	—	(2,661)	42,456
Profit for the year attribute to:							
Owners of the Company	21,720	26,030	—	(5,390)	(7,809)	(1,863)	32,688
Non-controlling interests	—	—	—	—	7,809	(798)	7,011
	21,720	26,030	—	(5,390)	—	(2,661)	39,699
Total comprehensive income attribute to:							
Owners of the Company	21,720	28,787	—	(5,390)	(827)	(2,661)	41,629
Non-controlling interests	—	—	—	—	827	—	827
	21,720	28,787	—	(5,390)	—	(2,661)	42,456

(iii) Pro Forma Consolidated Statement of Cash Flows of the Enlarged Group for the year ended 31 March 2021

			Pro forma adjustment		
	Audited consolidated statement of cash flows of the Group for the year ended 31 March 2021	**Audited consolidated statement of cash flows of the Target Group for the year ended 31 March 2021**	**Payment of the purchase consideration**	**Payment of the transaction costs and interest paid for convertible bond**	**Unaudited pro forma consolidated statement of cash flows of the Enlarged Group for the year ended 31 March 2021**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 1)*	*(Note 3)*	*(Note 6)*	
Net cash flow generated from operating activities	63,592	33,930	—	(3,047)	94,475
Investing activities					
Increase in bank deposits	(2,021)	(15,790)	—	—	(17,811)
Withdrawal of bank deposits	—	5,733	—	—	5,733
Repayment to related parties	—	(600)	—	—	(600)
Advance from a shareholder	—	18,028	—	—	18,028
Purchase of property, plant and equipment	(212)	(797)	—	—	(1,009)
Purchase of intangible assets	—	(379)	—	—	(379)
Prepayment of right-of-use assets	—	(81)	—	—	(81)
Interest received	509	468	—	—	977
Net cash outflow on acquisition of subsidiaries	—	—	(38,268)	—	(38,268)
Net cash (used in)/generated from investing activities	(1,724)	6,582	(38,268)	—	(33,410)

	Audited consolidated statement of cash flows of the Group for the year ended 31 March 2021	Audited consolidated statement of cash flows of the Target Group for the year ended 31 March 2021	Pro forma adjustment: Payment of the purchase consideration	Pro forma adjustment: Payment of the transaction costs and interest paid for convertible bond	Unaudited pro forma consolidated statement of cash flows of the Enlarged Group for the year ended 31 March 2021
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 1)*	*(Note 3)*	*(Note 6)*	
Financing activities					
Interest paid on lease liabilities	(339)	(302)	—	—	(641)
Interest paid on convertible bond	—	—	—	(1,890)	(1,890)
Dividend paid	(3,600)	—	—	—	(3,600)
Principal elements of lease payments	(1,223)	(3,849)	—	—	(5,072)
Repayment to a shareholder	—	(18,016)	—	—	(18,016)
Advance from related parties	—	3,412	—	—	3,412
Net cash used in financing activities	(5,162)	(18,755)	—	(1,890)	(25,807)
Net increase/(decrease) in cash and cash equivalents	56,706	21,757	(38,268)	(4,937)	35,258
Effect of foreign exchange rate changes	—	2,747	—	—	2,747
Cash and cash equivalents at beginning of the year	95,399	26,132	(26,132)	—	95,399
Cash and cash equivalents at end of the year	152,105	50,636	(64,400)	(4,937)	133,404

C. NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

1. The financial information of the Group is extracted from the annual report of the Company for the year ended 31 March 2021 as published on 28 June 2021. The financial information of ServiceOne International Holdings Limited ("Target Company") together with its subsidiaries (the "Target Group") is extracted from the Accountants' Report as set out in Appendix II to this Circular, and conforms with the presentation of the Group's financial information.

2. Notwithstanding the fact that both the Group and the Target Group are under common control, the directors of the Company consider that it is more appropriate to apply acquisition accounting under Hong Kong Financial Reporting Standard ("HKFRS") 3 "Business Combinations" in respect of the Acquisition as this will provide more relevant and useful information to financial statement users and it better reflects the economic substance of the transaction. Based on the foregoing, the identifiable assets and liabilities of the Target Group will be accounted for in the consolidated financial statements of the Enlarged Group at their fair values under the acquisition method of accounting in accordance with HKFRS 3.

   For the purpose of the preparation of the unaudited pro forma consolidated statement of assets and liabilities, the adjustment represents the fair value adjustments on the Target Group's identifiable intangible assets and the recognition of related deferred tax liabilities, as if the Acquisition had been taken place on 31 March 2021.

   The unaudited pro forma purchase price allocation to the identifiable assets and liabilities of the Target Group has been determined based on a valuation prepared by Vigers Appraisal and Consulting Limited ("Vigers"), an independent professional valuer not connected to the Enlarged Group. For the purpose of preparing the unaudited pro forma consolidated statement of financial position, the directors of the Company assumed that apart from the assets and liabilities subject to the unaudited pro forma fair value adjustments stated in note 3, the unaudited pro forma fair values of the remaining identifiable assets and liabilities of the Target Group are approximate to their respective carrying amounts as at 31 March 2021.

   Since the fair value of the identifiable net assets of the Target Group at the date of the actual completion of the Acquisition may be substantially different from the current fair value adjustments estimated for the purpose of the unaudited pro forma information of the Enlarged Group, the amounts of the fair value adjustments, corresponding non-controlling interests, deferred tax impact and goodwill recognised at the actual completion date of the Acquisition may be different from the amounts presented in the unaudited pro forma consolidated statement of financial position.

3. Pursuant to the Sales and Purchase Agreement (as defined in the Circular), Expert Systems Group Limited, a company incorporated in the BVI with limited liability and a directly wholly-owned subsidiary of the Company, conditionally agreed to acquire 70% of the entire issued share capital of Target Company at the total

consideration of HK$140,000,000, which will be satisfied as to (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. The Convertible Bond shall mature on the fifth anniversary of the date of the issue and subject to interest of 2.5% per annum, payable annually in arrears.

The following table summarises the fair value of consideration, the net amounts of the identifiable assets acquired and liabilities assumed, the amount of non-controlling interests and goodwill recognised as if the Acquisition had taken place at 31 March 2021:

	HK$'000	*HK$'000*
Fair value of considerations transferred:		
— Cash and cash equivalents paid		21,252
— Consideration payable		43,148
— Convertible Bond *(note a)*		75,600
		140,000
Less: Net identifiable assets acquired:		
— Net assets as at 31 March 2021	(34,055)	
— Fair value adjustments *(note b)*	(14,839)	
— Deferred tax liabilities related to the fair value adjustments	2,448	(46,446)
Add: Non-controlling interests *(note c)*		13,934
Goodwill on acquisition *(note c)*		107,488

Note a: The Convertible Bond is considered as a compound instrument with: (i) liability component, the 2.5% coupon bonds and (ii) the equity component, the conversion feature.

With reference to a professional valuation conducted by Vigers, and for the purpose of preparing the Unaudited Pro Forma Consolidated Statement of Financial Position, the Directors estimated that the fair value of the Convertible Bond as at 31 March 2021 is approximately HK$75,600,000. The Convertible Bond comprises of: i) liability component amounted to approximately HK$63,904,000 and ii) the equity component of approximately HK$11,696,000. The fair value of the Convertible Bond as a whole is estimated by using binomial option pricing model. Key parameters used in the binomial option pricing model include the closing market price of the Company's shares on 31 March 2021 of HK$0.121, volatility of 46%, yield to maturity of 6.2% and dividend yield of 4.8%. The fair value of the liability component is estimated by discounting the estimated contractual cash flows over the contractual terms of the Convertible Bonds at a rate of 6.2% as at 31 March 2021.

Note b: The unaudited pro forma fair value adjustments on intangible assets are related to backlog orders and customer relationships of the Target Group, the fair value of which is estimated based on the independent valuation report prepared by an independent professional valuer, Vigers, as at 31 March 2021.

The unaudited pro forma fair value of backlog orders is estimated at HK$4,389,000 and based on multi-period excess earnings method. The backlog order means the portion of the total estimated revenue that has not been recognised with respect to projects which had not been completed as at 31 March 2021.

The unaudited pro forma fair value of customer relationship is estimated at HK$10,450,000 based on multi-period excess earnings method.

Note c: For the purpose of the pro forma consolidated statement of financial position, the goodwill of HK$107,488,000 arising from the Acquisition, which represents the amount by which the purchase consideration exceeds the fair value of the identifiable assets and liabilities of the Target Group to be acquired, is computed as if the Acquisition had been completed on 31 March 2021. The amount of goodwill is subject to change when the fair value of the consideration, the fair value of identifiable assets acquired and liabilities assumed of the Target Group and the amount of non-controlling interests therein is finalised on date of actual completion of the Acquisition. The amount of non-controlling interests is based on the 30% of the fair value of the identifiable assets and liabilities of the Target Group.

The following table summaries details of the adjustments on the reserves of the Enlarged Group:

	HK$'000
Elimination of fair value adjustments on intangible assets *(Note 2)*	14,839
Elimination of pre-acquisition reserve of the Target Group	34,055
Recognition of deferred tax on fair value adjustments deducted from fair value adjustments	(2,448)
Recognition of equity component of Convertible Bond *(note a)*	(11,696)
	34,750

The Group's accounting policies for goodwill are in accordance with the applicable accounting standards. Goodwill is initially measured at cost, being the excess of the aggregate of the fair value of the consideration transferred, the amount of non-controlling interest in the acquiree over the net fair value of the identifiable assets acquired, liabilities and contingent liabilities assumed. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 March. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

The Directors confirm that the basis used in the preparation of the Unaudited Pro Forma Financial Information is consistent with the accounting policies of the Group. The Group will consistently apply the above accounting policies for goodwill, save for compliance with any new or revised HKFRSs that would be issued by the HKICPA, to perform impairment test of the Enlarged Group's goodwill during the future accounting periods of the Enlarged Group. If the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit will be tested for impairment before the end of the current annual period. The Directors consider that the Group's accounting treatment and principal assumptions used to assess the impairment of such goodwill will be the same as other acquisitions of similar nature. To the best knowledge of the Directors, the Company's independent auditors will conduct the audit in accordance with applicable Hong Kong Standards on Auditing issued by the HKICPA to perform the impairment assessment of the Enlarged Group's goodwill during the future annual audits of the Enlarged Group.

For the purpose of the Unaudited Pro Forma Financial Information, the Group has assessed if there is any impairment indication of the goodwill arising from the Acquisition in accordance with Hong Kong Accounting Standard ("**HKAS**") 36 "Impairment of Assets" which is consistent with the Group's accounting policies. The Directors are of the view that, after performing the impairment assessment, there is no impairment indication of the goodwill arising from the Proposed Acquisition as set out in the Unaudited Pro Forma Financial Information.

The following table summaries the net cash outflow of the Acquisition with the calculation:

	HK$'000
Cash and cash equivalents of Target Group as at 1 April 2020 *(note)*	26,132
Less: cash consideration for acquisition of 70% of the entire issued share capital	(64,400)
Net cash outflow from the Acquisition	(38,268)

Note: The figure is extracted from the combined statement of financial position as at 1 April 2020 as set out in Accountants' Report in Appendix II to this Circular for the year ended 31 March 2020. This represents cash and cash equivalent acquired as part of the Acquisition, the amount is excluded from the opening cash and cash equivalent of the Enlarged Group.

No other adjustment has been made to the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Enlarged Group to reflect any operating results or other transaction entered into by the Group or the Target Group subsequent to 31 March 2021. These pro forma adjustments will not have any continuing effect on the Enlarged Group's consolidated statement of comprehensive income and consolidated statement of cash flows.

4. This represents the recognition of transaction costs to be incurred by the Company for the Acquisition. The amount is subject to change upon the actual completion of the Acquisition. This adjustment is not expected to have a continuing effect on the Enlarged Group.

5. It represents the elimination of the transactions and balances between the Group and Target Group. The following table summarises the intra-group transactions within the Enlarged Group eliminated as if the Acquisition had been completed on 1 April 2020 and the figures are extracted from the Accountants' Report as set out in Appendix II to this Circular:

	Nature of transaction	*HK$'000*
Revenue	Out-sourcing IT support services	2,987
	Maintenance Services	48
Cost of services	Cost of inventories	218
		3,253

All intra-group balances within the Enlarged Group are eliminated on consolidation as if the Acquisition was completed on 31 March 2021.

6. This represents the recognition of transaction costs and interest on Convertible Bond to be incurred by the Company for the Acquisition. The amount is subject to change upon the actual completion of the Acquisition. This adjustment of the part of transaction costs is not expected to have continuing effect on the Enlarged Group and the interest on Convertible Bond is expected to have a continuing effect on the Enlarged Group.

7. This represents the recognition of profit and other comprehensive income for the year attributable to non-controlling interests of the Target Group as if the Acquisition has been completed on 1 April 2020. This adjustment is expected to have a continuing effect on the Enlarged Group.

8. This represents the adjustments on amortisation in respect of the fair value adjustments recognised on the date of completion of the Acquisition and the corresponding reversal of resulting deferred tax liabilities for the year ended 31 March 2021. The adjustment on amortisation of intangible assets is calculated on straight-line basis over the useful lives as below:

Backlog orders	4 years
Customer Relationships	5 years

This adjustment is expected to have a continuing effect on the Enlarged Group.

9. For the purpose of the pro forma consolidated statement of cash flows, only adjustments directly attributable to the transaction concerned and not relating to future events or decisions are taken into account. The directors of the Company are of the opinion that, after taking into account of the Enlarged Group's internal resources, cash flow from operations, the facilities presently available to the Group, the effect of the Acquisition, the Group will have sufficient working capital to satisfy its present requirements, that is, for at least the next twelve months from the date of this circular in the absence of unforeseen circumstances.

10. No adjustments have been made to the Unaudited Pro Forma Financial Information to reflect any trading results or other transactions of the Group or the Target Group entered into subsequent to 31 March 2021.

D. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of the independent reporting accountants' assurance report received from BDO Limited, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this circular.

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TO THE DIRECTORS OF EXPERT SYSTEMS HOLDINGS LIMITED

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Expert Systems Holdings Limited (the "Company") and its subsidiaries (the "Group") and ServiceOne International Holdings Limited and its subsidiaries (the "Target Group") (collectively the "Enlarged Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of financial position as at 31 March 2021, the unaudited pro forma statement of comprehensive income for the year ended 31 March 2021, the unaudited pro forma statement of cash flows for the year ended 31 March 2021 and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages IV-1 to IV-15 of the circular issued by the Company dated 17 September 2021 (the "Circular"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages IV-1 to IV-15 of the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the proposed acquisition of 70% of the entire issued share capital of ServiceOne International Holdings Limited (the "Acquisition") on the Group's financial position as at 31 March 2021 and the Group's financial performance and cash flows for the year ended 31 March 2021 as if the Acquisition had taken place at 31 March 2021 and 1 April 2020, respectively. As part of this process, information about the Group's financial position, financial performance and cash flows has been extracted by the Directors from the Group's financial statements for the year ended 31 March 2021, on which an audit report has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited (the "GEM Listing

Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "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 Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM 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 its 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 accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31 of the GEM 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 an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction 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 on 31 March 2021 for the Enlarged Group's financial position and on 1 April 2020 for the Enlarged Group's financial performance and cash flows 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 event or 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 accountants' judgment, having regard to the reporting accountants' understanding of the nature of the company, the event or 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 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 7.31(1) of the GEM Listing Rules.

Yours faithfully,

BDO Limited
Certified Public Accountants
Tang Tak Wah
Practising Certificate Number P06262
Hong Kong, 17 September 2021

MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

Set out below is the management discussion and analysis of the Group for the three years ended 31 March 2019, 31 March 2020 and 31 March 2021, details of which are set out in the annual reports of the Company for the three years ended 31 March 2019, 31 March 2020 and 31 March 2021, respectively. Unless otherwise defined in this circular or the context otherwise requires, capitalised terms used in this appendix shall have the same meanings as those ascribed in the abovementioned annual reports of the Company, as the case may be.

1. FOR THE YEAR ENDED 31 MARCH 2019

BUSINESS REVIEW

For the year ended 31 March 2019 ("**FY2019**") as compared to the last corresponding year ("**FY2018**"), the Group recorded a revenue increase of approximately 28.3% and its gross profit increased by approximately 24.7%.

Business in the Private Sector

The Group's revenue in the private sector increased by approximately 34.1% from approximately HK$153.0 million, representing 45.4% of its total revenue, for FY2018 to approximately HK$205.1 million, representing 47.4% of its total revenue, for FY2019.

The Group's gross profit in the private sector for FY2019 amounted to approximately HK$27.3 million, representing 50.6% of its total gross profit and an increase of approximately HK$3.9 million, or approximately 16.9%, as compared to that of FY2018 of approximately HK$23.3 million, representing 54.0% of its total gross profit. The Group's gross profit margin in FY2019 was approximately 13.3%, representing a decrease of 2.0 percentage points as compared to that of FY2018 of approximately 15.3%.

The Group considers that the increase in revenue from the private sector was mainly due to the increase in demand for IT infrastructure solutions from its customers in the private sector. As the Group deployed a more competitive pricing strategy to increase its overall market share, the Group's profit margin from the private sector was reduced.

Business in the Public Sector

The Group's revenue in the public sector increased by approximately 23.4% from approximately HK$184.2 million, representing 54.6% of its total revenue, for FY2018 to approximately HK$227.4 million, representing 52.6% of its total revenue, for FY2019.

The Group's gross profit in the public sector for FY2019 amounted to approximately HK$26.7 million, representing 49.4% of its total gross profit and an increase of approximately HK$6.8 million, or approximately 34.0%, as compared to that of FY2018 of approximately HK$19.9 million, representing 46.0% of its total gross profit. The Group's gross profit margin for FY2019 was approximately 11.7%, representing an increase of 0.9 percentage point as compared to that of FY2018 of approximately 10.8%.

The Group considers that the increase in revenue from the public sector was mainly due to the increase in demand for IT infrastructure solutions from its customers in the public sector and the increase in gross profit margin from the public sector was the result of its efforts in obtaining more favourable terms from its suppliers.

FINANCIAL REVIEW

Revenue

The Group's revenue increased by approximately 28.3% from approximately HK$337.2 million for FY2018 to approximately HK$432.5 million for FY2019, which was primarily attributable to the increase in demand from its customers in both private and public sectors for IT infrastructure solutions in FY2019 as compared to FY2018.

Gross profit and gross profit margin

For FY2019, the Group's gross profit amounted to approximately HK$54.0 million, representing an increase of approximately HK$10.7 million, or approximately 24.7%, as compared to that of FY2018 of approximately HK$43.2 million.

The Group's gross profit margin in FY2019 was approximately 12.5%, representing a slight decrease of 0.3 percentage point as compared to that of FY2018 of approximately 12.8%. The decrease in gross profit margin was mainly because the Group deployed a more competitive pricing strategy to increase its overall market share.

Other income and gains

The Group's other income decreased by approximately HK$0.1 million (or approximately 14.5%) from approximately HK$0.9 million for FY2018 to approximately HK$0.8 million for FY2019. The decrease was mainly due to lower interest income and sundry income in FY2019.

Selling expenses

For FY2019, the Group's selling expenses amounted to approximately HK$30.5 million, representing an increase of approximately HK$5.1 million (or approximately 20.2%) as compared to FY2018 of approximately HK$25.4 million. Such increase was mainly attributed by the increase in the Group's staff cost.

Administrative expenses

The Group's administrative expenses for FY2019 were approximately HK$11.3 million, representing an increase of approximately HK$0.4 million (or approximately 3.5%) from approximately HK$10.9 million for FY2018. The increase was primarily due to the net effect of (i) the increase in staff costs of approximately HK$0.6 million; (ii) the increase in legal and professional fees of approximately HK$0.3 million; (iii) the increase in depreciation expenses of approximately HK$0.2 million; (iv) the decrease in rent and rates for office and warehouse of approximately HK$0.6 million; and (v) the decrease in staff benefits of approximately HK$0.1 million.

Expected credit loss on financial assets

The Group applies the simplified approach to trade receivables to provide for expected credit losses prescribed by HKFRS 9 Financial Instruments in FY2019. As a result, impairment loss on financial assets of approximately HK$0.3 million was charged for FY2019 (FY2018: HK$nil).

Income tax expense

The Group's income tax expense for FY2019 was approximately HK$1.9 million, representing an increase of approximately 86.7% from approximately HK$1.0 million for FY2018. The increase in the Group's income tax expense was mainly due to the higher assessable profits in FY2019.

Profit attributable to owners of the Company

The profit attributable to owners of the Company amounted to approximately HK$10.8 million for FY2019, representing an increase of approximately HK$3.9 million (or approximately 56.1%) as compared with that of approximately HK$6.9 million for FY2018, which was primarily attributable to the abovementioned effects.

Earnings per share

Basic and diluted earnings per share for profit attributable to owners of the Company for FY2019 amounted to approximately HK$1.34 cents, representing an increase of approximately HK0.48 cent (or approximately 55.8%) as compared to approximately HK0.86 cent in FY2018.

Liquidity, financial resources and funding

The Group financed its operations primarily through cash generated from its operating activities. During FY2019, the Group did not have any bank borrowings. As at 31 March 2018 and 2019, the Group had cash and cash equivalents of approximately HK$96.0 million and HK$99.1 million, respectively, which were cash at banks and in hand. As at 31 March 2018 and 2019, no bank deposit was pledged.

The banking facility granted to the Group as at 31 March 2019 amounted to HK$10.8 million (31 March 2018: HK$10.8 million), of which HK$10.8 million was unutilised (31 March 2018: HK$10.8 million).

The Group's gearing ratio, which is calculated by total debt (defined as bank and other debts incurred not in the ordinary course of business) divided by total equity, were nil as at 31 March 2018 and 2019.

Capital structure

As at 31 March 2019, the capital structure of the Company comprised issued share capital and reserves.

Commitments

The Group's contract commitments mainly involve leases of office and warehouse properties. As at 31 March 2019, the Group's operating lease commitments were approximately HK$5.8 million (31 March 2018: approximately HK$4.8 million).

Future plans for material investments and capital assets

Save as disclosed in the Company's prospectus dated 30 March 2016 and the Company's announcement dated 17 January 2018 regarding change of use of proceeds, the Group did not have other plans for material investments and capital assets.

Material acquisitions and disposals of subsidiaries and affiliated companies

The Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies during FY2019.

Significant investments

As at 31 March 2019, the Group did not hold any significant investments.

Contingent liabilities

The Group had no material contingent liabilities as at 31 March 2019 (31 March 2018: nil).

Exposure to exchange rate fluctuation

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group mainly operates in Hong Kong with most of the transactions denominated and settled in HK$. During FY2019, the Group's exposure to foreign currency risk primarily arose from certain financial instruments including trade receivables, cash and cash equivalents and held-to-maturity investments which are denominated in MOP and/or US$. During FY2019, the Group did not adopt any hedging strategy but the management continuously monitored the foreign exchange risk exposure on a case-by-case basis. The Group did not use any hedging contracts to engage in speculative activities during FY2019.

Charge on the Group's assets

As 31 March 2018 and 2019, the Group had no charges on its assets.

Information on employees

As at 31 March 2019, the Group had 77 employees (31 March 2018: 79) working in Hong Kong. Employees are remunerated according to their performance and work experience. On top of basic salary, commission, discretionary bonus and share option may be granted to eligible staff by reference to the Group's performance as well as individual's performance. The total staff cost (including remuneration of the Directors and mandatory provident funds contributions) for FY2019 amounted to approximately HK$35.0 million (FY2018: HK$29.3 million).

2. FOR THE YEAR ENDED 31 MARCH 2020

BUSINESS REVIEW

For the year ended 31 March 2020 ("**FY2020**") as compared to the last corresponding year ("**FY2019**"), the Group recorded a revenue increase of approximately 8.0% and its gross profit increased by approximately 8.2%.

Business in the Private Sector

The Group's revenue in the private sector increased by approximately 4.7% from approximately HK$205.1 million, representing 47.4% of its total revenue, for FY2019 to approximately HK$214.8 million, representing 46.0% of its total revenue, for FY2020.

The Group's gross profit in the private sector for FY2020 amounted to approximately HK$31.0 million, representing 53.1% of its total gross profit and an increase of approximately HK$3.7 million, or approximately 13.6%, as compared to that of FY2019 of approximately HK$27.3 million, representing 50.6% of its total gross profit. The Group's gross profit margin in FY2020 was approximately 14.4%, representing an increase of 1.1 percentage points as compared to that of FY2019 of approximately 13.3%.

The Group considers that the increase in revenue from the private sector was mainly due to the increase in demand for IT infrastructure solutions from its customers in the private sector and the increase in gross profit margin from the private sector was the result of the Group's efforts in obtaining more favourable terms from its suppliers.

Business in the Public Sector

The Group's revenue in the public sector increased by approximately 11.0% from approximately HK$227.4 million, representing 52.6% of its total revenue, for FY2019 to approximately HK$252.5 million, representing 54.0% of its total revenue, for FY2020.

The Group's gross profit in the public sector for FY2020 amounted to approximately HK$27.4 million, representing 46.9% of its total gross profit and an increase of approximately HK$0.7 million, or approximately 2.6%, as compared to that of FY2019 of approximately HK$26.7 million, representing 49.4% of its total gross profit. The Group's gross profit margin for FY2020 was approximately 10.8%, representing a decrease of 0.9 percentage point as compared to that of FY2019 of approximately 11.7%.

The Group's considers that the increase in revenue from the public sector was mainly due to the increase in demand for IT infrastructure solutions from its customers in the public sector. As the Group deployed a more competitive pricing strategy to increase its overall market share, the Group's profit margin from the public sector was reduced.

FINANCIAL REVIEW

Revenue

The Group's revenue increased by approximately 8.0% from approximately HK$432.5 million for FY2019 to approximately HK$467.3 million for FY2020, which was primarily attributable to the increase in demand from its customers in both private and public sectors for IT infrastructure solutions in FY2020 as compared to FY2019.

Gross profit and gross profit margin

For FY2020, the Group's gross profit amounted to approximately HK$58.4 million, representing an increase of approximately HK$4.4 million, or approximately 8.2%, as compared to that of FY2019 of approximately HK$54.0 million.

The Group's gross profit margin in FY2020 was approximately 12.5% and it was maintained at the same level as FY2019.

Other income and gains

The Group's other income increased by approximately HK$0.4 million (or approximately 49.1%) from approximately HK$0.8 million for FY2019 to approximately HK$1.2 million for FY2020. The increase was mainly due to higher interest income and sundry income in FY2020.

Selling expenses

For FY2020, the Group's selling expenses amounted to approximately HK$35.0 million, representing an increase of approximately HK$4.5 million (or approximately 14.8%) as compared to FY2019 of approximately HK$30.5 million. Such increase was mainly attributed to the increase in the Group's staff cost.

Administrative expenses

The Group's administrative expenses for FY2020 were approximately HK$11.2 million, representing a decrease of approximately HK$0.1 million (or approximately 0.2%) from approximately HK$11.3 million for FY2019. The decrease was primarily due to the net effect of (i) the increase in staff costs of approximately HK$0.2 million; (ii) the decrease in exchange loss of approximately HK$0.1 million; and (iii) the decrease in legal and professional fees of approximately HK$0.2 million.

Expected credit loss on financial assets

The Group applies the simplified approach to financial assets to provide for expected credit losses prescribed by HKFRS 9 Financial Instruments. As a result, an impairment loss of less than HK$0.1 million was charged for FY2020 (FY2019: HK$0.3 million).

Finance cost

Finance costs represented interest expenses arisen from lease liabilities of approximately HK$0.4 million for FY2020 (FY2019: nil) as a result of adoption of the new accounting policy — HKFRS 16 Leases starting from 1 April 2019.

Income tax expense

The Group's income tax expense for FY2020 was approximately HK$2.1 million, representing an increase of approximately 7.0% from approximately HK$1.9 million for FY2019. The increase in the Group's income tax expense was mainly due to the higher assessable profits in FY2020.

Profit attributable to owners of the Company

The profit attributable to owners of the Company amounted to approximately HK$10.7 million for FY2020 representing a slight decrease of approximately HK$0.1 million (or approximately 0.5%) as compared with that of approximately HK$10.8 million for FY2019, which was primarily attributable to the abovementioned effects.

Earnings per share

Basic and diluted earnings per share for profit attributable to owners of the Company for FY2020 amounted to approximately HK1.34 cents and maintained at around same level at FY2019.

Liquidity, financial resources and funding

The Group financed its operations primarily through cash generated from its operating activities. During FY2020, the Group did not have any bank borrowings. As at 31 March 2020 and 2019, the Group had cash and cash equivalents of approximately HK$95.4 million and HK$99.1 million, respectively, which were cash at banks and in hand. As at 31 March 2020 and 2019, no bank deposit was pledged.

The banking facility granted to the Group as at 31 March 2020 was nil as the facility was expired on 31 March 2020 (31 March 2019: HK$10.8 million). As at 31 March 2019, HK$10.8 million was unutilised.

The Group's gearing ratio, which is calculated by total debt (defined as bank and other debts incurred not in the ordinary course of business) divided by total equity, was nil as at 31 March 2019 and 2020.

Capital structure

As at 31 March 2020, the capital structure of our Company comprised issued share capital and reserves.

Future plans for material investments and capital assets

The Group did not have other plans for material investments and capital assets.

Material acquisitions and disposals of subsidiaries and affiliated companies

The Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies during FY2020.

Significant investments

As at 31 March 2020, the Group did not hold any significant investments.

Contingent liabilities

The Group had no material contingent liabilities as at 31 March 2020 (31 March 2019: nil).

Exposure to exchange rate fluctuation

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group mainly operates in Hong Kong with most of the transactions denominated and settled in HK$. During FY2020, the Group's exposure to foreign currency risk primarily arose from certain financial instruments including trade receivables, and cash and cash equivalents which are denominated in MOP and/or US$. During FY2020, the Group did not adopt any hedging strategy but the management continuously monitored the foreign exchange risk exposure on a case-by-case basis. The Group did not use any hedging contracts to engage in speculative activities during FY2020.

Charge on the Group's assets

As 31 March 2019 and 2020, the Group had no charges on its assets.

Information on employees

As at 31 March 2020, the Group had 91 employees (31 March 2019: 77) working in Hong Kong. Employees are remunerated according to their performance and work experience. On top of basic salary, commission, discretionary bonus and share option may be granted to eligible staff by reference to the Group's performance as well as individual's performance. The total staff cost (including remuneration of the Directors and mandatory provident funds contributions) for FY2020 amounted to approximately HK$40.1 million (FY2019: HK$35.0 million).

3. FOR THE YEAR ENDED 31 MARCH 2021

BUSINESS REVIEW

For the year ended 31 March 2021 ("**FY2021**") as compared to the last corresponding year ("**FY2020**"), the Group recorded a revenue increase of approximately 14.3% and its gross profit increased by approximately 23.3%.

Business in the Private Sector

The Group's revenue in the private sector increased by approximately 12.1% from approximately HK$214.8 million, representing 46.0% of its total revenue, for FY2020 to approximately HK$240.8 million, representing 45.1% of its total revenue, for FY2021.

The Group's gross profit in the private sector for FY2021 amounted to approximately HK$38.7 million, representing 53.7% of its total gross profit and an increase of approximately HK$7.7 million, or approximately 24.6%, as compared to that of FY2020 of approximately HK$31.0 million, representing 53.1% of its total gross profit. The Group's gross profit margin in FY2021 was approximately 16.1%, representing an increase of 1.7 percentage points as compared to that of FY2020 of approximately 14.4%.

The Group considers that the increase in revenue from the private sector was mainly due to the increase in demand for IT infrastructure solutions from its customers in the private sector and the increase in gross profit margin from the private sector was the result of our efforts in obtaining more favourable terms from our suppliers.

Business in the Public Sector

The Group's revenue in the public sector increased by approximately 16.1% from approximately HK$252.5 million, representing 54.0% of its total revenue, for FY2020 to approximately HK$293.1 million, representing 54.9% of its total revenue, for FY2021.

The Group's gross profit in the public sector for FY2021 amounted to approximately HK$33.3 million, representing 46.3% of its total gross profit and an increase of approximately HK$5.9 million, or approximately 21.9%, as compared to that of FY2020 of approximately HK$27.4 million, representing 46.9% of its total gross profit. The Group's gross profit margin for FY2021 was approximately 11.4%, representing an increase of 0.6 percentage point as compared to that of FY2020 of approximately 10.8%.

The Group considers that the increase in revenue from the public sector was mainly due to the increase in demand for IT infrastructure solutions from its customers in the public sector and the increase in gross profit margin from the public sector was the result of its efforts in obtaining more favourable terms from our suppliers.

FINANCIAL REVIEW

Revenue

The Group's revenue increased by approximately 14.3% from approximately HK$467.3 million for FY2020 to approximately HK$533.9 million for FY2021, which was primarily attributable to the increase in demand from its customers in both private and public sectors for IT infrastructure solutions in FY2021 as compared to FY2020.

Gross profit and gross profit margin

For FY2021, the Group's gross profit amounted to approximately HK$72.0 million, representing an increase of approximately HK$13.6 million, or approximately 23.3%, as compared to that of FY2020 of approximately HK$58.4 million.

The Group's gross profit margin in FY2021 was approximately 13.5%, representing an increase of approximately 1.0 percentage point as compared to that of FY2020 of approximately 12.5%. The increase in the Group's gross profit margin was the result of its efforts in obtaining more favourable terms from its suppliers.

Other income and gains

The Group's other income and gains increased by approximately HK$4.8 million, or approximately 406.1%, from approximately HK$1.2 million for FY2020 to approximately HK$6.0 million for FY2021. The increase was mainly due to the net effect of (i) government grants of HK$4.5 million from the Employment Support Scheme under the Anti-Epidemic Fund that the Group recognised during the period; (ii) rent concessions related to COVID-19 pandemic of HK$0.2 million obtained from Landlord; (iii) increase in exchange gain by HK$0.2 million; and (iv) decrease in interest income by HK$0.2 million.

Selling expenses

For FY2021, the Group's selling expenses amounted to approximately HK$40.3 million, representing an increase of approximately HK$5.3 million (or approximately 15.5%) as compared to FY2020 of approximately HK$35.0 million. Such increase was mainly attributed by the increase in the Group's staff cost.

Administrative expenses

The Group's administrative expenses for FY2021 were approximately HK$12.4 million, representing an increase of approximately HK$1.2 million (or approximately 10.3%) from approximately HK$11.2 million for FY2020. Such increase was mainly attributed by the increase in the Group's staff cost.

Expected credit loss on financial assets

The Group applies the simplified approach to financial assets, being trade receivables, to provide for expected credit losses prescribed by HKFRS 9 Financial Instruments. As a result, a reversal of impairment loss of approximately HK$0.2 million was recognised for FY2021 (FY2020: provision for impairment loss less than HK$0.1 million).

Finance cost

Finance costs represented interest expenses arisen from lease liabilities of approximately HK$0.3 million for FY2021 (FY2020: HK$0.4 million).

Income tax expense

The Group's income tax expense for FY2021 was approximately HK$3.3 million, representing an increase of approximately 59.7% from approximately HK$2.1 million for FY2020. The increase in the Group's income tax expense was mainly due to the higher assessable profits in FY2021.

Profit attributable to owners of the Company

The profit attributable to owners of the Company increased by approximately 103.1% from approximately HK$10.7 million for FY2020 to approximately HK$21.7 million for FY2021, which was primarily attributable to the above mentioned effects. Excluding the government subsidies of HK$4.5 million from the Employment Support Scheme under the Anti-Epidemic Fund recognised during the period, the adjusted profit attributable to owners of the Company for FY2021 amounted to approximately HK$17.2 million, representing an increase of approximately 61.0% as compared with that of FY2020.

Earnings per share

Basic and diluted earnings per share for profit attributable to owners of the Company for FY2021 amounted to approximately HK2.72 cents, representing an increase of approximately HK1.38 cents (or approximately 103.1%) as compared to approximately HK1.34 cents in FY2020.

Liquidity, financial resources and funding

The Group financed its operations primarily through cash generated from our operating activities. During FY2021, the Group did not have any bank borrowings. As at 31 March 2020 and 2021, the Group had cash and cash equivalents of approximately HK$95.4 million and HK$152.1 million, respectively, which were cash at banks and in hand. As at 31 March 2021, HK$2.0 million was pledged for government project (FY2020: nil).

The banking facility granted to the Group as at 31 March 2021 amounted to HK$10.0 million (31 March 2020: nil), of which HK$2.0 million was utilised.

The Group's gearing ratio, which is calculated by total debt (defined as other debts incurred not in the ordinary course of business and bank loans) divided by total equity, were nil as at 31 March 2020 and 2021.

Capital structure

As at 31 March 2021, the capital structure of our Company comprised issued share capital and reserves.

Future plans for material investments and capital assets

Save for the possible acquisition of a group of companies engaged in the provision of post-implementation IT infrastructure management services to end-users, disclosed in Notes to the Consolidated Financial Statements (Note 34), the Group did not have other plans for material investments and capital assets.

Material acquisitions and disposals of subsidiaries and affiliated companies

The Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies during FY2021.

Significant investments

As at 31 March 2021, the Group did not hold any significant investments.

Contingent liabilities

The Group had no material contingent liabilities as at 31 March 2021 (31 March 2020: nil).

Exposure to exchange rate fluctuation

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group mainly operates in Hong Kong with most of the transactions denominated and settled in HK$. During FY2021, the Group's exposure to foreign currency risk primarily arose from certain financial instruments including trade receivables, cash and cash equivalents and held-to-maturity investments which are denominated in MOP and/or US$. During FY2021, the Group did not adopt any hedging strategy but the management continuously monitored the foreign exchange risk exposure on a case-by-case basis. The Group did not use any hedging contracts to engage in speculative activities during FY2021.

Charge on the Group's assets

As 31 March 2020 and 2021, the Group had no charges on its assets.

Information on employees

As at 31 March 2021, the Group had 90 employees (31 March 2020: 91) working in Hong Kong. Employees are remunerated according to their performance and work experience. On top of basic salary, commission, discretionary bonus and share option may be granted to eligible staff by reference to the Group's performance as well as individual's performance. The total staff cost (including remuneration of the Directors and mandatory provident funds contributions) for FY2021 amounted to approximately HK$45.9 million (FY2020: HK$40.1 million).

The following is the full text of a valuation report prepared for the purpose of incorporation in this circular received from Vigers Appraisal and Consulting Limited, an independent valuer, in connection with its valuation of 70% of the issued share capital of the Target Company.

Vigers Appraisal and Consulting Limited
International Assets Appraisal Consultants

24 Jun 2021

The Directors
Expert Systems Holdings Limited
22/F, Yen Sheng Centre, 64 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong

Dear Sirs/Madams,

VALUATION OF TARGET GROUP

In accordance with the instruction from Expert Systems Holdings Limited (the "**Expert Systems**"), we have carried out a valuation of 70% Equity of ServiceOne International Holdings Limited and its subsidiaries (the "**Subject**") as at 30 April 2021 (the "**Valuation Date**"). The purpose of this report is to provide an independent opinion on the fair value of the Subject as of the Valuation Date. We understand that all or part of this valuation report may be disclosed in circular and will be available for inspection by the public for the purpose stated herein.

Based on our investigation, analysis and appraisal method employed as set out in this report, it is our opinion that, as of the Valuation Date, the fair value of the Subject can be reasonably and approximately stated as follows:

Subject	**Fair Value as at Valuation Date**
70% Equity of ServiceOne International Holdings Limited and its subsidiaries	HK$166.4 million

The valuation is prepared in accordance with International Valuation Standards published by the International Valuation Standards Council. The opinion of value was based on generally accepted appraisal procedures and practices that rely extensively on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained.

The opinion was based on the management discussion, assumptions and representations, in oral or writing. The projection or estimates set out in the valuation formed part of the assumptions. We were furnished with limited financial information and other documents germane to the valuation. These data had been utilized without further verification as correctly representing the results and future prospects of the operation and the financial condition of the subject. No responsibility is assumed for the accuracy of the provided information. The opinion of value is subject to change if any of the assumptions provided by the management is not reasonable or properly made, and we reserve the right to change or withdraw our opinion without any liabilities.

This report is confidential to the client for the specific purpose to which it refers, and should not be the only factor to be referenced by the client. It may be disclosed to other professional advisers assisting the client in respect of that purpose, but the client shall not disclose this report to any other person. We have not been engaged to make specific sales or purchase recommendation. The use of the report will not supplant other due diligence which the company or the concerned parties should conduct in reaching business decision regarding the subject of valuation.

The valuation procedure did not require us to conduct legal due diligence on the legality and formality of the subject and its related legal documents, and it should be the responsibility of the legal advisor to the management of the company. Thus, no responsibility or liability is assumed from our report to the origin and continuity of the subject. We have not inspected the original documents filed in the relevant authorities to verify ownership of the subject. We need to state that we are not legal professional and are not qualified to ascertain the titles and to report any encumbrances that may be registered against the subject. No responsibility or liability is assumed in relation to those opinions or copies of document provided (if any).

In accordance with our standard practice, this report is for the use of the party to whom it is addressed and no responsibility is accepted to any third party for the whole or any part of the contents of this report.

We hereby certify that we have neither present nor prospective interests in the assets or the value reported.

Yours faithfully,
For and on behalf of
VIGERS APPRAISAL AND CONSULTING LIMITED

Jason Wong Chi Wah
CFA, FRM
Director

1. INTRODUCTION

1.1 Purpose

We have been appointed by Expert Systems to appraise the ServiceOne International Holdings Limited (the "**Target Company**") and its subsidiaries (collectively the "**Target Group**") as at Valuation Date. The purpose of this report is to provide an independent opinion on the fair value of the Subject. We understand that all or part of this valuation report may be disclosed in circular and will be available for inspection by the public for the purpose stated herein.

1.2 Scope of Work

The scope of work includes the valuation of Target Group.

1.3 Basis of Value

Our appraisal has been carried out on a fair value basis. Fair value is 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.

1.4 Date of Value

The date of the valuation is 30 April 2021.

2. COMPANY PROFILE

2.1 Industry Overview

The Information Technology infrastructure solutions (the "**ITIS**") industry is a sub-segment of Information Technology (the "**IT**") industry. ITIS refers to solutions that include assessment and design of new IT infrastructure implementation and installation of hardware and/or software, and other value-added services including post implementation infrastructure management services such as consultation, maintenance and IT outsourcing and secondment services. ITIS providers sell the hardware or software, procured from manufacturers or distributors, to end users.

ITIS industry in Hong Kong is highly comprehensive and fragmented. There were approximately 1,400 to 1,600 companies offering ITIS services in 2015. The top five ITIS providers accounted for approximately 11.1% share of total industry revenue in financial year 2015.

There are no specific industry-related qualifications, licenses or permits needed to be obtained for carrying on ITIS business in Hong Kong.

2.2 Background of Expert Systems

Expert Systems (SEHK: 8319) is listed in SEHK in April 2016. Expert Systems and its subsidiaries are principally engaged in provision of ITIS in Hong Kong and Macau.

2.3 Background of Target Group

Target Group is principally engaged in provision of post implementation infrastructure management services, including IT hardware maintenance, helpdesk, IT outsourcing and workflow automation services to end users.

This business segment can be classified into ITIS segment which has been introduced in previous "Industry Overview" Section.

Target Group has major customers including global and multinational corporations and covering various industries like banking, finance, high fashion retail industries, government bodies and non-profit organisations, serving their IT networks in (a) Great China Area covering Mainland China, Hong Kong, Taiwan and Macau and (b) Asia-Pacific region covering Korea, Singapore and Australia. For the fiscal year ended 31 March 2021, Target Group reported revenue in approximately HK$277 million and net profit in approximately HK$26 million.

2.4 Economic Outlook in Hong Kong

2.4.1 Recent economic situation

Target Group has its operation mainly based in Hong Kong and mainland China. With reference to the Hong Kong's Recent Economic Situation and Near-term Outlook published by the Office of the Government Economist. The Hong Kong economy saw a visible recovery in the first quarter of 2021. Real Gross Domestic Product (the "**GDP**") grew by 7.9% year-on-year, arresting the declines in the preceding six consecutive quarters. On a seasonally adjusted quarter-to-quarter comparison, real GDP rose by 5.4% in the first quarter. This was mainly attributed to the soared exports to Mainland and strong increase in the exports to United States and European Union.

The Hong Kong economy saw some improvement in the third quarter of 2020. Real GDP registered a year-on-year decline of 3.5% in the quarter, visibly narrower than the 9.0% contraction in the second quarter. On a seasonally adjusted quarter-to-quarter comparison, real GDP rebounded by 2.8%, arresting the declines in the preceding five quarters. This was mainly due to an improved external trading environment amid the accelerated growth of the Mainland economy, the stabilization of the local epidemic situation in the latter part of the quarter and stronger financial market activity. However, economic activity was still notably below the pre-recession level. In the first three quarters of 2020 combined, GDP declined by 7.2%.

2.4.2 Labour Market

Seasonally adjusted unemployment rate went up from 6.6% in the fourth quarter of 2020 to a 17-year high of 7.2% in the three-month period ending February 2021 and declined to 6.8% in the first quarter of 2021.

2.4.3 Inflation Market

Consumer price pressures eased further with price pressures on most major components remaining very mild. in the first quarter of 2021. The underlying Composite Consumer Price Index (the "**Composite CPI**") fell by 0.1% year-on-year in the first quarter of 2021. This figure was estimated after removing the effects of the Government's one-off relief measure. The rise of prices of basic in food prices was 1.4%. The drop of private housing rent was 0.9%.

3. INFORMATION AND FACTORS CONSIDERED

Our valuation requires consideration of all relevant factors affecting the operation of the business and its ability to generate future investment returns. The factors considered in the valuation included, but were not limited to, the followings:

- The business nature of Target Company.
- The economic outlook in general and the specific economic environment wherein the subject business is located.
- Historical financial statements of Target Company for the years ended 31 March 2019, 31 Mar 2020 and 31 March 2021.
- Discussion with the management in relation to the future business strategy, market position, customer segmentation, optimal finance structure, cost of financing.
- The market position of the subject company and the competition it might face, discussion with the management in relation to risk factors and marketing strategy.

We have reviewed the information required and made discussions with the management, which is considered sufficient for the issue of the valuation report of the type in question and we believe no material factor has been intentionally omitted or withheld from the given information in order to reach an informed view.

4. VALUATION

4.1 Valuation Theory

In arriving at our opinion of value, we make reference to three generally accepted approaches to value, namely; the Market Approach, the Asset Approach and the Income Approach.

Market Approach considered the transacted prices that recently paid for similar assets. The transacted prices might require adjustments to reflect the difference on the conditions or character between the asset being appraised and transactions observed from market, such as the liquidity of the asset.

Asset Approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation as condition or obsolescence present, whether arising from physical, functional or economic causes.

Income Approach is the conversion of expected periodic benefits of ownership into an indication of value. It is based on the principle that an informed buyer would pay no more for asset than an amount equal to the present worth of anticipated future benefits (income) from the same or equivalent asset with similar risk.

4.2 Determine the Appropriate Valuation Approach

Since Target Company is a private company, income approach is one of the possible approaches to be considered. However, the income approach requires relatively subjective assumptions to which the valuation is largely influenced by any inappropriate assumptions made. Secondly, asset approach may not be appropriate to this valuation since it fails to consider the on-going operation of Target Group in future. We consider market approach is the most appropriate method to assess Target Group. We noted that there is a group of comparable companies listed in Hong Kong which engaged in similar business operation as Target Group (the "**Comparables**"). The Comparables provided a benchmark of valuation multiples for the assessment of Target Group. The market approach also has the merit of capturing the market sentiment on future growth expectation to infer an objective valuation.

4.3 Market Approach

4.3.1 Methodology

Market Approach considered the transacted prices that recently paid for similar assets. The transacted prices might require adjustments to reflect the difference on the conditions or character between the asset being appraised and transactions observed from market, such as the liquidity of the asset.

The price to earning value ("P/E multiple") will be adopted for the valuation of equity since the method reflects going concern of subject business and there exist a group of comparable companies in the market in the similar business as the subject business that provided direct reference on the P/E multiples. Secondly, P/E method is an indicator on the relationship of return on equity and the value of a company, which facilitates a reasonable assessment of the subject value based on its earnings capability.

4.3.2 Construction of Comparables

In the construction of Comparables, we have considered the following factors in order to provide appropriate comparison.

— The Comparables shall be listed in mature stock markets;

— The Comparables shall be in the same industry as Target Group being appraised. We thus only select companies that focus on providing ITIS services;

— The Comparables shall report positive earnings so to infer meaningful multiples for comparison;

— We may not consider observable outliers.

After reviewing the above criteria, we have identified 5 companies which are described below. The Comparables are categorized into "ITIS Segment" according to the business nature of the Comparables.

ITIS segment

Stock Code	Company Name	Description
46 HK Equity	Computer and Technologies Holdings Limited	Computer and Technologies Holdings Limited engages in providing software products and delivering information technology solutions. The Company offers technology design and implementation, software development, and online e-services, as well as business processing outsourcing services. Computer and Technologies Holdings serves clients in Hong Kong and China.
1147 HK Equity	Edensoft Holdings Limited	Edensoft Holdings Limited provides integrated information technology solution and cloud services. The Company offers information technology infrastructure services, cloud services, and other services. Edensoft Holdings provides services in China.
1460 HK Equity	ICO Group Ltd	ICO Group Ltd provides IT technology services. Sectors covered include Banking, Finance & Insurance and Government Departments. The company was founded in 1992. ICO Group is headquartered in Hong Kong.
1985 HK Equity	Microware Group Limited	Microware Group Limited operates as an information technology service provider. The Company designs, integrates, and maintains IT infrastructure solutions such as virtualization, cloud computing, collaboration tools, and cyber security system.
8319 HK Equity	Expert Systems Holdings Limited	Expert Systems Holdings Limited is an IT infrastructure solutions provider. The Company provides a variety of services for enterprise management, networking, information security, high performance computing, cloud services, and more.

4.3.3 Determine the Appropriate Multiples

We have considered various multiples in the valuation, such as the earning based multiples: EV/EBITDA (Enterprise value to earnings before interest, tax, depreciation and amortization) and P/E (Price to earnings), and assets based multiples: P/B (Price to Book).

Asset based multiples

Asset based multiples method considers the market value in relation to the operating assets owned by a company. When a company reports no earnings or temporary fail to operate at its normal earnings level, the asset based multiples would be useful indicators on the company's value. Conversely, when a company operates at its normal earnings level, the use of assets based multiples may not be an effective measure of the earnings capability of the company. In additional, the assets based multiples may be affected by the different accounting policies on the depreciation and amortization of assets. With reference to the information provided, the reported earning of Target Group for the year ended 31 March 2021 represents its normal earnings capacity. Thus, asset based multiples may not serve a good reference in this valuation.

Earning based multiples

Earnings based multiples method considers the market value in relation to the earnings capability of a company. The value of a company shall base on its earnings capabilities in the long run and the earnings based multiples are frequently used in market approach. When a company reported no earnings or operates below its normal capacity, the earnings based multiples cannot provide meaningful results.

In our investigation, we noted that Target Group has started operations for many years. The earnings reported for the year ended 31 March 2021 can sufficiently reflect the normal operating performance of Target Group. Earnings multiples can provide better estimation of the company value on the basis of its earnings capacities. Thus, we adopt earning based multiples in this valuation.

Determine the Appropriate Earning Based Multiples

We considered that the use of the Price to Earnings (P/E) multiple is an appropriate valuation methodology for the valuation of equity since Target Group's capital structure consists of no debt which differs significantly with the Comparables.

The valuation is derived from applying:

(i) An average price to earnings multiple of a group of listed companies operating in comparable business, adjusted for the uniqueness of the subject being valued,

(ii) Normalized earnings of Target Group reflected in the financial statement for the year ended 31 March 2021.

Before arriving at our opinion of value, we have considered, inter alia, the following factors:

— The nature of the business and the history of Target Group;

— The economic outlook of in Greater China Area and Asia-Pacific region in general;

— The general outlook of the ITIS industry in Greater China Area and Asia-Pacific region;

— The composition of revenue and earnings quality of the business of Target Group and Comparables;

— Future challenge and developments in the business of Target Group;

— The financial condition of Target Group; and

— The specific risks associated with Target Group.

We will also make adjustments on the conclusion of P/E multiple, where appropriate; such as country factor of Comparables or other possible factors which may affect the values of Target Group to form our opinion. We may also not consider the non-operating items of Target Group and Comparables.

4.3.4 Assumptions

Assumptions considered to have significant sensitivity effects in this valuation were evaluated and validated in order to provide a more accurate and reasonable basis for arriving at our assessed value. Based on our experience in valuing businesses of similar nature, we consider the assumptions made in this valuation report to be reasonable.

- There will be no material adverse change in the political, legal, fiscal or economic condition in Great China Area and Asia-Pacific region in which Target Group operates;

- The enterprise will retain the key management, competent personnel and technical staff to support its ongoing operation;

- Market trend and conditions for Target Group in related areas will not deviate significantly from the economic forecasts in general. Consumer behavior will have no significant change throughout the valuation period;

- We assumed that the general management practice of Target Group including but not limited to accounting policy and dividend policy, will have no significant deviation from the current practice adopted by Target Group;

- Based on the information provided by Expert Systems, as at 31 March 2021, Target Group's idle cash position and the amount of non-operating assets and liabilities can be summarized as follows:

(In HK$ million)	**As at 31 March 2021**
Idle Cash net of non-operating liabilities	102.4
Non-operating assets	0.1
Non-operating liabilities	47.3

- As per discussion with the management, we understand that the items of idle cash, non-operating assets and non-operating liabilities on 31 March 2021 represented all the material non-operating assets and liabilities as at Valuation Date, which is sufficient for the assessment of the Subject.

We also assumed the reasonableness of information provided and relied to a considerable extent on such information in arriving at our opinion of value.

4.3.5 Earning Normalization

Normalization earnings represent a company's earnings that omit the effects of non-operating and non-recurring charges or gains. In valuation, we compare the Comparables' and Target Group's recurring earnings from operations by eliminating unusual or one-time influences revenue and expenses, so that we can compare them on the same basis and achieve a relatively stable and reasonable result. The normalized earnings of the Comparables and Target Group are therefore the reported earnings after removing non-operating and non-recurring expenses or gains and their tax effect.

Comparables

Non-operating and non-recurring items such as bank interest income, rental income, gain/loss on disposal, exchanges gain/loss, and listing expense have been removed in order to measure the normalized operating profit of the individual comparable company.

Target Group

Non-operating and non-recurring items including have been removed from the net income in order to measure the operating profit of Target Group.

As advised by the management, Anti-Epidemic Fund, rent concession, interest income, exchange difference and certain non-recurring expense have non-operating nature and should be excluded from calculation of operating profit. And as advised by the management, this item did cause tax impact which should be subsequently addressed after removing it from calculation of operating profit.

We have discussed with the management of the Target Group on the recursive nature of incomes and expenses reported on the income statement of the Target Group for the year ended 31 March 2021. We also discussed with the management of the Target Group on the tax rate applicable to the identified non-operating incomes and expenses. We understand from the management of the Target Group that they have reviewed and identified all of the non-operating items for working out normalized earnings. We consider the basis of the normalized earnings is reasonable and sufficient for valuation.

4.3.6 Analysis of Comparables

We calculate P/E of the Comparables from the financial data available in Bloomberg and the latest financial year annual results for the fiscal year 2020.

ITIS segment

Stock Code	Company	P/E multiple
46 HK Equity	Computer and Technologies Holdings Limited	15.9
1147 HK Equity	Edensoft Holdings Limited	18.7
1460 HK Equity	ICO Group Ltd	13.1
1985 HK Equity	Microware Group Limited	7.0
8319 HK Equity	Expert Systems Holdings Limited	8.0
		Average: 12.6

Since the values concluded from multiples represent the operating value of Target Group, we should also consider the non-operating cash position, non-operating assets and non-operating liabilities of Target Group.

4.3.7 Control Premium

Control premium refers to an amount that a buyer is willing to pay in excess of the fair market value of shares in order to gain a controlling ownership interest in a publicly traded company. Valuation of the Equity of Target Group inferred from market multiple are presented on non-controlling basis. Since Expert Systems purchases 70% Equity of Target Group, it will gain control of Target Group after the transaction, if it happens. Therefore control premium shall be considered in the valuation. We have made reference to a list of disclosed market transactions in Hong Kong, a 12% of Control Premium would be considered.

4.3.8 ***Discount for Lack of Marketability***

Target Company is private company whose shares are not publicly trade on the open market. The closely held nature results in weak liquidity of its shares, or the lack of marketability. In valuation, marketability of an asset represents how quick the asset can turn into cash. Transfer of the share of a private company would possibly involve lengthy time on verifying financial information, due diligence, deal structuring and administrative process. The interest is subject to additional costs and risks not incurred by interests in publicly held securities. The privately held company is uncertain not only of the time required for the sale but also of the eventual sales price. In addition, there are substantially more costs in preparing for the sale, such as business valuation services and accounting and legal costs. There may be a risk that the sale will not transact for cash but for some deferred payments or notes, assuming the buyer will not back out at the last minute.

There are various types of study on the marketability discount. Restricted stock study is one of the reference frequently referred to determine the marketability discount. Restricted study provided by Bruce A. Johnson of the firm Munroe, Park & Johnson suggested a range of marketability from 10% premium to 60% discount. The average discount inferred by this study was approximately 20.0%. Restricted study provided by William L. Siber, professor of finance and economics at the Stern School of Business, New York University suggested a range of marketability from 12.7% premium to 84% discount. The average discount inferred by this study was approximately 33.8%. Second, there is also valuation guidance suggested the scale of marketability with respect to the investment holding period and cash flow generating power to determine an appropriate level of marketability discount. For a company with moderate cash flow generating power and an expected medium holding period, the suggested marketability discount fall into the scales of 30%. We have considered the above reference and guidance, and we can observe both the reference and the guidance concluded similar degree of discount. Based on the aforesaid investigation, a 30% marketability discount should be applied to the Subject as a result of the illiquidity.

4.3.9 ***Valuation Results***

Normalized Earnings *(HK$ million)*	19.8
Adj. P/E Multiple	12.6
Normalized Earnings x Adj. P/E Multiple	248.1
Add: Idle Cash *(HK$ million)*	102.4
Add: Non-operating Assets *(HK$ million)*	0.1
Less: Non-operating liabilities *(HK$ million)*	–47.3
100% Equity Value *(HK$ million)*	303.3
70% Equity Value *(HK$ million)*	212.3
70% Equity Value adj. with Control Premium *(HK$ million)*	237.8
70% Equity Value adj. with Discount for Lack of Marketability *(HK$ million)*	166.4

We have considered the normalized earnings of each segment, the aforesaid control premium, and DLOM adjustment to arrive the fair value of the Subject. The fair value of the Subject as at Valuation Date is estimated to be HK$166.4 million, indicating an implied P/E ratio of 12.0x with reference to the normalized earnings of Target Group (i.e. HK$19.8 million).

4.3.10 Opinion of Value

Based on our investigation, analysis and appraisal method employed as set out in this report, it is our opinion that, as of the Valuation Date, the fair value of the Subject under existing form of operation can be reasonably and approximately stated as follows:

Subject	**Fair Value as at Valuation Date**
70% Equity of Target Group	HK$166.4 million

1. RESPONSIBILITY STATEMENT

This circular, 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 regarding the Company. 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. SHARE CAPITAL

As at the Latest Practicable Date, the authorised and issued share capital of the Company were as follows:

	Number of Shares	*HK$*
Authorised		
Shares as at the Latest Practicable Date	10,000,000,000	100,000,000
Issued and fully paid		
Shares in issue as at the Latest Practicable Date	800,400,000	8,004,000

Assuming that there will be no change to the issued Shares from the Latest Practicable Date to the full conversion of the Convertible Bond other than the issue of the Conversion Shares, the authorised and issued share capital of the Company immediately after Completion and upon full conversion of the Convertible Bond at the Conversion Price of HK$0.168 per Conversion Share will be as follows:

	Number of Shares	*HK$*
Authorised		
Shares	10,000,000,000	100,000,000
Issued and fully paid		
Shares in issue	800,400,000	8,004,000
Conversion Shares to be allotted and issued	450,000,000	4,500,000
Total	1,250,400,000	12,504,000

The Conversion Shares (if any) will be allotted and issued under the Specific Mandate to be sought from the Shareholders at the EGM. Assuming that there will be no change in the issued share capital of the Company from the Latest Practicable Date up to the date of full conversion of the Convertible Bond other than the issue of the Conversion Shares, there will be no change to the control of the Company upon the full conversion of the Convertible Bond.

An application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares upon the conversion of the Convertible Bond. Subject to the granting of listing of, and permission to deal in, the Conversion Shares on the Stock Exchange, as well as compliance with the stock admission requirements of HKSCC, the Conversion Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Conversion Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Shareholders should seek advice from their stockbrokers or other professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interests.

3. DISCLOSURE OF INTERESTS

(a) Directors' and chief executive's interests and short positions in the Shares, underlying Shares and debentures of the Company and its associated corporations

As at the Latest Practicable Date, the interests or short positions of the Director and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) 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 and short positions which they were taken or deemed to have under such provisions of the SFO; (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to the securities transactions by the Directors to be notified to the Company and the Stock Exchange were as follows:

(i) Long position in the Shares and underlying Shares

Name of Director	Capacity	Number of Shares held	Approximate percentage *(Note 1)*	Number of underlying Shares held *(Note 2)*	Approximate percentage *(Note 1)*
Mr. Lau	Beneficial owner	100,000,000	12.49%	2,000,000	0.25%
Lau Tsz Yan	Beneficial owner	—	—	2,000,000	0.25%
So Cheuk Wah Benton	Beneficial owner	—	—	2,000,000	0.25%
Mr. Chu	Beneficial owner	226,890,000	28.35%	500,000	0.06%
	Interest of controlled corporations	—	—	450,000,000	56.22%
Mr. Wong	Beneficial owner	53,300,000	6.66%	500,000	0.06%
Mr. Chan	Beneficial owner	6,720,000	0.84%	500,000	0.06%
Au Yu Chiu Steven	Beneficial owner	—	—	100,000	0.01%
Chung Fuk Wing Danny	Beneficial owner	—	—	100,000	0.01%
Ko Man Fu	Beneficial owner	—	—	100,000	0.01%
Mak Wai Sing	Beneficial owner	—	—	100,000	0.01%

Notes:

1. The approximate percentage is calculated based on the total number of issued Shares as at the Latest Practicable Date (i.e. 800,400,000 Shares).

2. For all the Directors above except for Mr. Chu, the underlying Shares represent the unlisted physically settled share options granted to the Directors on 15 April 2019 under the share option scheme adopted by the Company pursuant to an ordinary resolution of all the then Shareholders passed on 15 March 2016, which shall be (i) vested in five equal batches (i.e. 20% of the share options in each batch) over five years, on 15 April 2020, 15 April 2021, 15 April 2022, 15 April 2023 and 15 April 2024, respectively; and (ii) exercised between 15 April 2020 to 14 April 2029 (both days inclusive) at the subscription price of HK$0.111 per Share. For Mr. Chu, the underlying Shares consist of (a) 500,000 share options granted to the Directors on 15 April 2019 mentioned above; and (b) 450,000,000 Conversion Shares to be issued upon exercise of the conversion rights attached to the Convertible Bond, which would be issued by the Company upon Completion as partial settlement of the Consideration to the Vendor. The Vendor is owned as to 70% by China Expert, which is held as to 40% by Mr. Chu.

(ii) Long position in the debentures of the Company

Name of Director	**Nature of debentures held**	**Amount of debentures held** *(HK$)* *(Note)*
Mr. Chu	Interest of controlled corporations	75,600,000

Note: These represent the Convertible Bond which would be issued by the Company to the Vendor upon Completion as partial settlement of the Consideration. The Vendor is owned as to 70% by China Expert, which is held as to 40% by Mr. Chu.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the chief executive of the Company had, or was deemed to have, any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) 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 and short positions which they were taken or deemed to have under such provisions of the SFO; (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to Rules 5.46 to 5.47 of the GEM Listing Rules relating to the securities transactions by the Directors to be notified to the Company and the Stock Exchange.

(b) Substantial Shareholders and other person who have interests or short positions in the Shares and underlying Shares

As at the Latest Practicable Date, so far as was known to the Directors and the chief executive of the Company, the following persons, other than a Director or the chief executive of the Company, had interests or a short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of Part XV of the SFO:

(i) Substantial Shareholders — long position in the Shares and underlying Shares

Name of Shareholder	**Capacity**	**Number of Shares held**	**Approximate percentage** *(Note 1)*	**Number of underlying Shares held**	**Approximate percentage** *(Note 1)*
Mr. Mok	Beneficial owner	91,800,000	11.47%	—	—
Mr. Cheung	Beneficial owner	89,760,000	11.21%	—	—
Yan Yihong ("**Ms. Yan**")	Interest of spouse *(Note 2)*	91,800,000	11.47%	—	—
Tuen Chi Keung ("**Ms. Tuen**")	Interest of spouse *(Note 3)*	89,760,000	11.21%	—	—
Luk Yuen Wah Nancy ("**Ms. Luk**")	Interest of spouse *(Note 4)*	226,890,000	28.35%	450,500,000	56.28%
Keung Lai Wa Dorathy Linndia ("**Ms. Keung**")	Interest of spouse *(Note 5)*	100,000,000	12.49%	2,000,000	0.25%
The Vendor	Beneficial owner *(Notes 6 and 7)*	—	—	450,000,000	56.22%
China Expert	Interest of a controlled corporation *(Notes 6 and 7)*	—	—	450,000,000	56.22%

Notes:

1. The approximate percentage is calculated based on the total number of issued Shares as at the Latest Practicable Date (i.e. 800,400,000 Shares).

2. Under the SFO, Ms. Yan, the spouse of Mr. Mok, is deemed to be interested in all the Shares in which Mr. Mok is interested.

3. Under the SFO, Ms. Tuen, the spouse of Mr. Cheung, is deemed to be interested in all the Shares in which Mr. Cheung is interested.

4. Under the SFO, Ms. Luk, the spouse of Mr. Chu, is deemed to be interested in all the Shares and underlying Shares in which Mr. Chu is interested. The underlying Shares consist of (i) 500,000 unlisted physically settled share options granted to Mr. Chu on 15 April 2019 under the share option scheme adopted by the Company pursuant to an ordinary resolution of all the then Shareholders passed on 15 March 2016, which shall be (a) vested in five equal batches (i.e. 20% of the share options in each batch) over five years, on 15 April 2020, 15 April 2021, 15 April 2022, 15 April 2023 and 15 April 2024, respectively; and (b) exercised between 15 April 2020 to 14 April 2029 (both days inclusive) at the subscription price of HK$0.111 per Share; and (ii) 450,000,000 Conversion Shares to be issued upon exercise of the conversion rights attached to the Convertible Bond, which would be issued by the Company upon Completion as partial settlement of the Consideration to the Vendor. The Vendor is owned as to 70% by China Expert, which is held as to 40% by Mr. Chu.

5. Under the SFO, Ms. Keung, the spouse of Mr. Lau, is deemed to be interested in all the Shares and the underlying Shares in which Mr. Lau is interested. The underlying Shares are unlisted physically settled share options granted to Mr. Lau on 15 April 2019 under the share option scheme adopted by the Company pursuant to an ordinary resolution of all the then Shareholders passed on 15 March 2016, which shall be (i) vested in five equal batches (i.e. 20% of the share options in each batch) over five years, on 15 April 2020, 15 April 2021, 15 April 2022, 15 April 2023 and 15 April 2024, respectively; and (ii) exercised between 15 April 2020 to 14 April 2029 (both days inclusive) at the subscription price of HK$0.111 per Share.

6. These represent 450,000,000 Conversion Shares to be issued upon exercise of the conversion rights attached to the Convertible Bond, which would be issued by the Company upon Completion as partial settlement of the Consideration to the Vendor. The Vendor is owned as to 70% by China Expert, which is held as to 40% by Mr. Chu.

7. Mr. Chu, a non-executive Director, and Mr. Wong, the chairman of the Company and a non-executive Director, are both directors of the Vendor, which is held as to 70% by China Expert. Each of Mr. Chu, Mr. Wong and Mr. Lau, the chief executive officer of the Company and an executive Director, is a director of China Expert.

(ii) Other person — long position in the Shares and underlying Shares

Name of Shareholder	**Capacity**	**Number of Shares held**	**Approximate percentage** *(Note 1)*	**Number of underlying Shares held**	**Approximate percentage** *(Note 1)*
Lee Kit Ling Monita (“**Ms. Lee**”)	Interest of spouse *(Note 2)*	53,300,000	6.66%	500,000	0.06%

Notes:

1. The approximate percentage is calculated based on the total number of issued Shares of the Company as at the Latest Practicable Date, that is, 800,400,000 Shares.

2. Under the SFO, Ms. Lee, the spouse of Mr. Wong, is deemed to be interested in all the Shares and underlying Shares in which Mr. Wong is interested. The underlying Shares are unlisted physically settled share options granted to Mr. Wong on 15 April 2019 under the share option scheme adopted by the Company pursuant to an ordinary resolution of all the then Shareholders passed on 15 March 2016, which shall be (i) vested in five equal batches (i.e. 20% of the share options in each batch) over five years, on 15 April 2020, 15 April

2021, 15 April 2022, 15 April 2023 and 15 April 2024, respectively; and (ii) exercised between 15 April 2020 to 14 April 2029 (both days inclusive) at the subscription price of HK$0.111 per Share.

Save as disclosed above, as at the Latest Practicable Date, the Directors and the chief executive of the Company were not aware of any other person (other than a Director or the chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares or underlying Shares, which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under Section 336 of Part XV of the SFO.

4. COMPETING INTEREST

To the best knowledge of the Directors, as at the Latest Practicable Date, none of the Directors, controlling Shareholder nor their respective close associates had any interest in a business, which competes or may compete, either directly or indirectly, with the business of the Group or any other conflict of interest which any such person has or may have with the Group which would be required to be disclosed under Rule 11.04 of the GEM Listing Rules.

5. DIRECTORS' SERVICE CONTRACTS

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

6. DIRECTORS' INTERESTS IN ASSETS, CONTRACTS AND ARRANGEMENTS

As at the Latest Practicable Date, save for the Acquisition, none of the Directors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which is significant in relation to the business of the Enlarged Group, nor has any Director had any direct or indirect interests in any assets which had been acquired or disposed of by or leased to, or were proposed to be acquired or disposed of by or leased to, any member of the Enlarged Group since 31 March 2021, being the date to which the latest published audited consolidated financial statements of the Group were made up.

7. LITIGATION

As at the Latest Practicable Date, no member of the Enlarged Group was engaged in any litigation, arbitration or claims of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Enlarged Group.

8. MATERIAL CONTRACTS

During the two years immediately preceding the Latest Practicable Date, save for the Sale and Purchase Agreement, no member of the Enlarged Group has entered into any other contracts which are not in the ordinary course of its business that are or may be material.

9. EXPERTS AND CONSENTS

The qualifications of the experts whose statements have been included in this circular are as follows:

Name	Qualification
BDO Limited	Certified Public Accountants
Lego Corporate Finance Limited	A corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO
Vigers Appraisal and Consulting Limited	Independent Valuer

Each of BDO Limited, Lego Corporate Finance Limited and Vigers Appraisal and Consulting Limited had given and had not withdrawn its written consent to the issue of this circular with the inclusion herein of its letters or opinions or reports or references to its name in the form and context in which it appears.

As at the Latest Practicable Date, none of BDO Limited, Lego Corporate Finance Limited and Vigers Appraisal and Consulting Limited had any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, none of BDO Limited, Lego Corporate Finance Limited and Vigers Appraisal and Consulting Limited had any direct or indirect interests in any assets which have been, since 31 March 2021 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Enlarged Group, or which are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

10. CORPORATE INFORMATION OF THE COMPANY

Registered office	Second Floor Century Yard Cricket Square P.O. Box 902 Grand Cayman KY1-1103 Cayman Islands
Head office and principal place of business in Hong Kong	22/F., Yen Sheng Centre 64 Hoi Yuen Road Kwun Tong, Kowloon Hong Kong

Principal share registrar and transfer office	Tricor Services (Cayman Islands) Limited Second Floor Century Yard Cricket Square P.O. Box 902 Grand Cayman KY1-1103 Cayman Islands
Hong Kong branch share registrar and transfer office	Tricor Investor Services Limited Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
Company secretary	Mr. Lau Siu Ki, *FCCA, FCPA*
Compliance officer	Mr. Lau Wai Kwok

11. AUDIT COMMITTEE

An audit committee of the Company ("**Audit Committee**") was established with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules and code provision C.3.3 set out in the Corporate Governance Code contained in Appendix 15 to the GEM Listing Rules. The Audit Committee must consist of a minimum of three members, all of whom must be non-executive Directors, at least one of whom must have appropriate professional qualification or accounting or related financial management expertise. The chairman of the Audit Committee is Mr. Au Yu Chiu Steven, an independent non-executive Director, and other members include Mr. Chan Kin Mei Stanley, a non-executive Director, and Mr. Chung Fuk Wing Danny, Mr. Ko Man Fu and Mr. Mak Wai Sing, each being an independent non-executive Director. The main objective of the Audit Committee is to assist the Board in fulfilling its fiduciary responsibilities to the Company and each of its subsidiaries to act in the interest of the Shareholders as a whole.

Biographical information of each member of the Audit Committee is set out below:

Mr. Au Yu Chiu Steven ("**Mr. Au**"), aged 62, was appointed as an independent non-executive Director on 15 March 2016. He is responsible for bringing an independent judgment to bear on issues of strategy, investment, policy, performance, accountability, resources, key appointments and standards of conduct. He is also the chairman of the Audit Committee and a member of each of the remuneration committee ("**Remuneration Committee**"), the nomination committee ("**Nomination Committee**") and the corporate governance committee ("**Corporate Governance Committee**") of the Company. Mr. Au graduated from the University of East Anglia in the United Kingdom with a degree of Bachelor of Arts majoring in Economics in July 1982. He further received his degree of Master of Business Administration from the University of Western Ontario in Canada in October 2000. Mr. Au was admitted as a Chartered Accountant of the Institute of Chartered Accountants in England and Wales in November 1987. He is a fellow member of the Hong Kong Institute of Certified Public Accountants. Mr. Au has more than 30 years of experience in the accounting and finance field. He worked as an accountant in the United Kingdom from 1982 to 1987 before he joined Arthur Andersen & Co. in Hong Kong in 1987. He then took up senior managerial positions with various companies in the finance industry. Mr. Au had been an executive director of finance and administration of Matilda International Hospital since October 2002 until his retirement in September 2019. Mr. Au is also an independent non-executive director of Vincent Medical Holdings Limited (stock code: 1612), a company listed on the Main Board of the Stock Exchange.

Mr. Chan Kin Mei Stanley ("**Mr. Chan**"), aged 49, is a non-executive Director, responsible for advising on the finance, accounting, risk management and corporate governance of the Group. He was appointed as a Director on 25 November 2015 and a non-executive Director on 15 March 2016. He is also the chairman of the Corporate Governance Committee and a member of the Audit Committee. Mr. Chan obtained a degree of Bachelor of Arts in Accountancy through distance learning from the University of Bolton in the United Kingdom in September 2007. He was admitted as an associate member of the Institute of Financial Accountants in February 2006. Mr. Chan has more than 20 years of experience in the accounting, finance and human resources fields. Previously Mr. Chan was the company secretary of Expert Systems Limited, a wholly-owned operating subsidiary of the Company, from March 2003 to September 2004 and was in senior managerial position before he joined ServiceOne Limited in March 2016. Currently he is the managing director of ServiceOne Limited, responsible for the overall management of the Target Group.

Mr. Chung Fuk Wing Danny ("**Mr. Chung**"), aged 65, was appointed as an independent non-executive Director on 15 March 2016. He is responsible for bringing an independent judgment to bear on issues of strategy, investment, policy, performance, accountability, resources, key appointments and standards of conduct. He is also the chairman of the Nomination Committee and a member of both the Audit Committee and the Remuneration Committee. Mr. Chung graduated from the University of Windsor in Canada with a degree in Bachelor of Applied Science majoring in Civil Engineering in June 1981. He further received his degree of Master of Business Administration from the University of Western Sydney in Australia in August 1996. Mr. Chung has been a member of the Hong Kong Institution of Engineers since January 1997. Mr. Chung has over 30 years of experience in the construction industry. He began his career with Shui On Plant and Equipment Services Ltd. ("**Shui On**") in 1981. After he left Shui On in 1993, he was in senior managerial positions of a number of construction related companies in Hong Kong and China. Mr. Chung was general manager — regional head, eastern region construction materials in K. Wah Construction Materials (China) Limited ("**K. Wah China**") from April 2011 to October 2015, responsible for the entire operations of K. Wah China in eastern region of China.

Mr. Ko Man Fu ("**Mr. Ko**"), aged 61, was appointed as an independent non-executive Director on 15 March 2016. He is responsible for bringing an independent judgment to bear on issues of strategy, investment, policy, performance, accountability, resources, key appointments and standards of conduct. He is also the chairman of the Remuneration Committee and a member of both the Audit Committee and the Nomination Committee. Mr. Ko obtained a degree of Bachelor of Laws and Postgraduate Certificate in Laws from the University of Hong Kong in 1986 and 1987 respectively. He was admitted as a solicitor of the High Court of Hong

Kong in September 1989. He is a Reverse Mortgage Counsellor of the Law Society of Hong Kong. Mr. Ko has been working as a solicitor in Hong Kong with various law firms for more than 30 years. He is currently working as a consultant at the law firm Hau, Lau, Li & Yeung.

Mr. Mak Wai Sing ("**Mr. Mak**"), aged 60, was appointed as an independent non-executive Director on 15 March 2016. He is responsible for bringing an independent judgment to bear on issues of strategy, investment, policy, performance, accountability, resources, key appointments and standards of conduct. He is also a member of each of the Audit Committee, Remuneration Committee and Nomination Committee. Mr. Mak graduated from the University of Nottingham in the United Kingdom with a degree of Bachelor of Science majoring in civil engineering in July 1983. He further received his degree of Master of Business Administration from the Chinese University of Hong Kong in October 1986. Mr. Mak has over 29 years of experience in the trading business. He began his career with Swire & Maclaine Ltd. ("**Swire & Maclaine**"), a trading company in 1986 and he was group manager when he left Swire & Maclaine. Mr. Mak then joined Li & Fung (Trading) Limited ("**Li & Fung**") in June 2000 and he was senior vice president when he left Li & Fung in January 2013.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours from 9:00 a.m. to 5:30 p.m. on any Business Day at the Company's principal place of business in Hong Kong at 22/F., Yen Sheng Centre, 64 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong from the date of this circular up to and including the date of the EGM:

(a) the memorandum and articles of association of the Company;

(b) the annual reports of the Company for the years ended 31 March 2020 and 31 March 2021;

(c) the accountants' report issued by BDO Limited as set out in Appendix II to this circular;

(d) the letter from the Independent Board Committee, the text of which is set out on pages 51 to 52 of this circular;

(e) the letter from the Independent Financial Adviser, the text of which is set out on pages 53 to 97 of this circular;

(f) the accountants' report on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to this circular;

(g) the valuation report of 70% of the issued share capital of the Target Company as set out in Appendix VI to this circular;

(h) the written consents referred to in the section headed "9. Experts and Consents" in this appendix;

(i) the Sale and Purchase Agreement;

(j) the IT Services Agreement; and

(k) all circulars of the Company issued pursuant to the requirement set out in Chapter 19 and/or Chapter 20 of the GEM Listing Rules which have been issued since 31 March 2021 and including this circular.

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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting ("**Meeting**") of Expert Systems Holdings Limited ("**Company**") will be held at United Conference Centre, 10/F United Centre, 95 Queensway, Admiralty, Hong Kong on Wednesday, 6 October 2021 at 10:00 a.m., or at any adjournment thereof for the purpose of considering and, if thought fit, passing the following, with or without amendments, as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. "**THAT**:

(a) the sale and purchase agreement ("**Sale and Purchase Agreement**") dated 9 July 2021 and entered into between (i) the Company; (ii) Expert Systems Group Limited; and (iii) ServiceOne Global Holdings Limited, in relation to the Acquisition (as defined in the circular of the Company dated 17 September 2021 ("**Circular**"), a copy of which has been produced to this Meeting marked "A" and initialled by the chairman of this Meeting ("**Chairman**") for the purpose of identification) (a copy of the Sale and Purchase Agreement has been produced to this Meeting marked "B" and initialled by the Chairman for the purpose of identification) and the transactions contemplated thereunder (including the Acquisition (as defined in the Circular)) be and are hereby approved;

(b) the creation and issue of the Convertible Bond (as defined in the Circular) in accordance with the Sale and Purchase Agreement and the terms and conditions ("**T&C**") attached to the Convertible Bond (a copy of which has been produced to this Meeting marked "C" and initialled by the Chairman for the purpose of identification) by the Company be and are hereby approved;

(c) subject to The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the Conversion Shares (as defined in the Circular), the grant of the Specific Mandate (as defined in the Circular) to the directors of the Company ("**Directors**") to allot and issue the Conversion Shares pursuant to the exercise of the conversion rights attached to the Convertible Bond in accordance with the T&C be and is hereby approved; and

(d) the Directors acting together or by committee, or any Director acting individually, be and is/are hereby authorised to take all steps necessary on behalf of the Company whatever he/she/they may, in his/her/their absolute discretion, consider necessary, desirable or expedient for the purpose of, or in connection with, the implementing and/or to giving effect to the Sale and Purchase Agreement and the transactions contemplated thereunder (including the Acquisition, the creation and issue of the Convertible Bond and the allotment and issue of the Conversion Shares under the Convertible Bond), and to agree to such variation, amendments or waiver or matters relating thereto (excluding any variation, amendments or waiver of such documents or any terms thereof, which are fundamentally and materially different from those as provided for in the Sale and Purchase Agreement and the T&C and which shall be subject to approval of the shareholders of the Company) as are, in the opinion of such Director, in the interests of the Company and its shareholders as a whole."

2. "**THAT** subject to resolution no. 1 set out in the notice convening this Meeting being passed:

(a) the IT services agreement dated 9 July 2021 and entered into between (i) the Company; and (ii) ServiceOne Global Holdings Limited (a copy of which has been produced to this Meeting marked "D" and initialled by the Chairman for the purpose of identification) ("**IT Services Agreement**"), the continuing connected transactions contemplated thereunder and the Annual Caps (as defined in the Circular) set out in the Circular be and are hereby approved; and

(b) the Directors acting together or by committee, or any Director acting individually, be and is/are hereby authorised to take all steps necessary on behalf of the Company whatever he/she/they may, in his/her/their absolute discretion, consider necessary, desirable or expedient for the purpose of, or in connection with, the implementing and/or to giving effect to the IT Services Agreement and the continuing connected transactions contemplated thereunder, and to agree to such variation, amendments or waiver or matters relating thereto (excluding any variation, amendments or waiver of such documents or any terms thereof, which are fundamentally and materially different from those as provided for in the IT Services Agreement and which shall be subject to approval of the shareholders of the Company) as are, in the opinion of such Director, in the interests of the Company and its shareholders as a whole."

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

Hong Kong, 17 September 2021

Registered office:
Second Floor
Century Yard
Cricket Square
P.O. Box 902
Grand Cayman KY1-1103
Cayman Islands

Head office and principal place of business in Hong Kong:
22/F., Yen Sheng Centre
64 Hoi Yuen Road
Kwun Tong, Kowloon
Hong Kong

Notes:

1. A member of the Company entitled to attend and vote at the Meeting is entitled to appoint another person as his proxy to attend and vote instead of him. A member of the Company who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at the Meeting. A proxy need not be a member of the Company.

2. To be valid, a form of proxy in the prescribed form together with the power of attorney or other authority (if any) under which it is signed or a certified copy thereof must be deposited at the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong by 10:00 a.m. on Monday, 4 October 2021 or in any event not less than 48 hours before the time appointed for the holding of the Meeting or any adjournment thereof (as the case may be).

3. Completion and return of the form of proxy will not preclude you from attending and voting in person at the Meeting or any adjournment thereof (as the case may be) should you so wish.

4. To ascertain shareholders' eligibility to attend and vote at the Meeting, the register of members of the Company will be closed from Thursday, 30 September 2021 to Wednesday, 6 October 2021 (both days inclusive), during which period no share transfer will be effected. In order to qualify for the entitlement to attend and vote at the Meeting, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong by 4:30 p.m. on Wednesday, 29 September 2021.

5. For joint registered holders of any shares of the Company, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such shares of the Company as if the shareholder was solely entitled thereto, but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members in respect of such shares of the Company shall alone be entitled to vote in respect thereof.

6. As required under the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited, the above resolutions will be decided by way of poll.

7. References to time and dates in this notice are to Hong Kong time and dates.

As at the date of this notice, the composition of the board of the Directors 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