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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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

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

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**AUTOMATED SYSTEMS HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 771)**

**(1) VERY SUBSTANTIAL DISPOSAL AND VERY SUBSTANTIAL  
ACQUISITION IN RELATION TO THE MERGERS  
(2) PROPOSED SPIN-OFF AND SEPARATE LISTING OF  
GRID DYNAMICS INTERNATIONAL, INC.  
AND  
(3) NOTICE OF SPECIAL GENERAL MEETING**

**Independent Financial Adviser to the Independent Board Committee and  
the Independent Shareholders**



**BAOQIAO PARTNERS CAPITAL LIMITED**

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A notice convening the SGM of Automated Systems Holdings Limited to be held at 15th Floor, Topsail Plaza, 11 On Sum Street, Shatin, New Territories, Hong Kong on Wednesday, 22nd January 2020 at 10:00 a.m. is set out on pages 197 to 199 of this circular. Whether or not you intend to attend the SGM, you are requested to complete and return the enclosed proxy form in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment.

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

Hong Kong, 31st December 2019

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## DEFINITIONS

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

“Additional Share Issue”	the additional issuance of up to 11.3 million CS Common Stock upon exercise of ChaSerg warrants
“Adjustments”	Cash Consideration Adjustment and Consideration Share Adjustment
“Board”	the board of Directors
“Bye-laws”	the bye-laws of the Company
“Cash Consideration Adjustment”	adjustment to the cash consideration of the Mergers, details of which are set out in the section headed “Mergers and Proposed Spin-off – Merger Agreement – Consideration for Mergers”
“ChaSerg”	ChaSerg Technology Acquisition Corp., a company incorporated in the State of Delaware of the United States with limited liability, and its Class A Common Stock are listed on Nasdaq with ticker symbol “CTAC”
“ChaSerg Available Cash”	the available cash and cash equivalents of ChaSerg, being the trust account balance of ChaSerg after giving effect to redemption by ChaSerg Shareholders and receipt of any additional equity amount (if any)
“ChaSerg Shareholders”	shareholders of ChaSerg
“ChaSerg Sponsor”	ChaSerg Technology Sponsor LLC, a company incorporated in the state of Delaware of the United States with limited liability, which acted as the sponsor of the initial public offering of ChaSerg
“CS Common Stock”	Class A common stock in ChaSerg
“CS Common Stock Option(s)”	option(s) to purchase CS Common Stock
“CS Signing Stock Price”	the closing price of CS Common Stock as at the date immediately preceding the date of the Merger Agreement, being US\$10.19 (equivalent to HK\$79.48)

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## DEFINITIONS

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“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“Company”	Automated Systems Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 771)
“Completion”	consummation of the Mergers in accordance with the terms of the Merger Agreement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration Share(s)”	CS Common Stock to be allotted and issued to shareholders of GDI pursuant to the Merger Agreement upon Completion
“Consideration Share Adjustment”	adjustment to the number of Consideration Shares to be allotted and issued, details of which are set out in the section headed “Mergers and Proposed Spin-off – Merger Agreement – Consideration for Mergers”
“Directors”	the directors of the Company
“Disposal Group”	GDI and its subsidiaries
“EBITDA”	earnings before interest, tax, depreciation and amortization
“GDD”	GDD International Holding Company, a corporation incorporated in the State of Delaware of the United States, an indirect wholly-owned subsidiary of the Company
“GDI”	Grid Dynamics International, Inc., a corporation incorporated in the State of California of the United States and an approximately 86%-owned subsidiary of the Company as at the Latest Practicable Date (taking into account preferred shares in GDI on an as-converted basis)
“GDI Common Stock”	common stock in GDI
“GDI Minority Shareholders”	(i) VLSK2019 LLC, an associate of Victoria Livschitz, a director, the founder and chief technology officer of GDI; (ii) Zhang Shuo, a director of GDI; (iii) BGV Opportunity Fund LP, an associate of Eric Benhamou, a director of GDI; and (iv) holders of vested stock options of GDI

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## DEFINITIONS

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“GDI Group”	GDI and its subsidiaries
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China
“HKFRSs”	Hong Kong Financial Reporting Standards
“Independent Board Committee”	an independent committee of the Board comprising all its independent non-executive Directors, established for the purpose of advising the Independent Shareholders in relation to the terms and conditions of the Merger Agreement and the transactions contemplated thereunder (including the Mergers) and the Proposed Spin-off
“Independent Financial Adviser”	BaoQiao Partners Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, which has been appointed as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in connection with the Mergers, the Proposed Spin-off and the transactions contemplated thereunder
“Independent Shareholder(s)”	Shareholders other than those who are required under the Listing Rules to abstain from voting at the SGM for the resolution(s) approving the Merger Agreement and the transactions contemplated thereunder (including the Mergers) and the Proposed Spin-off
“Initial Merger”	a business combination transaction by which Merger Sub 1 merges with and into GDI with GDI being the surviving entity of such merger
“Initial Merger Effective Time”	has the meaning as defined in the section headed “Mergers and Proposed Spin-off – Merger Agreement – Subject matter – (a) Initial Merger”
“Latest Practicable Date”	30th December 2019, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time

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## DEFINITIONS

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“Merger Agreement”	the agreement dated 13th November 2019 entered into among ChaSerg, Merger Sub 1, Merger Sub 2, GDI and the Company in relation to the Mergers
“Merger Consideration”	consideration for the Mergers, comprising cash consideration of US\$130 million (equivalent to HK\$1,014 million) and 25,523,810 Consideration Shares, subject to Adjustments
“Merger Sub 1”	CS Merger Sub 1 Inc., a corporation incorporated in the State of California of the United States with limited liability and a wholly owned subsidiary of ChaSerg
“Merger Sub 2”	CS Merger Sub 2 LLC, a limited liability company formed in the State of Delaware of the United States and a wholly owned subsidiary of ChaSerg
“Mergers”	the Initial Merger and the Second Step Merger
“Notice”	the notice of the SGM set out on pages 197 to 199 of this circular
“PN 15”	Practice Note 15 of the Listing Rules
“PRC” or “China”	the People’s Republic of China, which of the purpose of this circular excludes Hong Kong, Macau and Taiwan
“Proposed Spin-off”	the proposed disposal of GDI by way of the Mergers pursuant to the terms of the Merger Agreement, thereby effecting the separate listing of GDI on Nasdaq
“Relevant Liabilities”	the outstanding principal and unpaid interest (as at the expected date of Completion) of the convertible bonds and bank loan assumed by the Company in connection with the acquisition of the GDI Group in 2017 and the tax liability in connection with the Mergers
“Remaining Group”	the Group, excluding the GDI Group, upon completion of the Proposed Spin-off
“Required Approval Matters”	has the meaning as defined in the section headed “Mergers and Proposed Spin-off – Merger Agreement – Conditions precedent to the Merger Agreement – (a) Conditions precedent in respect of all parties to the Merger Agreement”
“Second Step Merger”	a business combination transaction by which, immediately after the consummation of the Initial Merger, GDI merges with and into Merger Sub 2 with Merger Sub 2 being the surviving entity of such merger

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## DEFINITIONS

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“Second Step Merger Effective Time”	has the meaning as defined in the section headed “Mergers and Proposed Spin-off – Merger Agreement – Subject matter – (b) Second Step Merger”
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened and held for Shareholders to consider and, if thought fit, approve the Merger Agreement and the transactions contemplated thereunder (including the Mergers)
“Share(s)”	ordinary share(s) of par value HK\$ 0.10 each in the share capital of the Company (or such other nominal amount as shall result from a sub-division, consolidation, reclassification, or reconstruction of the share capital of the Company, from time to time)
“Shareholder(s)”	holder(s) of Share(s) in issue
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Teamsun”	Beijing Teamsun Technology Co., Ltd. (北京華勝天成科技股份有限公司), the ultimate holding company of the Company
“Teamsun Hong Kong”	Teamsun Technology (HK) Limited, a wholly owned subsidiary of Teamsun and a controlling Shareholder (as defined under the Listing Rules)
“US” or “United States”	the United States of America
“US GAAP”	US Generally Accepted Accounting Principles
“US\$”	United States dollar, the lawful currency of the United States
“%”	per cent

*For illustration purposes only, figures in US\$ have been converted to HK\$ at the rate of US\$1 = HK\$7.8 and it does not constitute a representation that any amount has been, could have been or may be exchanged at any particular rate on the date or dates in question or any other date.*

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LETTER FROM THE BOARD

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**AUTOMATED SYSTEMS HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 771)**

*Executive Directors:*

Mr. Wang Weihang (*Chairman*)

Mr. Wang Yueou (*Chief Executive Officer*)

*Non-Executive Directors:*

Mr. Li Wei

Mr. Cui Yong

*Independent Non-Executive Directors:*

Mr. Pan Xinrong

Mr. Deng Jianxin

Ms. Or Siu Ching, Regina

*Registered Office:*

Canon's Court

Victoria Place, 5th Floor,

31 Victoria Street, Hamilton HM 10,

Bermuda

*Head office and principal place of  
business in Hong Kong:*

15th Floor, Topsail Plaza

11 On Sum Street

Shatin

New Territories

Hong Kong

Hong Kong, 31st December 2019

*To the Shareholders,*

Dear Sir or Madam,

**(1) VERY SUBSTANTIAL DISPOSAL AND VERY SUBSTANTIAL  
ACQUISITION IN RELATION TO THE MERGERS  
(2) PROPOSED SPIN-OFF AND SEPARATE LISTING OF  
GRID DYNAMICS INTERNATIONAL, INC.  
AND  
(3) NOTICE OF SPECIAL GENERAL MEETING**

**INTRODUCTION**

The Board is pleased to announce that on 13th November 2019 (after trading hours), the Company, GDI, ChaSerg, Merger Sub 1, and Merger Sub 2 entered into the conditional Merger Agreement in relation to the Mergers.



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## LETTER FROM THE BOARD

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The transactions contemplated under the Merger Agreement involving the acquisition of GDI by ChaSerg, a special purpose acquisition company the shares of which are listed on Nasdaq, are effectively an injection of GDI in exchange for cash and equity interest in ChaSerg and thereby effecting the separate listing of GDI on Nasdaq. Immediately after Completion, ChaSerg will, through its wholly-owned subsidiary, hold all the operating assets and intangible assets (including intellectual property rights) required for the operation of the IT services business of GDI. The Company will, through its wholly-owned subsidiary, GDD, be entitled to receive (a) cash consideration of approximately US\$93.6 million (equivalent to approximately HK\$730.6 million), subject to Cash Consideration Adjustment; and (b) Consideration Shares representing approximately 34% of the issued share capital of ChaSerg upon Completion (assuming (i) there is no redemption of funds by ChaSerg shareholders; (ii) there is no adjustment to the Merger Consideration; (iii) there is no change in shareholding interest of the Company in GDI from the Latest Practicable Date to the date of Completion; (iv) all outstanding and vested stock options of GDI convertible into CS Common Stock have been exercised; (v) outstanding ChaSerg warrants have not been exercised (as they are out of the money as at the Latest Practicable Date); and (vi) there is no other change in the number of CS Common Stock from the Latest Practicable Date to the date of Completion). Upon Completion, the results of the GDI Group will no longer be consolidated in the results of the Remaining Group.

### MERGERS AND PROPOSED SPIN-OFF

#### Merger Agreement

The principal terms of the Merger Agreement are summarized as follows:

<b>Date</b>	:	13th November 2019
<b>Parties</b>	:	(1) The Company (2) GDI (3) ChaSerg (4) Merger Sub 1 (5) Merger Sub 2
<b>Subject matter</b>	:	Subject to the terms and conditions of the Merger Agreement, the parties intend to enter into the following business combination transactions:

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## LETTER FROM THE BOARD

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**(a) Initial Merger**

Subject to the terms and conditions of the Merger Agreement, ChaSerg, GDI and Merger Sub 1 shall on the date of Completion, cause the Initial Merger to be consummated by filing a certificate of merger in relation to the Initial Merger to the relevant government authority in the State of California in accordance with California General Corporation Law (the time of such filing, or such later time as may be agreed in writing by GDI and ChaSerg and specified in the certificate of merger in relation to the Initial Merger, being the “Initial Merger Effective Time”).

At the Initial Merger Effective Time, Merger Sub 1 merges with and into GDI, such that the separate existence of Merger Sub 1 will cease and GDI will be the surviving entity in the Initial Merger. Upon consummation of the Initial Merger, all the property, rights, privileges, immunities, powers, franchises, licenses and authority of Merger Sub 1 shall vest in, and all the debts, liabilities, obligations, restrictions and duties of Merger Sub 1 shall, by operation of law, be assumed by GDI as the surviving entity in the Initial Merger.

**(b) Second Step Merger**

Immediately after the consummation of the Initial Merger, GDI, the surviving entity in the Initial Merger and Merger Sub 2 shall cause the Second Step Merger to be consummated by filing a certificate of merger in relation to the Second Step Merger to the relevant government authority in the State of California in accordance with California General Corporation Law and the State of Delaware in accordance with Limited Liability Company Act of the State of Delaware (the time of such filing, or such later time as may be agreed in writing by GDI and ChaSerg and specified in the certificate of merger in relation to the Second Step Merger, being the “Second Step Merger Effective Time”).

At the Second Step Merger Effective Time, GDI as the surviving entity in the Initial Merger merges with and into Merger Sub 2, such that the separate existence of the surviving entity in the Initial Merger will cease and Merger Sub 2 will be the surviving entity in the Second Step Merger. Upon consummation of the Second Step Merger, all the property, rights, privileges, immunities, powers, franchises, licenses and authority of the surviving entity in the Initial Merger shall vest in, and all the debts, liabilities, obligations, restrictions and duties of the surviving entity in the Initial Merger shall, by operation of law, be assumed by Merger Sub 2 as the surviving entity in the Second Step Merger.

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## LETTER FROM THE BOARD

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The name of the surviving entity in the Second Step Merger shall be renamed as “Grid Dynamics International LLC”. Upon completion of the Second Step Merger, the surviving entity in the Second Step Merger will be a direct wholly-owned subsidiary of ChaSerg.

The Mergers, taking the form of a two-step merger, seek to optimize the tax treatment in respect of United States tax residents, such that the transactions would fall within tax-free reorganization and Consideration Shares allotted to GDI shareholders (including GDD) would not trigger tax liability immediately upon Completion.

**Consideration for :  
the Mergers**

In consideration for the Mergers, each share of GDI Common Stock in issue immediately prior to Completion (other than dissenting shares held by holders voting against the Mergers) will be converted into the right to receive the per GDI Common Stock share consideration (being total number of Consideration Shares divided by the fully diluted number of GDI Common Stock in issue immediately prior to Completion) and the per GDI Common Stock cash consideration (being total cash consideration for the Mergers divided by the fully diluted number of GDI Common Stock in issue immediately prior to Completion), less the amount to be held in escrow as described below. “Fully diluted number of GDI Common Stock in issue immediately prior to Completion” refers to the aggregate number of outstanding shares of GDI Common Stock, taking into account preferred shares in GDI on an as-converted basis and GDI Common Stock underlying outstanding and vested stock options of GDI (i.e. excluding 32,693 unvested stock options and stock options which will be cancelled).

The Merger Consideration (subject to Adjustments) is approximately US\$390.1 million (equivalent to approximately HK\$3,042.8 million), comprising cash consideration of US\$130 million (equivalent to HK\$1,014 million) and 25,523,810 Consideration Shares (being CS Common Stock priced at the CS Signing Stock Price of US\$10.19 each (equivalent to HK\$79.48) worth approximately US\$260.1 million (equivalent to approximately HK\$2,028.7 million).

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## LETTER FROM THE BOARD

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As at the Latest Practicable Date, GDI has issued 12,847,462 GDI Common Stock and 622,027 preferred shares and the Company (through GDD) has 11,574,564 GDI Common Stock, representing approximately 86% equity interest in GDI (taking into account the preferred shares in GDI on an as-converted basis) and approximately 72% equity interest in GDI on a fully diluted basis (taking into account the preferred shares in GDI on an as converted basis and immediately after allotment and issuance of shares upon exercise of 2,594,211 outstanding and vested stock options of GDI in full). Based on the Company's interest in GDI on a fully diluted basis, the Merger Consideration (subject to Adjustments) payable to the Company is approximately US\$281 million (equivalent to approximately HK\$2,191.8 million), comprising cash consideration of approximately US\$93.6 million (equivalent to approximately HK\$730.6 million) and 18,390,967 Consideration Shares (being CS Common Stock priced at the CS Signing Stock Price of US\$10.19 each (equivalent to HK\$79.48)) worth approximately US\$187.4 million (equivalent to approximately HK\$1,461.8 million). The Merger Consideration (comprising cash consideration and Consideration Shares but save for post-completion adjustments to be settled by consideration shares held in escrow) will be settled upon completion.

The Merger Consideration is subject to Adjustments comprising:

- Consideration Share Adjustment: adjustment to the number of Consideration Shares for the Mergers, whereby the number of Consideration Shares to be issued will be adjusted by dividing (A) (i) difference between the target (being US\$10 million (equivalent to HK\$78 million)) and actual (as at the day before Completion) level of working capital, excluding cash and marketable securities accounted for under item (iii) below; (ii) aggregate amount of indebtedness as at the day before Completion (as at the Latest Practicable Date, GDI did not have any outstanding debt); (iii) difference in cash and marketable securities (being investments held by GDI including but not limited to United States treasury bonds and other investment grade bonds) from US\$29 million (equivalent to HK\$226.2 million) (which was determined in the course of negotiating the Merger Consideration with reference to the estimated cash reserves of GDI as at Completion), where adjustment pursuant to this item (iii) is subject to a cap of US\$15 million (equivalent to HK\$117 million) (which was determined with reference to the

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## LETTER FROM THE BOARD

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size of funds earmarked by GDI for potential acquisition <sup>Note</sup> prior to Completion. If no such appropriate acquisition target could be finalized, such earmarked fund will constitute “excess cash and marketable securities” under this item (iii) and will be distributed among shareholders of GDI as part of the Consideration Share Adjustment); (iv) US\$1.5 million (equivalent to HK\$11.7 million) for every US\$100,000 (equivalent to HK\$780,000) shortfall in expected EBITDA of GDI for the financial year ending 31st December 2019 from the target EBITDA of US\$23.8 million (equivalent to approximately HK\$185.6 million) which was determined with reference to projected financials of GDI for the year ending 31 December 2019; and (v) the Cash Consideration Reallocation Amount (as defined below), by (B) the CS Signing Stock Price of US\$10.19 (equivalent to HK\$79.48).

*Note: GDI may conduct an acquisition prior to Completion should it be able to identify an appropriate target to complement its business in the same industry which would diversify its customer type. The Company, being the majority shareholder of GDI up and until Completion, will only consider and approve an acquisition by GDI prior to Completion if any financial contribution from the acquired company (e.g. net profit) as consolidated into the financial statements of the Company up and until Completion (following which ChaSerg will be deconsolidated) is not less than the reduction in Consideration Shares due to decrease in “excess cash and marketable securities” of GDI following the acquisition (i.e. item (iii) of the Consideration Share Adjustment).*

In respect of Consideration Share Adjustment events (i) and (iii), any positive difference from the target value would have the effect of increasing the number of Consideration Shares whilst any deficit from the target value would decrease the number of Consideration Shares. In respect of Consideration Share Adjustment events (ii) and (iv), any indebtedness or shortfall from the expected EBITDA of GDI would have the effect of reducing the number of Consideration Shares. In respect of Consideration Share Adjustment event (v), the Cash Consideration Reallocation Amount will have the effect of increasing the number of Consideration Shares.

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## LETTER FROM THE BOARD

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- **Cash Consideration Adjustment:** adjustment to the cash consideration for the Mergers in the event of redemption of funds by ChaSerg Shareholders, whereby the cash consideration will be reduced by, if any, the amount equal to (i) US\$13.5 million (equivalent to HK\$105.3 million) multiplied by (ii) (x) US\$223,915,741 (equivalent to approximately HK\$1,746,542,780) the trust account balance of ChaSerg as at the date of the Merger Agreement, “ChaSerg Trust Account Balance”) minus ChaSerg Available Cash, divided by (y) 30% of US\$223,915,741 (equivalent to approximately HK\$1,746,542,780) being the amount of funds redeemed in the event of a 30% redemption by ChaSerg Shareholders) as reflected in the formula below:

$$\text{Cash Consideration Adjustment} = 13,500,000 \times \frac{(\text{ChaSerg Trust Account Balance} - \text{ChaSerg Available Cash})}{(30\% \times \text{ChaSerg Trust Account Balance})}$$

provided that such adjustment sum calculated above (the “Cash Consideration Reallocation Amount”) shall never be less than zero or greater than US\$13.5 million (equivalent to HK\$105.3 million), and any such reduction in cash consideration for the Mergers will be taken into account in adjusting the number of Consideration Shares as part of the Consideration Share Adjustment (i.e. any Cash Consideration Adjustment will have the effect of increasing the number of Consideration Shares by virtue of the Consideration Share Adjustment, which is determined by *dividing* Cash Consideration Adjustment *by* the CS Signing Stock Price of US\$10.19 (equivalent to HK\$79.48)). The upper limit of US\$13.5 million (equivalent to HK\$105.3 million) is determined with reference to, among other things, the cash required for the Company to settle in full Relevant Liabilities. In other words, should there be 30% redemption of funds by ChaSerg Shareholders and the maximum Cash Consideration Reallocation Amount (i.e. US\$13.5 million (equivalent to HK\$105.3 million)) be settled in Consideration Shares as part of the Consideration Share Adjustment, the cash consideration payable to the Company will be reduced by US\$9.7 million (equivalent to approximately HK\$75.7 million) to approximately US\$83.9 million (equivalent to approximately HK\$654.4 million), which is sufficient to settle in full the Relevant Liabilities.

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## LETTER FROM THE BOARD

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The Merger Consideration (including the Adjustments) was determined following arm's length negotiation between the Company and ChaSerg, taking into account, among other things; (i) the cost of investment when the Group acquired GDI in 2017, being US\$118 million (equivalent to HK\$920.4 million) on a cash-free and debt-free basis, to allow the Company to make an appropriate return on the investment in GDI as well as repay outstanding debt associated with the Company's acquisition of GDI and taxes on gain in connection with the Merger (i.e. the Relevant Liabilities); (ii) in respect of the proportion of cash consideration and share consideration for the Mergers, the cash amount required for the Company to pay off the Relevant Liabilities, to allow the Company repay the outstanding debts associated with the Company's acquisition of GDI and taxes on gain in connection with the Merger; (iii) the historical performance of GDI, including but not limited to its past financial performance (please refer to the section headed "General Information - Information on GDI" below for profit of GDI for the two financial years ended 31st December 2018 and the six months ended 30th June 2019) for assessing the sustainability of GDI's business model; (iv) business prospects of GDI, such as business opportunities in the industry and the growth trends and cost structure of GDI, for assessing the future growth opportunities of GDI; and (v) prevailing market conditions, including the valuation metrics (such as price to earnings (P/E) and enterprise value to EBITDA (EV/EBITDA) multiples) of publicly listed comparables (being US-listed companies which operate similar business) subject to a discount of approximately 30% to account for the scale of GDI's business (it was observed that among comparables identified, publicly listed companies of a certain scale or below traded at a discount compared to comparables above a certain scale), industry/customer concentration (e.g. reliance on major customers) and lack of public market track record (as there is no public market for the shares of GDI).

- Treatment of outstanding stock options of GDI** :
- GDI shall terminate the share option scheme of GDI adopted on 21st December 2018 upon Completion pursuant to the terms of the scheme.
- (a) Any outstanding and vested stock options of GDI will be (i) assumed as to approximately 66.7% by ChaSerg and converted into CS Common Stock Options on substantially similar terms (including rules on their forfeiture); and (ii) cashed out as to approximately 33.3% immediately prior to Completion. The proportion of outstanding and vested stock options of GDI to be assumed by ChaSerg is equal to (i) the total value of Consideration Shares divided by (ii) the Merger Consideration (the "Assumed Portion").

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## LETTER FROM THE BOARD

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The Assumed Portion is commercially agreed based on the formula above such that holders of outstanding and vested GDI options receive cash consideration and Consideration Shares (upon exercise of the relevant CS Common Stock Options) in the same proportion as GDI shareholders under the Mergers. The Assumed Portion of each GDI option shall be assumed by ChaSerg and automatically converted into an option (each, an “Assumed Option”) to purchase shares of CS Common Stock.

In summary, each Assumed Option will continue to be subject to substantially the same terms and conditions (including vesting and forfeiture) as applied to the Assumed Option immediately before the Initial Merger Effective Time, after giving effect to any accelerated vesting in connection with the Completion.

- (b) Any unvested stock options of GDI will be assumed by ChaSerg and converted into CS Common Stock Options on substantially similar terms (including vesting and forfeiture).

**Conditions  
precedent to  
the Merger  
Agreement**

- (a) **Conditions precedent in respect of all parties to the Merger Agreement**

The obligations of each party to consummate the Mergers shall be subject to the following conditions:

- (i) the Merger Agreement having been duly adopted and the Mergers having been approved by holders of GDI Common Stock and GDI preferred shares;
- (ii) certain matters having been approved by the ChaSerg Shareholders, being (A) the Merger Agreement and transactions contemplated thereunder; (B) the issuance of Consideration Shares; (C) certain amendments to the charter of ChaSerg (primarily to align the charter of ChaSerg with market standard provisions typical of a public company listed on Nasdaq, such as removing mandatory dissolution provisions for special purpose acquisition companies, incorporating standard provisions regarding the election of directors and convening meetings of the board and stockholders); (D) adoption of an equity incentive plan in respect of CS Common Stock (to continue to align interests of management team with that of ChaSerg Shareholders upon Completion); (E) appointment of and designation of members of the board and board committees of ChaSerg; and (F) such other matters as considered necessary to effect the Mergers (the “Required Approval Matters”);



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## LETTER FROM THE BOARD

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- (iii) the Merger Agreement and the Mergers having been approved by shareholders of Teamsun and the Company, respectively;
  - (iv) no governmental authority having enacted, issued, promulgated, enforced or entered any order which is in effect and has the effect of making the transactions contemplated under the Merger Agreement illegal, otherwise restraining or prohibiting consummation of any material transactions or causing any of the material transactions contemplated under the Merger Agreement to be rescinded following completion thereof;
  - (v) each of the Company, GDI, Teamsun and ChaSerg having obtained the necessary third party consents and authorizations (including approvals from government authorities and securities exchanges) in respect of the Mergers and no such consents and authorizations having been revoked;
  - (vi) no action having been commenced against GDI, ChaSerg, Merger Sub 1 or Merger Sub 2 which would prevent consummation of the Mergers;
  - (vii) ChaSerg having net tangible assets equal to or greater than US\$5,000,001 immediately prior to Completion; and
  - (viii) after giving effect to redemption by ChaSerg Shareholders and receipt of any additional equity amount (if any), the funds remaining in the trust account of ChaSerg is not less than 70% of the trust account balance at the time of signing of the Merger Agreement.
- (b) **Additional conditions precedent in respect of ChaSerg, Merger Sub 1 and Merger Sub 2**

The obligations of ChaSerg, Merger Sub 1 and Merger Sub 2 to consummate the Mergers shall be subject to the following additional conditions:

- (i) the representations and warranties of GDI having remained true and correct in all respects (in respect of representations or warranties qualified by materiality or material adverse effect) or all material respects (in respect of other representations or warranties) on and as of the date of the Merger Agreement and the date of Completion;
- (ii) GDI having performed and complied in all material respects with agreements, covenants and conditions specified in the Merger Agreement;

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## LETTER FROM THE BOARD

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- (iii) there not having occurred material adverse effect from 31st December 2018;
- (iv) GDI having delivered the closing deliverables in accordance with the Merger Agreement;
- (v) holders of no more than 10% of the outstanding GDI Common Stock having exercised or remained entitled to exercise statutory appraisal rights (under California law, after the Mergers have been approved, a GDI shareholder who has voted against or abstained from voting on the Mergers can in writing demand GDI to purchase GDI Common Stock held by the relevant GDI shareholder at the estimated fair market value (as at the date before the announcement of the Mergers), which the GDI shareholder can apply for appraisal in court if the GDI Shareholder does not agree with the number of eligible GDI Common Stock or price as determined and notified by ChaSerg);
- (vi) certain key executives (namely chief executive officer and executive vice president (customer success)) and at least six of the key employees (namely senior vice president (engineering), senior vice president (operations), vice president (account management), vice president (engineering management), vice president (corporate development), vice president (sales), chief technology officer, vice president (delivery management) and vice president (finance)) of GDI having executed and not rescinded their employment agreements and not resigned or otherwise terminated their employment or indicated any intention to do so;
- (vii) GDI having delivered evidence reasonably satisfactory to ChaSerg that shareholders' approval pursuant to Section 280G(b)(5)(B) of the Internal Revenue Code and Treasury Regulations thereunder has been obtained;
- (viii) GDI having delivered a statement and evidence reasonably satisfactory to ChaSerg to demonstrate that the cash and cash equivalents held by GDI is not less than US\$20,000,000; and
- (ix) certain amendments to the charter of GDI having been approved (primarily to provide for the conversion of GDI preferred shares into GDI Common Stock).

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## LETTER FROM THE BOARD

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(c) **Additional conditions precedent in respect of GDI**

The obligations of GDI to consummate the Mergers shall be subject to the following additional conditions:

- (i) the representations and warranties of ChaSerg, Merger Sub 1 and Merger Sub 2 having remained true and correct in all respects (in respect of representations or warranties qualified by materiality or material adverse effect) or all material respects (in respect of other representations or warranties) on and as of the date of the Merger Agreement and the date of Completion;
- (ii) ChaSerg, Merger Sub 1 and Merger Sub 2 having performed and complied with agreements, covenants and conditions specified in the Merger Agreement in all respects (in respect of agreements, covenants and conditions qualified by materiality) or all material respects (in respect of other agreements, covenants and conditions);
- (iii) ChaSerg having delivered the closing deliverables in accordance with the Merger Agreement;
- (iv) the board of directors of ChaSerg having taken all necessary and appropriate actions to adopt and approve an equity incentive plan in respect of CS Common Stock<sup>Note</sup>; and

*Note: It is a condition precedent that ChaSerg would, prior to Completion, adopt an equity incentive plan for the benefit of eligible participants (including employees, directors and consultants) through the grant of options, restricted stock, restricted stock units, stock appreciation rights, performance units and performance shares (collectively, the "Awards"). Based on the terms of the proposed equity incentive plan, the maximum number of CS Common Stock which may be issued is equal to 16,300,000, representing approximately 25.1% of the issued share capital of ChaSerg under Scenario D (please refer to the section headed "General information - Information on ChaSerg, Merger Sub 1 and Merger Sub 2") and approximately 20.1% of the issued share capital of ChaSerg under Scenario D as enlarged by the allotment and issuance of all 16,300,000 CS Common Stock Awards in respect of which may be granted under the proposed equity incentive plan. The proposed equity incentive plan is expected to have a life of ten years, unless otherwise terminated.*

*Following Completion, it is expected that ChaSerg will grant initial Awards in respect of up to 6,650,000 CS Common Stock to certain senior management and employees of ChaSerg (most of which are existing employees of GDI), comprising restricted stock units, performance units (the vesting of which is subject to, among other things, achievement of ChaSerg performance objectives) and stock options. The Awards are expected to vest over a period of four years, where 1/4 of CS Common Stock subject to the Awards would vest on the first anniversary of the vesting commencement date, and thereafter 1/16 of CS Common Stock subject to the Awards would vest on a quarterly basis, subject to the grantee's continuous provision of services to ChaSerg on each vesting date.*

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## LETTER FROM THE BOARD

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*The proposed equity incentive plan will be subject to the administration of the board of directors of ChaSerg and any of its committees, who have full discretion in determining the terms and conditions of the Awards, including but not limited to, the selection of eligible participants, the number of CS Common Stock to be covered by each Award etc. in accordance with the terms of the proposed equity incentive plan.*

*Having considered, among other things, the need to attract and retain talent and incentivize, in particular, management and staff of ChaSerg to promote the growth of the business of ChaSerg in order to establish its track record as a public company, the Company believes that it is in the interest of ChaSerg and the Company (as a substantial shareholder of ChaSerg after Completion) for ChaSerg to adopt the equity incentive plan to ensure that the remuneration package offered by ChaSerg is competitive in the market. Taking into account (i) the scale of equity incentive plans adopted by other IT companies listed in the United States; (ii) the potential benefit from aligning the interests of management and staff of ChaSerg with those of ChaSerg and ChaSerg Shareholders and (iii) the vesting timetable of and the dilution as a result of grant and exercise in full of the proposed initial Awards in respect of up to 6,650,000 CS Common Stock (including dilution due to the allotment and issuance of up to 1,662,500 CS Common Stock as soon as the first anniversary of the vesting commencement date, representing approximately 2.5% of the issued share capital of ChaSerg under Scenario D as enlarged by the allotment and issue of the underlying CS Common Stock), the Company considers the scale of the proposed equity incentive plan to be adopted by ChaSerg to be in line with market practice. On that basis, taking into account the potential dilution impact on the Company's shareholding in ChaSerg as a result of grants of Awards under the equity incentive plan, the Company is of the view that the Merger Consideration is fair and reasonable.*

- (v) the designated directors including directors designated by the Company and ChaSerg Sponsor having been appointed to the board of directors of ChaSerg.

Completion shall take place no later than three business days from the satisfaction or waiver of the conditions precedent to the Merger Agreement, or such other time and date as GDI and ChaSerg may agree in writing.

**Lock-up** : Each of the shareholders of GDI shall enter into the agreed form of a lock-up agreement (the "Lock-up Agreement") pursuant to which the shareholders of GDI shall (subject to certain permitted transfers) agree not to transfer CS Common Stock to be received under the Merger Agreement until the earlier of, among other things, (i) end of a one-year period from the Completion; and (ii) end of any 30-trading day period during which the share price of CS Common Stock exceeds US\$12 for 20 trading days, the first day of which commences after 150 days from the Completion.

The Company, being one of the shareholders of GDI, is also bound by the Lock-up Agreement.

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## LETTER FROM THE BOARD

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**Amended and restated registration rights agreement** : It is expected that the Company, ChaSerg, ChaSerg Sponsor and other shareholders of GDI (including the relevant subsidiaries of the Company) will enter into an amended and restated registration rights agreement upon Completion, pursuant to which, amongst other things, ChaSerg will use its commercially reasonable efforts to effect shelf registration for potential resale of certain securities in ChaSerg (including CS Common Stock) after Completion or upon the request of holders of at least a majority of the Company's interest in ChaSerg in respect of securities in ChaSerg which have not been registered. The shelf registration is intended to allow holders of CS Common Stock including ChaSerg Sponsor to sell CS Common Stock in the market without having to comply with applicable prospectus requirements for each transaction.

If unforeseen problems are encountered resulting in delays in having the resale registration statement declared effective by the SEC, the Company will have the right to make public resales of its CS Common Stock in accordance with SEC Rule 144, provided the applicable holding period and other requirements of the rule (i.e., volume limits, manner of sale, etc.) are satisfied.

For the avoidance of doubt, the right of resale by the Company will be subject to the Lock-up Agreement stated above.

**Escrow arrangement** : It is expected that the Company will enter into an escrow agreement with ChaSerg and Continental Stock Transfer & Trust Company, an escrow agent independent of the Company, upon Completion, pursuant to which 857,143 Consideration Shares will be held in escrow for the settlement of any post-Completion adjustments. Post-Completion adjustment is equal to the difference between (i) the final Consideration Share Adjustment and (ii) the estimated Consideration Share Adjustment (which is determined based on good faith estimates prior to Completion). The directors of ChaSerg designated by ChaSerg Sponsor are expected to determine the final Consideration Share Adjustment within 60 days after Completion, and any difference between the final Consideration Share Adjustment so determined and the estimated Consideration Share Adjustment will be settled by adjusting the number of Consideration Shares (by dividing the aforementioned difference by the CS Signing Stock Price).

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## LETTER FROM THE BOARD

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**Voting undertaking** : The Company has undertaken to vote in favour of the Mergers and the Proposed Spin-off at the general meeting of GDD or by written consent of the shareholders of GDD, subject to Independent Shareholders' approval to be obtained at the SGM.

Teamsun Technology (HK) Limited, a subsidiary of Teamsun and a direct controlling Shareholder, has also undertaken to vote in favour of the Mergers and the Proposed Spin-off at the SGM.

**Termination** : The Merger Agreement may be terminated at any time prior to Completion:

- (a) by written consent between GDI and ChaSerg;
- (b) by GDI or ChaSerg if there shall be any law, regulation, order, judgment or treaty that makes consummation of the transactions contemplated by the Merger Agreement illegal or otherwise prohibited or any governmental authority shall have issued an order restraining or enjoining the transactions contemplated by the Merger Agreement, and such order shall have become final and non-appealable;
- (c) by GDI if:
  - (i) without any material breach on the part of GDI, there has been a breach of representation, warranty, covenant or agreement made by ChaSerg, Merger Sub 1 or Merger Sub 2 which (A) would result in failure to satisfy certain conditions precedent to the Merger Agreement; and (B) such breach has not been cured by ChaSerg, Merger Sub 1 or Merger Sub 2 within 30 days of ChaSerg, Merger Sub 1 or Merger Sub 2's receipt of notice of breach;
  - (ii) without any breach on the part of GDI, it has become apparent that certain conditions precedent to the Merger Agreement have not been or will not be fulfilled by 30th June 2020 (or such other date as extended in accordance with the Merger Agreement);

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## LETTER FROM THE BOARD

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- (d) by ChaSerg if:
  - (i) without any material breach on the part of ChaSerg, Merger Sub 1 and Merger Sub 2, there has been a breach of representation, warranty, covenant or agreement made by GDI which (A) would result in failure to satisfy certain conditions precedent to the Merger Agreement; and (B) such breach has not been cured by GDI within 30 days of the Company's receipt of notice of breach; or
  - (ii) without any breach on the part of ChaSerg, it has become apparent that certain conditions precedent to the Merger Agreement have not been or will not be fulfilled by 30th June 2020 (or such other date as extended in accordance with the Merger Agreement);
- (e) by either ChaSerg or GDI, if ChaSerg's stockholders have duly voted at its extraordinary general meeting and the requisite vote for approving the Required Approval Matters was not obtained;
- (f) by ChaSerg if the written consent evidencing the requisite vote or consent of GDI's shareholders for adopting the Merger Agreement and approving the transactions contemplated thereunder is not delivered to ChaSerg and GDI within two business days following the receipt of the requisite vote of the Shareholders of the Company;
- (g) (i) by ChaSerg if the shareholder meeting of the Company has concluded, the holders of the Company's shares have duly voted, and approval of the Merger Agreement and the transactions contemplated thereunder was not obtained; (ii) by GDI at any time following 30 days after the shareholder meeting of the Company, if the holders of the Company's shares have duly voted, and approval of the Merger Agreement and the transactions contemplated thereunder was not obtained at or following the meeting; (iii) by ChaSerg or GDI if the shareholder meeting of Teamsun has concluded, the holders of Teamsun's shares have duly voted, and approval of the Merger Agreement and the transactions contemplated hereby was not obtained; or (iv) by ChaSerg if either the shareholder meeting of Teamsun or the shareholder meeting of the Company has not been held by 31st May 2020;
- (h) by the Company but no earlier than 30th June 2020 if, after giving effect to redemption by shareholders of ChaSerg and receipt of any additional equity amount (if any), the funds remaining in the trust account of ChaSerg is less than 70% of the trust account balance at the time of signing of the Merger Agreement; or
- (i) by the Company if Completion would result in the Company holding more than 50% of the outstanding CS Common Stock.

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## LETTER FROM THE BOARD

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### **Stockholders' agreement**

In connection with the Mergers, it is expected that the Company, GDD, ChaSerg Sponsor and GDI will enter into a stockholders' agreement to provide for the rights and obligations of the parties as shareholders of ChaSerg upon Completion with respect to, among other things, management and operations of ChaSerg.

Pursuant to the stockholders' agreement, the Company will, as the single largest ChaSerg Shareholder be entitled to appoint up to two directors of ChaSerg (who will serve as non-executive directors) as long as the Company beneficially owns 10% or more of the voting shares in ChaSerg and one director of ChaSerg as long as the Company beneficially owns not less than 5% but less than 10% of the voting shares in ChaSerg. The Company will also have an exclusive right to remove its nominated director(s) on the board of ChaSerg. It is currently contemplated that the board of directors of ChaSerg will comprise eight directors.

Other than the nomination and appointment of directors of ChaSerg, for so long as the Company has the right to appoint directors, the Company also has the right to (i) have one of the Company's designees on any committee of ChaSerg subject to any applicable law, rule or requirements; (ii) replace any of the Company's designees as it sees fit; and (iii) fill any vacancy caused by the resignation of the Company's designee(s).

Additionally, the Company (i) is obliged to vote for the election of the other voting parties' designees at every election (the same is required of the other voting parties voting for the Company's designees); and (ii) is required to refrain from entering into any agreement or arrangement regarding any voting shares (such as a voting trust or agreement) which would conflict with, or impede the implementation of, the provisions of the stockholders' agreement (including without limitation the appointment of directors of ChaSerg and voting obligations).

### **Put option in respect of GDI shares previously granted to BGV Opportunity Fund LP**

Reference is made to the announcement of the Company dated 6th May 2019.

In connection with the subscription of 622,027 GDI Common Stock and 622,027 Series A preferred shares in GDI by BGV Opportunity Fund LP, the Company granted a put option to BGV Opportunity Fund LP pursuant to which BGV Opportunity Fund LP shall have the right to require the Company to purchase all or part of the former's GDI securities at an amount equal to the original subscription price plus interest in the event the Board resolves not to proceed with an initial public offering of shares in GDI in the United States within three years. The put option shall terminate at the earlier of the closing of an initial public offering of GDI and the third anniversary of the date of grant.

Upon Completion, GDI will become a wholly-owned subsidiary of ChaSerg, thereby effecting the separate listing of GDI on Nasdaq. Accordingly, the put option will terminate upon Completion.



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## LETTER FROM THE BOARD

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### GENERAL INFORMATION

#### Information of the Company

The Company is an investment holding company with its subsidiaries principally engaged in the business of information technology (“IT”) and is one of the leading and professional IT service providers in Hong Kong. The Group’s core business is based in Hong Kong and Macau and covers Asia Pacific, Europe and the United States. It is dedicated to offering professional and trustworthy IT services to corporate clients around the world. The Group’s principle business covers the following three major areas:

**EMPOWER:** The Group provides solutions consultancy services, high-quality, scalable and customized application development services as well as productized solutions for customers in the government, banking, finance, transportation, healthcare, education, property, retail and more industries so as to meet various needs of customers in the next-generation digital transformation journey.

**SECURE:** Throughout the digital transformation journey, securing digital asset is particularly important. Equipped with round-the-clock Service Center and advanced Security Operation Center *Plus* (SOC+), the Group not only offers security consultancy services and comprehensive security solutions, but also provides customers a 24x7 real-time holistic IT security protection.

**MANAGE:** The Group also provides integrated IT managed services based on IT Service Management (ITSM) best practice throughout the entire IT project lifecycle. Such services include basic infrastructure services, IT operation outsourcing services, corporate-level application outsourcing services and industry applications of Software as a Service (SaaS). To ensure the quality of delivery of services and the efficiency of collaborative processes, we are committed to the Service Level Agreement (SLA), assisting customers in managing, integrating and optimizing their IT systems, improving overall information management.

“Empower”, “Secure” and “Manage” are the three core values that the Group brings to its customers. With the Group’s seven research and development centers worldwide, over a thousand of high-caliber IT experts, and more than 40 years of experience in providing professional IT services to more than 3,000 global customers, the Group provides the best practice for customers’ IT management.

#### Information on ChaSerg, Merger Sub 1 and Merger Sub 2

ChaSerg is a blank check company formed under the laws of the State of Delaware of the United States on 21st May 2018, whose shares are listed on Nasdaq on 10th October 2018 with ticker symbol “CTAC”. It was formed for the sole purpose of entering into a merger, share exchange, asset acquisition, stock purchase, recapitalization, reorganization or other similar business combination with one or more businesses or entities. Prior to its initial public offering, ChaSerg’s efforts were limited to organizational activities as well as activities related to the offering. As at the Latest Practicable Date, ChaSerg is an investment holding company and has no business operations. Upon Completion, ChaSerg will change its name to “Grid Dynamics Holdings, Inc.” and serve as the publicly traded entity owning GDI, which will continue to operate business of the GDI Group.

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## LETTER FROM THE BOARD

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For the period from 21st May 2018 (date of incorporation) to 31st December 2018, the audited net profit before and after tax of ChaSerg, prepared in accordance with the United States Generally Accepted Accounting Principles, amounted to approximately US\$832,741 (equivalent to approximately HK\$6,495,380) and US\$615,364 (equivalent to approximately HK\$4,799,839), respectively. As at 30th June 2019, the unaudited net assets of ChaSerg amounted to approximately US\$215,712,992 (equivalent to approximately HK\$1,682,561,338). The assets owned by ChaSerg comprise cash and marketable securities held in a trust account. The funds originated from the investors in the initial public offering of ChaSerg and subscription monies are held on trust pending (i) identification and consummation of a business combination (e.g. the Mergers); or (ii) redemption by ChaSerg Shareholders depending on whether they are inclined to continue with their holding of CS Common Stock considering, amongst other things, the subject of the business combination (e.g. GDI).

As at the Latest Practicable Date, ChaSerg has 22,640,000 CS Common Stock and 5,500,000 Class B common stock (convertible into CS Common Stock on a one for one basis upon consummation of a business combination, e.g. the Mergers) outstanding and, other than ChaSerg Sponsor who has 640,000 CS Common Stock and 5,500,000 Class B common stock in ChaSerg representing approximately 21.8% of the total issued shares of ChaSerg, no investor holds sufficient stock to trigger a Schedule 13-D filing obligation and ChaSerg does not have information on other current ChaSerg Shareholders as CS Common Stock are traded on Nasdaq. SEC Rule 13d-1 under the Securities Exchange Act of 1934 requires a stockholder who acquires, directly or indirectly, beneficial ownership of 5% or more of the shares of a public company having a class of equity securities registered under section 12 of the Securities Exchange Act of 1934 (such as ChaSerg) to file a Schedule 13D within 10 days after the acquisition. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of Merger Sub 1, Merger Sub 2, ChaSerg Sponsor (being the only substantial shareholder of ChaSerg (based on Schedule (13-D) filing)) and their ultimate beneficial owners are third parties independent of the Company and its connected persons. Upon Completion, it is expected that ChaSerg Sponsor will be interested in approximately 11.4% of the outstanding CS Common Stock under Scenario C (as defined on the following page).

As part of the initial public offering of CS Common Stock, certain shareholders of ChaSerg as well as the underwriter have been granted a total of 11.3 million ChaSerg warrants, which may result in an the Additional Share Issue. As part of the initial public offering of ChaSerg, units with ticker symbol "CTACU" comprising one CS Common Stock and 0.5 ChaSerg warrant to purchase one CS Common Stock were offered to the public. Each investor who invested in one ChaSerg unit acquired one CS Common Stock and 0.5 ChaSerg warrant. The units are offered as part of the offering, which is an offering structure typically adopted in initial public offerings of special purpose acquisition companies such as ChaSerg in the US to attract potential investors. The warrants have a strike price of US\$11.50 per CS Common Stock and an expiration date which is 5 years from the closing date of the transaction. If the price of CS Common Stock exceeds US\$11.50, assuming that all 11.3 million ChaSerg warrants have been exercised, the Company's shareholding in ChaSerg will be reduced to approximately 28.3% taking into account certain assumptions (please refer to Scenario D on the following page). ChaSerg warrants also include placement warrants offered to ChaSerg Sponsor and the underwriter, which provide them with an opportunity to benefit from any increase in value of CS Common Stock if ChaSerg is successful in consummating a business combination transaction. The underwriter was engaged to sell the ChaSerg units to institutional and retail investors.

## LETTER FROM THE BOARD

Assuming (i) there is no Consideration Share Adjustment; (ii) there is no change in shareholding interest of the Company in GDI from the Latest Practicable Date to the date of Completion; and (iii) there is no other change in the number of shares of CS Common Stock outstanding from the Latest Practicable Date to the date of Completion, and further assuming that (**Scenario A**) there is 30% redemption of funds by ChaSerg Shareholders and Consideration Share Adjustment (in respect of the Cash Consideration Reallocation Amount), where an increase in redemption of funds has the effect of increasing the Company's shareholding in ChaSerg (taking into account the condition to Completion that the trust account balance of ChaSerg immediately before Completion should be no less than 70% of the balance as at the date of the Merger Agreement); (**Scenario B**) Scenario A and Consideration Share Adjustment of US\$92.8 million (equivalent to HK\$723.8 million), to illustrate the Company's maximum shareholding in ChaSerg (taking into account the Company's right to terminate the Merger Agreement should Completion result in the Company holding more than 50% of the outstanding CS Common Stock); (**Scenario C**) (x) there is no redemption, and (y) 2,594,211 outstanding and vested stock options of GDI convertible into CS Common Stock have been exercised (i.e. excluding 32,693 unvested stock options), where the allotment and issue of CS Common Stock upon the exercise of such outstanding and vested stock options of GDI has the effect of reducing the Company's shareholding in ChaSerg; (**Scenario D**), Scenario C and completion of the Additional Share Issue, where the allotment and issue of CS Common Stock upon exercise of 11.3 million ChaSerg warrants has the effect of reducing the Company's shareholding in ChaSerg, the shareholding structure of ChaSerg immediately after Completion will be as follows:

ChaSerg Shareholder	Scenario A (30% redemption)		Scenario B (30% redemption and Consideration Share Adjustment of US\$92.8 million)		Scenario C (no redemption and full exercise of vested stock options of GDI)		Scenario D (no redemption, full exercise of vested stock options of GDI and completion of the Additional Share Issue)	
	Percentage of outstanding		Percentage of outstanding		Percentage of outstanding		Percentage of outstanding	
	CS Common Stock	CS Common Stock	CS Common Stock	CS Common Stock	CS Common Stock	CS Common Stock	CS Common Stock	CS Common Stock
GDD	19,317,377	43.9	25,685,592	49.9	18,390,967	34.3	18,390,967	28.3
GDI Minority Shareholders	3,162,537	7.2	4,205,106	8.2	7,132,843	13.3	7,132,843	11.0
Other shareholders (including ChaSerg Sponsor)	21,540,000	48.9	21,540,000	41.9	28,140,000	52.4	39,460,000	60.7
<b>Total</b>	<b>44,019,914</b>	<b>100.0</b>	<b>51,430,698</b>	<b>100.0</b>	<b>53,663,810</b>	<b>100.0</b>	<b>64,983,810</b>	<b>100.0</b>

As shown in the table above, in the event of 30% redemption of funds by ChaSerg Shareholders (i.e. Scenario A), the Company's shareholding in ChaSerg is expected to be approximately 44%. Should Scenario A concur with a positive Consideration Share Adjustment (e.g. Scenario B), the shareholding of the Company will be further increased as the number of Consideration Shares increases, subject to the Company's termination right should Completion result in the Company holding more than 50% of the outstanding CS Common Stock (which the Company will exercise). Accordingly, the Company's shareholding in ChaSerg will not exceed 50% and the Company expects to account for the results of ChaSerg as an associate (i.e. not less than 20% shareholding in ChaSerg) in the results of the Remaining Group upon Completion.

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## LETTER FROM THE BOARD

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Merger Sub 1 is a company formed under the laws of the State of California of the United States and is a wholly-owned subsidiary of ChaSerg as at the Latest Practicable Date. As at the Latest Practicable Date, Merger Sub 1 is an investment holding company and had no business operations.

Merger Sub 2 is a company formed under the laws of the State of Delaware of the United States and is a wholly-owned subsidiary of Merger Sub 1 as at the Latest Practicable Date. As at the Latest Practicable Date, Merger Sub 2 is an investment holding company and had no business operations.

### Information on GDI

GDI is a corporation incorporated in the State of California of the United States and an approximately 86%-owned subsidiary of the Company (taking into account preferred shares in GDI on an as-converted basis) as at the Latest Practicable Date. GDI is a provider of open, scalable, next-generation information technology solutions in the areas of omni-channel digital platforms (such as designing and developing web catalogs, search systems and mobile applications), cloud enablement, big data analytics and continuous delivery.

Set out below is the financial information of GDI for the two financial years ended 31st December 2017 and 31st December 2018 and the six months ended 30th June 2019 prepared based on the United States Generally Accepted Accounting Principles:

	For the year ended 31st December 2017 US\$ ( <i>unaudited</i> )	For the year ended 31st December 2018 US\$ ( <i>unaudited</i> )	<b>For the six months ended 30th June 2019 US\$ (<i>unaudited</i>)</b>
Net profit before taxation	11,422,551 (equivalent to approximately HK\$89,095,898)	14,422,087 (equivalent to approximately HK\$112,492,279)	<b>6,166,329 (equivalent to approximately HK\$48,097,366)</b>
Net profit after taxation	9,389,384 (equivalent to approximately HK\$73,237,195)	10,229,699 (equivalent to approximately HK\$79,791,652)	<b>4,767,426 (equivalent to approximately HK\$37,185,923)</b>

The unaudited net asset value of GDI was approximately US\$55,676,612 (equivalent to approximately HK\$434,277,574) as at 30th June 2019.

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## LETTER FROM THE BOARD

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### Information on GDD

GDD is a corporation incorporated in the State of Delaware of the United States and is an indirect wholly-owned subsidiary of the Company, and is an investment holding company.

### REASONS FOR AND BENEFITS OF THE MERGERS AND PROPOSED SPIN-OFF AND USE OF PROCEEDS

The Company consider that the Mergers and Proposed Spin-off come with the following benefits:

- **Improving the liquidity position of the Remaining Group:** When the Company acquired GDI in 2017, the Company obtained debt financing (in the form of bank loan and convertible bonds) to settle the consideration for GDI. On or about the expected date of Completion, the outstanding principal amount and interest in respect of the debt financing assumed in connection with the acquisition of GDI is estimated to be approximately HK\$434.7 million. The Company intends to use approximately 80-95% (subject to, among other thing, exercise of conversion rights attached to the convertible bonds) the cash consideration for the Mergers for repaying the Relevant Liabilities and approximately 5-20% of the cash consideration for the Mergers as general working capital in the Remaining Group. After repayment of the bank loan and convertible bonds, the gearing of the Company will be significantly reduced and it is anticipated that this would be favourable to the share price and market valuation of the Company.

Below please find the maturity profile of debts and obligations of the Company before and after the Proposed Spin-off.

	Before	After
<b>Convertible bond</b>		
Principal amount	HK\$230M	
Interest rate	3% per annum	N/A
Outstanding amount as at LPD	HK\$248M	
Maturity date	21st March 2020	
<b>Bank loan</b>		
Principal amount	HK\$225M	
Interest rate	HIBOR +2.5% per annum	N/A
Outstanding amount as at LPD	HK\$195M	
Maturity date	28th March 2024	

As set out in the unaudited pro forma financial information of the Group after completion of the Proposed Spin-off in Appendix IV to this circular: (i) the total assets of the Group will increase from approximately HK\$2,534 million to approximately HK\$3,150 million on a pro forma basis; and (ii) the total liabilities of the Group will decrease from approximately HK\$1,183 million to approximately HK\$1,010 million on a pro forma basis.

Assuming that the Relevant Liabilities are repaid immediately after Completion, based on the estimated amount of Relevant Liabilities as at the expected date of Completion, the total assets and liabilities of the Remaining Group will respectively be further reduced by HK\$614.6 million.

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## LETTER FROM THE BOARD

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- **Unlocking the value of GDI:** The Company believes that its share price has not been able to reflect the underlying value of GDI. The Proposed Spin-off values GDI at approximately US\$390.1 million (equivalent to approximately HK\$3,042.8 million), which is significantly higher than the Company's current market capitalization of approximately HK\$900 million. It is expected that the Company would record a gain (net of estimated tax) of approximately US\$88.5 million (equivalent to approximately HK\$690.3 million). Based on the Company's equity interest in GDI on a fully diluted basis as at the Latest Practicable Date, taking into account the Merger Consideration (subject to Adjustments), the Mergers value the Company's interest in GDI at approximately US\$280.8 million (approximately equivalent to HK\$2,190.2 million).
- **Reducing future capital commitment expected from the Remaining Group:** Upon listing on Nasdaq, GDI would have significant cash (approximately US\$80 million, equivalent to approximately HK\$624 million) from ChaSerg and CS Common Stock would be publicly traded equity, both of which could be used for future acquisitions by GDI. The Proposed Spin-off will also enhance the profile of GDI and allow GDI to grow its investor base and independently access equity and debt capital markets in the United States.

The Company believes that the cash injection from ChaSerg, coupled with GDI's direct access to the capital market, will reduce GDI's future reliance on the Remaining Group to finance GDI's R&D and business investment.

- **Boosting publicity:** Nasdaq is known to be a stock exchange with a focus on tech companies, and multiple tech giants including Amazon, Apple, Facebook and Google are listed on Nasdaq. The Company believes that the listing of GDI on Nasdaq will strengthen GDI's reputation in the IT sector which would in turn support its future business growth and fundraising capability. This will also benefit the Company as a significant shareholder of GDI immediately after the Proposed Spin-off.
- **Facilitating expansion into sensitive industries:** Upon its listing on Nasdaq, it is expected that disclosure in accordance with Nasdaq requirements would enhance the corporate transparency of GDI and boost public confidence in GDI. Coupled with the reduction in Teamsun's indirect interest in GDI (via the Company) following the Proposed Spin-off, the Company believes the Proposed Spin-off will facilitate GDI's potential expansion into sensitive industries in the United States, e.g. social media, financial institutions, insurance and healthcare, thereby creating a new market for GDI future growth. The Company will continue to benefit from the growth of GDI's business as a shareholder and enjoy returns on its investment in GDI.

In light of recent tensions in Sino-US relations, the Company is aware that some Chinese technology companies which are on the monitoring list of Chinese technology companies face difficulties in obtaining business and existing customers of GDI from sensitive industries (e.g. global tech giant based in the US) may become reluctant to work with GDI because it is a member of a Chinese technology group. Upon Completion, Teamsun's indirect interest in GDI (held via the Company) will be reduced and the GDI Group will cease to be a subsidiary, which the Company believes would lower the possible political exposure of GDI, and ultimately the risk exposure of the Company in respect of its investment in GDI.

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## LETTER FROM THE BOARD

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Having considered the above, the Directors are of the view that the terms of the Merger Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### FINANCIAL IMPACT OF THE MERGERS AND PROPOSED SPIN-OFF

As at the Latest Practicable Date, the Company was interested in approximately 86% of the equity interest in GDI (taking into account preferred shares in GDI on an as-converted basis). Immediately after Completion, the Company through its wholly-owned subsidiary, GDD, will be interested in approximately 34% of the issued share capital of ChaSerg (assuming (i) there is no redemption of funds by ChaSerg shareholders; (ii) there is no adjustment to the Merger Consideration; (iii) there is no change in shareholding interest of the Company in GDI from the date of the Announcement to the date of Completion; (iv) all outstanding and vested stock options of GDI convertible into CS Common Stock have been exercised; (v) outstanding ChaSerg warrants have not been exercised (as they are out of the money as at the Latest Practicable Date); and (vi) there is no other change in the number of CS Common Stock from the Latest Practicable Date to the date of Completion) and GDI will cease to be a subsidiary of the Company. It is expected that the Company would record a gain (net of estimated tax) of approximately US\$88.5 million (equivalent to approximately HK\$690.3 million) and account for the results of ChaSerg as an associate (i.e. not less than 20% shareholding in ChaSerg) in the results of the Remaining Group upon Completion.

As set out in the unaudited pro forma financial information of the Group after completion of the Proposed Spin-off in Appendix IV to this circular:

- (i) the total assets of the Group will increase from approximately HK\$2,534 million to approximately HK\$3,150 million on a pro forma basis; and
- (ii) the total liabilities of the Group will decrease from approximately HK\$1,183 million to approximately HK\$1,010 million on a pro forma basis.

The above gain (net of estimated tax) of approximately US\$88.5 million (equivalent to approximately HK\$690.3 million) is calculated based on the Merger Consideration which the Company expected to receive and after deducting (i) the estimated net asset of the GDI Group attributable to equity holders of the Company immediately before the Completion, (ii) the goodwill arising from acquisition of the GDI Group, and (iii) the estimated tax liability in connection with the Mergers. Shareholders should note that the actual gain from the disposal of the GDI Group to be recorded by the Company will depend on the final amount of Merger Consideration and the financial position of the GDI Group as at the date of Completion.



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## LETTER FROM THE BOARD

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As disclosed above, the Company has a right to terminate the Merger Agreement if ChaSerg Available Cash is less than 70% of the balance as at the date of the Merger Agreement. Assuming that ChaSerg Available Cash is 70% of the balance as at the date of the Merger Agreement (i.e. “net” redemption of 30%, as a result of redemption of funds by ChaSerg Shareholders which is offset by additional equity subscription), the Cash Consideration Adjustment would reduce cash consideration payable to the Company to approximately US\$83.9 million (equivalent to approximately HK\$654.8 million). Taking into account (i) the amount required to settle in full the outstanding principal and unpaid interest of the convertible bonds and bank loan assumed by the Company in connection with the acquisition of GDI in 2017 and the tax liability in connection with the Mergers (such tax liability is expected to be approximately 25% of the cash consideration payable to the Company) (i.e. the Relevant Liabilities); (ii) the lowest expected cash consideration payable to the Company as set out above (i.e. US\$83.9 million (equivalent to approximately HK\$654.8 million); and (iii) the Company’s undertaking to exercise its termination right if the ChaSerg Available Cash is less than 70% of the balance as at the date of the Merger Agreement, the Proposed Spin-off will only proceed to Completion if it results in a net positive impact on the cash position of the Company immediately after Completion and repayment of the Relevant Liabilities. The repayment of the Relevant Liabilities will decrease the Remaining Group’s total assets and liabilities after the Completion by HK\$614.6 million.

In the event more than 30% of the funds of ChaSerg has been redeemed by ChaSerg Shareholders, such that the trust account balance of ChaSerg falls short of 70% of the balance as at the date of the Merger Agreement, ChaSerg will conduct additional equity fundraising (at a subscription price of not less than US\$10 (equivalent to HK\$78) per CS Common Stock) with the aim of increasing ChaSerg Available Cash to 70% of the account balance as at the date of the Merger Agreement, and proceeds from such additional equity fundraising will be used to settle cash consideration for and/or transaction costs of the Mergers. The Company will exercise its termination right if the ChaSerg Available Cash remains less than 70% of the balance as at the date of the Merger Agreement, and the Proposed Spin-off will not proceed to Completion. The Mergers will only proceed to Completion if ChaSerg Available Cash is sufficient to repay the Relevant Liability. Taking into account, among other things, (i) the benefits of the Mergers and Proposed Spin-off; and (ii) the insignificant difference between the minimum additional equity fundraising subscription price of US\$10 (equivalent to HK\$78) per CS Common Stock and (a) the CS Signing Stock Price of US\$10.19 (equivalent to HK\$79.48), and (b) the initial redemption price of US\$10 (equivalent to HK\$78) per CS Common Stock, which is expected to have an insignificant impact on the market price of the CS Common Stock that is in turn compensated by the increase in the Company’s shareholding of ChaSerg (as a result of any “net” redemption following redemption by ChaSerg Shareholders and additional equity fundraising), the Company is of the view that the Merger Consideration (taking into account the effect of the additional equity fundraising arrangement) is fair and reasonable and in the interest of the Company and its shareholders as a whole.

### **ASSURED ENTITLEMENT**

Under Paragraph 3(f) of PN15, a listed issuer is required to have due regard to the interests of its existing shareholders by providing them with an assured entitlement to shares in the spin-off entity, either by way of a distribution in specie of existing shares in the spin-off entity or by way of preferred application in any offering of existing or new shares in the spin-off entity.



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## LETTER FROM THE BOARD

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As mentioned above, ChaSerg is a company the shares of which are currently listed on Nasdaq with ticker symbol “CTAC”. The Proposed Spin-off does not involve a new listing application of ChaSerg and there will not be any public offering of new CS Common Stock. If ChaSerg were to facilitate preferred application for new CS Common Stock by Shareholders, it would necessitate a substantial change to the United States securities law compliance regime contemplated by the parties. If ChaSerg were required to extend the offering to the Shareholders, this will be deemed to be a public offering under United States laws given the potentially large number of offerees and be subject to additional regulatory registration requirements which would not otherwise be relevant to the Mergers. Accordingly, such sale of CS Common Stock would be subject to regulatory registration requirements with the United States Securities and Exchange Commission (“SEC”) which could further delay the Proposed Spin-off as well as result in the addition of significant costs taking into account the compliance with US securities laws and jurisdictional compliance requirements in other countries where some shareholders of the Company are from in connection with such offer.

Further, given ChaSerg will not have scrip shares and the shares issued to any investor will be by way of a book entry system in the US, Shareholders will have to coordinate with United States securities firms which either have an account directly with the book entry settlement system or have an arrangement in place with a firm that has an account with such settlement system. To coordinate Shareholders to establish such accounts in order to participate in any such offering or distribution in specie of CS Common Stock and taking into account possible jurisdictional compliance requirements in other countries where some Shareholders are from in connection with such distribution in specie, the process to verify the identities and shareholdings of such large number of shareholders would as a whole be unduly burdensome to the Company.

In addition, any offering of CS Common Stock by to Shareholders does not readily fall under any exemptions pursuant to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) for the issue of a prospectus. As a result, the cost and expense of preparing such a prospectus would be unduly burdensome and costly when Shareholders continue to have an economic interest in CS Common Stock via their shareholdings in the Company.

Commercially it is imperative to complete the injection of the GDI Group into ChaSerg by April 2020, and any delay due to additional compliance procedures as a result of any proposed assured entitlement might preclude Completion from taking place within the aforementioned timeframe. It is therefore critical that the Company is able to seize this opportunity to dispose of the GDI Group and realise the corresponding profits as soon as possible.

Having considered the above, the Board does not believe that the requirement to provide assured entitlement is practicable in the circumstances nor in the interest of the Shareholders as a whole. To do so would incur significant delay to the proposed timetable and substantial costs to be incurred in order to process such arrangements and it is anticipated that the Company will not be able to complete the injection of the GDI Group into ChaSerg by April 2020. This would result in the loss of an opportunity to secure what the Company believes to be a transaction which would be in the best interest of the Company and the Shareholders as a whole.

Accordingly, the Company proposes to put forth a resolution to Shareholders at the SGM to waive the assured entitlement under the Proposed Spin-off and the controlling Shareholder will abstain from voting on such resolution.

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## LETTER FROM THE BOARD

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### LISTING RULES IMPLICATIONS

The injection of GDI into ChaSerg by way of the Mergers pursuant to the Merger Agreement constitutes a spin-off which is subject to the applicable requirements in PN15. The Company has submitted a proposal in relation to the Proposed Spin-off to the Stock Exchange for approval pursuant to PN15, and the Stock Exchange has confirmed that the Company may proceed with the Proposed Spin-off.

As one or more applicable percentage ratios under the Listing Rules in respect of the Mergers and the Proposed Spin-off exceed 75% and 100%, respectively, the Mergers and the Proposed Spin-off constitute a very substantial disposal (in respect of the disposal of GDI by the Company) and very substantial acquisition (in respect of the acquisition of CS Common Stock by the Company as share consideration for the Mergers) of the Company under Chapter 14 of the Listing Rules. Accordingly, the Mergers and the Proposed Spin-off are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14 of the Listing Rules.

### SGM

The Company will convene an SGM to seek Independent Shareholders' approval on the Mergers, the Proposed Spin-off and the transactions contemplated thereunder. All Shareholders who have a material interest (which is different from all other Shareholders) in any of the transactions contemplated by the Mergers and the Proposed Spin-off, together with their close associates (as defined in the Listing Rules), will be required to abstain from voting at the SGM. As none of the Shareholders has a material interest in the transactions contemplated by the Mergers and the Proposed Spin-off, none of the Shareholders is required to abstain from voting on the relevant resolution(s) to be proposed at the SGM, save that the controlling Shareholder is required to abstain from voting on the resolution to waive the assured entitlement.

The Notice is set out on pages 197 to 199 of this circular.

There is enclosed a proxy form for use at the SGM. A Shareholder entitled to attend and vote at the SGM may appoint another person as his/her proxy to attend and vote instead of him/her, and on a poll, votes may be given either personally or, in the case of a Shareholder being a corporation by its authorised representative or by proxy in accordance with the Bye-laws. A Shareholder who is the holder of two or more Shares may appoint more than one proxy to attend the SGM. A proxy need not be a Shareholder. If more than one proxy is so appointed, the appointment shall specify the number of Shares in respect of which each such proxy is so appointed. Whether or not Shareholders intend to be present at the SGM, Shareholders are requested to complete the proxy form and return it to the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than 48 hours before the time for holding the SGM.

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

The Company has established the Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Pan Xinrong, Mr. Deng Jianxin and Ms. Or Siu Ching, Rerina to advise the Independent Shareholders on the Mergers, the Proposed Spin-off and the transactions contemplated thereunder. None of the members of the Independent Board Committee has any interest or involvement in the Mergers, the Proposed Spin-off and the transactions contemplated thereunder.

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## LETTER FROM THE BOARD

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BaoQiao Partners Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the Mergers, the Proposed Spin-off and the transactions contemplated thereunder. The Independent Board Committee will form its view in respect of the Mergers, the Proposed Spin-off and the transactions contemplated thereunder after obtaining and considering the advice from the Independent Financial Adviser.

### VOTING BY WAY OF POLL

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

- (a) by the chairman of the meeting; or
- (b) by at least three Shareholders present in person or by a duly authorised corporate representative or by proxy for the time being entitled to vote at the meeting; or
- (c) by any Shareholder or Shareholders present in person or by a duly authorised corporate representative or by proxy and representing not less than one-tenth of the total voting rights of all the Shareholders having the right to vote at the meeting; or
- (d) by any Shareholder or Shareholders present in person or by a duly authorised corporate representative or by proxy and holding Shares in the Company conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the Shares conferring that right.

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

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

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

### WAIVER RELATING TO CERTAIN FINANCIAL DISCLOSURE REQUIREMENTS

Rule 14.69(4)(a)(i) of the Listing Rules requires a listed issuer to include, among others, an accountants' report on the company being acquired in accordance with Chapter 4 of the Listing Rules in the circular issued in relation to a very substantial acquisition.

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## LETTER FROM THE BOARD

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The Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the disclosure requirements under Rule 14.69(4)(a)(i) of the Listing Rules on the following grounds:

- (a) Since its initial public offering, ChaSerg has raised and held the proceeds in a trust account pending (i) identification and consummation of a business combination; or (ii) redemption of shares in ChaSerg. ChaSerg is what is commonly referred to as a “blank check” company with no current business operations, pending its acquisition of the GDI Group, and assets that consist almost entirely of cash and cash equivalents and marketable securities held in trust account.
- (b) As ChaSerg is a blank check company, the Directors are of the view that financial information of ChaSerg which is meaningful to the Shareholders is primarily the amount of cash and cash equivalents and marketable securities held in the trust account of ChaSerg, unlike a company with ongoing business operations. In any event, the Merger Agreement has stipulated as a closing condition the minimum balance of the trust account of ChaSerg, which effectively guarantees the cash and cash equivalents and marketable securities position of ChaSerg should the Proposed Spin-off proceed to Completion.
- (c) ChaSerg is a company listed on Nasdaq, and it publishes its financial information on a regular basis pursuant to applicable laws and regulations. Such financial information can be easily obtained by the Shareholders and will enable them and the investing public to make a properly informed assessment of ChaSerg’s historical financial performance.
- (d) ChaSerg’s financial statements are prepared in accordance with generally accepted accounting principles in the United States (“US GAAP”). ChaSerg’s auditors issued a unqualified opinion on the audited financial statements. ChaSerg’s auditors are Withum Smith+Brown, PC, a member of the AICPA and an international reputable firm of accountants and a network firm of HLB International, and are registered under the applicable laws of the United States and with the Public Company Accounting Oversight Board. On the other hand, the Group’s financial statements are prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).
- (e) Given that the historical financial information of ChaSerg is not meaningful to the Shareholders for assessing the impact of the Proposed Spin-off, and ChaSerg and the Company have adopted different financial reporting standards, it is unduly burdensome for the Company to engage internal and external resources to prepare an accountants’ report on ChaSerg for such period up to such financial period ended 6 months or less before the date of the circular as required under Rule 14.69(4)(a)(i) of the Listing Rules in light of the substantial time and costs required and the minimal value to shareholders. Moreover, if as a result of such delay the Company fails to publish a circular on the Proposed Spin-off within 2019, as the Company is required to include its financial information for the last three financial years under Rule 14.67(4) of the Listing Rules, the Company would need to prepare, among other things, the audited annual results for the year ending 31st December 2019 which are not expected to be available until late March 2020. On that basis, the Company would not be able to publish a circular and convene a shareholder’s meeting in time to consummate the merger transaction (taking into account, among other things, the mandatory liquidation provisions in the charter of ChaSerg).

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## LETTER FROM THE BOARD

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- (f) In replacement of an accountants' report on ChaSerg prepared in accordance with HKFRS, the following disclosures have been included in this circular:
- (i) the published audited financial information of ChaSerg for the year ended 31st December 2018 prepared in accordance with US GAAP, including the management discussion and analysis;
  - (ii) a line-by-line reconciliation of the financial statements of ChaSerg for the year ended 31st December 2018 to address the differences in ChaSerg's financial statements had they been prepared in accordance with the Company's accounting policies under HKFRS, with explanations of the differences (the "2018 Reconciliation"). HLB Hodgson Impey Cheng Limited, a firm of Certified Public Accountants in Hong Kong and a network firm of HLB International, has reviewed the 2018 Reconciliation under Hong Kong Standard of Assurance Engagements 3000 (Revised);
  - (iii) all financial information of ChaSerg for the year ended 31st December 2018 required for an accountants' report under the Listing Rules, excluding the information required under Rule 4.08(3) of the Listing Rules (which requires the accountants' report to state that it has been prepared in accordance with the Hong Kong Standard on Investment Circular Reporting Engagements 200 – Accountants' Reports on Historical Financial Information in Investment Circulars (HKSIR 200) issued by the Hong Kong Institute of Certified Public Accountants);
  - (iv) the published unaudited financial information of ChaSerg for the six months ended 30th June 2019 prepared in accordance with US GAAP which has been reviewed by Withum Smith+Brown, PC, and the related management discussion and analysis;
  - (v) a line-by-line reconciliation of the financial statements of ChaSerg for the six months ended 30th June 2019 to address the differences in ChaSerg's financial statements had they been prepared in accordance with the Company's accounting policies under HKFRS, with explanations of the differences (the "2019 1H Reconciliation"). HLB Hodgson Impey Cheng Limited, a firm of Certified Public Accountants in Hong Kong and a network firm of HLB International, has reviewed the 2019 1H Reconciliation under Hong Kong Standard of Assurance Engagements 3000 (Revised); and
  - (vi) all financial information of ChaSerg for the six months ended 30th June 2019 required for an accountants' report under the Listing Rules, excluding the information required under Rule 4.08(3) of the Listing Rules (which requires the accountants' report to state that it has been prepared in accordance with the Hong Kong Standard on Investment Circular Reporting Engagements 200 – Accountants' Reports on Historical Financial Information in Investment Circulars (HKSIR 200) issued by the Hong Kong Institute of Certified Public Accountants).

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## LETTER FROM THE BOARD

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In view of the above, the Directors are of the view that the published financial information of ChaSerg and the unaudited financial information of ChaSerg for the six months ended 30th June 2019 referred to above, when taken together with the related management discussion and analysis and the 2018 Reconciliation and the 20191H Reconciliation, will give Shareholders all information necessary to assess the financial performance of ChaSerg through the period presented, such information being broadly commensurate in all material aspects to the disclosure that would otherwise have been provided if an accountant's report on ChaSerg had been produced under Rule 14.69(4)(a)(i) of the Listing Rules.

### RECOMMENDATION

The Independent Board Committee, after considering the advice from the Independent Financial Adviser, is of the view that while the entering into of the Merger Agreement is not in the ordinary and usual course of business of the Group, the Merger Agreement and the transactions contemplated thereunder (including the Mergers) and the Proposed Spin-off are entered into on normal commercial terms and the terms and conditions of the Merger Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Shareholders to vote in favour of all resolutions to be proposed at the SGM in connection with the Merger Agreement and the transactions contemplated thereunder and the Proposed Spin-off.

The Board (excluding the members of the Independent Board Committee, whose views are set out in the letter from the Independent Board Committee on page 37 of this circular) considers that the terms and conditions of the Merger Agreement are fair and reasonable and in the interest of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of all resolutions to be proposed at the SGM in connection with the Merger Agreement and the transactions contemplated thereunder and the Proposed Spin-off.

### ADDITIONAL INFORMATION

Your attention is drawn to (i) the letter from the Independent Board Committee set out on page 37 of this circular which contains its recommendation to the Shareholders on the Merger Agreement and the Proposed Spin-off, and (ii) the letter from the Independent Financial Adviser set out on pages 38 to 82 of this circular containing its advice to the Independent Board Committee and the Shareholders as regards the Merger Agreement, the Proposed Spin-off and the principal factors considered by it in arriving thereat. The Shareholders are advised to read the aforesaid letters before deciding as to how to vote on the resolutions to be proposed at the SGM.

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

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



**AUTOMATED SYSTEMS HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 771)**

Hong Kong, 31st December 2019

*To the Shareholders,*

Dear Sir or Madam,

**(1) VERY SUBSTANTIAL DISPOSAL AND VERY SUBSTANTIAL  
ACQUISITION IN RELATION TO THE MERGERS  
(2) PROPOSED SPIN-OFF AND SEPARATE LISTING OF  
GRID DYNAMICS INTERNATIONAL, INC.  
AND  
(3) NOTICE OF SPECIAL GENERAL MEETING**

We refer to the circular of the Company dated 31st December 2019 (the “Circular”) of which this letter forms part. Unless the context otherwise requires, terms defined in the Circular shall have the same meanings when used herein.

We have been appointed by the Board to form the Independent Board Committee to consider and advise the Independent Shareholders as to whether, in our opinion, the Merger Agreement and the transactions contemplated thereunder (including the Mergers) and the Proposed Spin-off are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Having considered the terms of the Merger Agreement and the transactions contemplated thereunder (including the Mergers) and the Proposed Spin-off and the advice of Independent Financial Adviser in relation thereto as set out on pages 38 to 82 of this Circular, we are of the opinion that even though the entering into of the Merger Agreement is not in the ordinary and usual course of the business of the Group, the Merger Agreement and the transactions contemplated thereunder (including the Mergers) and the Proposed Spin-off are entered into on normal commercial terms and the terms and conditions of the Merger Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole so far as the Shareholders are concerned.

Accordingly, we recommend the Shareholders to vote in favour of the resolutions to be proposed at the SGM to approve the Merger Agreement and the transactions contemplated thereunder (including the Mergers) and the Proposed Spin-off.

Yours faithfully,

For and on behalf of the

**Independent Board Committee of  
Automated Systems Holdings Limited**

**Mr. Pan Xinrong**  
*Independent non-executive  
Director*

**Mr. Deng Jianxin**  
*Independent non-executive  
Director*

**Ms. Or Siu Ching, Rerina**  
*Independent non-executive  
Director*



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the full text of the letter of advice from BaoQiao Partners Capital Limited to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.*



BAOQIAO PARTNERS CAPITAL LIMITED

Unit 601, 6/F, Tower 1, Admiralty Centre,  
18 Harcourt Road, Admiralty, Hong Kong

31 December 2019

*To: the Independent Board Committee and the Independent Shareholders of  
Automated Systems Holdings Limited*

Dear Sir or Madam,

**(1) VERY SUBSTANTIAL DISPOSAL AND VERY SUBSTANTIAL  
ACQUISITION IN RELATION TO THE MERGERS  
AND  
(2) PROPOSED SPIN-OFF AND SEPARATE LISTING OF  
GRID DYNAMICS INTERNATIONAL, INC.**

### **INTRODUCTION**

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Mergers, the Proposed Spin-off and the transactions contemplated thereunder and 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 31 December 2019 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings ascribed to them in the Circular unless the context otherwise requires.

On 13 November 2019 (after trading hours), the Company, GDI, ChaSerg, Merger Sub 1, and Merger Sub 2 entered into the conditional Merger Agreement in relation to the Mergers.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The transactions contemplated under the Merger Agreement involving the acquisition of GDI by ChaSerg, a special purpose acquisition company the shares of which are listed on Nasdaq, are effectively an injection of GDI in exchange for cash and equity interest in ChaSerg and thereby effecting the separate listing of GDI on Nasdaq. Immediately after Completion, ChaSerg will, through its wholly-owned subsidiary, hold all the operating assets and intangible assets (including intellectual property rights) required for the operation of the IT services business of GDI. The Company will, through its wholly-owned subsidiary, GDD, be entitled to receive (a) cash consideration of approximately US\$93.6 million (equivalent to approximately HK\$730.6 million), subject to Cash Consideration Adjustment; and (b) Consideration Shares representing approximately 34% of the issued share capital of ChaSerg upon Completion (assuming (i) there is no redemption of funds by ChaSerg shareholders; (ii) there is no adjustment to the Merger Consideration; (iii) there is no change in shareholding interest of the Company in GDI from the Latest Practicable Date to the date of Completion; (iv) all outstanding and vested stock options of GDI convertible into shares in ChaSerg have been exercised; (v) outstanding ChaSerg warrants have not been exercised (as they are out of the money as at the date as at the Latest Practicable Date); and (vi) there is no other change in the number of CS Common Stock from the Latest Practicable Date to the date of Completion). Upon Completion, the Remaining Group will equity account for the results of ChaSerg as an associate and the results of the GDI Group will no longer be consolidated in the results of the Remaining Group.

The injection of GDI into ChaSerg by way of the Mergers pursuant to the Merger Agreement constitutes a spin-off which is subject to the applicable requirements in PN15. The Company has submitted a proposal in relation to the Proposed Spin-off to the Stock Exchange for approval pursuant to PN15, and the Stock Exchange has confirmed that the Company may proceed with the Proposed Spin-off. The Company proposes to put forth a resolution to Shareholders at the SGM to seek approval for the waiver of the assured entitlement.

As one or more applicable percentage ratios under the Listing Rules in respect of the Mergers and the Proposed Spin-off exceed 75% and 100%, respectively, the Mergers and the Proposed Spin-off constitute a very substantial disposal (in respect of the disposal of GDI by the Company) and very substantial acquisition (in respect of the acquisition of CS Common Stock by the Company as share consideration for the Mergers) of the Company under Chapter 14 of the Listing Rules. Accordingly, the Mergers and the Proposed Spin-off are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14 of the Listing Rules.

The Company will convene an SGM to seek Independent Shareholders' approval on the Mergers, the Proposed Spin-off and the transactions contemplated thereunder. All Shareholders who have a material interest (which is different from all other Shareholders) in any of the transactions contemplated by the Mergers and the Proposed Spin-off, and their associates (as defined in the Listing Rules) will be required to abstain from voting at the SGM. As none of the Shareholders has a material interest in the transactions contemplated by the Mergers and the Proposed Spin-off, none of the Shareholders is required to abstain from voting on the relevant resolution(s) to be proposed at the SGM, save that the controlling Shareholder is required to abstain from voting on the resolution to waive the assured entitlement.

The Company has undertaken to vote in favour of the Mergers and the Proposed Spin-off at the general meeting of GDD or by written consent of the shareholders of GDD, subject to Independent Shareholders' approval to be obtained at the SGM. Teamsun Technology (HK) Limited, a subsidiary of Teamsun and a direct controlling Shareholder, has also undertaken to vote in favour of the Mergers and the Proposed Spin-off at the SGM.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Company has established the Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Pan Xinrong, Mr. Deng Jianxin and Ms. Or Siu Ching, Rerina to advise the Independent Shareholders on the Mergers, the Proposed Spin-off and the transactions contemplated thereunder. None of the members of the Independent Board Committee has any interest or involvement in the Mergers, the Proposed Spin-off and the transactions contemplated thereunder.

For the purposes of this letter, the exchange rate of US\$1.00 = HK\$7.8 has been used for the purpose of illustration only and does not constitute a representation that any amount has been, could have been or may be exchanged at any particular rate on the date or dates in question or any other date.

### OUR INDEPENDENCE

In the last two years, prior to the Latest Practicable Date, BaoQiao Partners Capital Limited was appointed as the independent financial adviser to advise the independent board committee and independent shareholders of the Company for the discloseable and connected transaction at the subsidiary level in relation to subscription of equity interest in GDI as announced by the Company on 6 May 2019 in the case the Company is required to comply with circular, independent financial advice and shareholders' approval requirements under Chapter 14A of the Listing Rules.

As at the Latest Practicable Date, we do not have any relationship with, or have any interest in, the Company or any other parties that could reasonably be regarded as relevant to our independence. Apart from normal professional fees in connection with this appointment as the Independent Financial Adviser, no other arrangements exist whereby we had received or will receive any fees or benefits from the Group or any other parties that could reasonably be regarded as relevant to our independence. As such, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

### BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the accuracy of the statements, information, opinions and representations contained or referred to in the Announcement and the Circular and the information and representations provided to us by the Company, the Directors and the management of the Company (the "**Management**"). We have assumed that all information and representations that have been provided by the Directors and the Management, for which they are solely and wholly responsible, are true, accurate and complete in all material respects and not misleading or deceptive at the time when they were made and continue to be so as up to the date of the Circular. We have also assumed that all statements of belief, opinions, expectations, representations and intentions made by the Directors and the Management in the Circular and/or discussed with/provided to us were reasonably made after due enquiries and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers, the Directors and/or the Management, which have been provided to us.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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All Directors collectively and individually accept full responsibility for the purpose of giving information with regard to the Group, ChaSerg, Merger Sub 1 and Merger Sub 2 and the transactions contemplated under the Mergers and the Proposed Spin-off in the Circular and, 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 facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs, financial condition and future prospects of the Company, its subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the entering into of the Merger Agreement and the transactions contemplated thereunder and the Proposed Spin-off. Our opinion is necessarily based on financial, economic, market and other conditions in effect, and the facts, information, representations and opinions made available to us, at the Latest Practicable Date.

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of approving the Mergers, the Proposed Spin-off and the transactions contemplated thereunder, and this letter, except for its inclusion in the Circular and for inspection as required under the Listing Rules, 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 arriving at our opinion to advise the Independent Board Committee and the Independent Shareholders in respect of the Mergers and the Proposed Spin-off, we have taken into consideration the following principal factors and reasons:

#### 1. Information of the Company, GDI Group, ChaSerg, Merger Sub 1 and Merger Sub 2

##### (a) *Information of the Company*

The Company is an investment holding company with its subsidiaries principally engaged in the business of information technology (“IT”) and is one of the leading and professional IT service providers in Hong Kong. The Group’s core business is based in Hong Kong and Macau and covers Asia Pacific, Europe and the United States. It is dedicated to offering professional and trustworthy IT services to corporate clients around the world. The Group’s principle business covers the following three major areas:

**EMPOWER:** The Group provides solutions consultancy services, high-quality, scalable and customized application development services as well as productized solutions for customers in the government, banking, finance, transportation, healthcare, education, property, retail and more industries so as to meet various needs of customers in the next-generation digital transformation journey (“**Innovative Solutions**”).

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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**SECURE:** Throughout the digital transformation journey, securing digital asset is particularly important. Equipped with round-the-clock Service Center and advanced Security Operation Center *Plus* (SOC+), the Group not only offers security consultancy services and comprehensive security solutions, but also provides customers a 24x7 real-time holistic IT security protection (“**Intelligent Cybersecurity**”).

**MANAGE:** The Group also provides integrated IT managed services based on IT Service Management (ITSM) best practice throughout the entire IT project lifecycle. Such services include basic infrastructure services, IT operation outsourcing services, corporate-level application outsourcing services and industry applications of Software as a Service (SaaS). To ensure the quality of delivery of services and the efficiency of collaborative processes, we are committed to the Service Level Agreement (SLA), assisting customers in managing, integrating and optimizing their IT systems, improving overall information management (“**Integrated Managed Services**”).

Innovative Solutions, Intelligent Cybersecurity and Integrated Managed Services are the three core businesses of the Group (the “**Three Core Businesses**”).

### *Financial Information of the Group*

Set out below is the financial information of the Group for (i) the six months ended 30 June 2019 (“**HY2019**”) and 30 June 2018 (“**HY2018**”) as extracted from the interim report of the Company for HY2019 (“**2019 Interim Report**”); (ii) the three years ended 31 December 2018 (“**FY2018**”), 31 December 2017 (“**FY2017**”) and 31 December 2016 (“**FY2016**”) as extracted from the annual reports of the Company for FY2018 and FY2017 (“**2018 Annual Report**” and “**2017 Annual Report**”) respectively; and (iii) the financial information of the Disposal Group as set out in Appendix II to the Circular.

The Group is principally engaged in two operating segments, namely (i) IT products (“**IT Products**”), being IT business in supplying IT and associated products; and (ii) IT services (“**IT Services**”), being IT business in providing system integration, software and consulting services, engineering support for products and solutions and managed services. The GDI Group is engaged in the IT Services segment.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Table 1.

### Financial Performance

	<b>HY 2019</b> <i>(Unaudited)</i> <i>HK\$'000</i>	<b>HY 2018</b> <i>(Unaudited)</i> <i>HK\$'000</i>	<b>FY2018</b> <i>(Audited)</i> <i>HK\$'000</i>	<b>FY2017</b> <i>(Audited)</i> <i>HK\$'000</i>	<b>FY2016</b> <i>(Audited)</i> <i>HK\$'000</i>
IT Products	501,745	406,516	818,641	743,382	840,007
IT Services					
— Group excluding GDI	421,051	386,604	805,771	762,625	681,978
— GDI <i>(Note)</i>	430,251	326,954	720,045	411,446	—
	851,302	713,558	1,525,816	1,174,071	681,978
<b>Revenue for the year/period</b>	<b>1,353,047</b>	<b>1,120,074</b>	<b>2,344,457</b>	<b>1,917,453</b>	<b>1,521,985</b>
<b>Gross profit for the year/period</b>	270,748	232,257	492,627	344,164	166,685
<b>Profit for the year/period</b>	43,578	51,486	84,333	52,579	28,797

Table 2.

### Financial Position

	<b>As at 30 June</b> <b>2019</b> <i>(Unaudited)</i> <i>HK\$'000</i>	<b>2018</b> <i>(Audited)</i> <i>HK\$'000</i>	<b>As at 31 December</b> <b>2017</b> <i>(Audited)</i> <i>HK\$'000</i>	<b>2016</b> <i>(Audited)</i> <i>HK\$'000</i>
Total assets <i>(Note)</i>	2,534,320	2,381,032	2,264,893	1,166,328
Total liabilities <i>(Note)</i>	1,183,003	1,168,155	1,167,075	447,295
Net assets <i>(Note)</i>	1,351,317	1,212,877	1,097,818	719,033

*Note:* The Group completed the acquisition of the entire issued capital of GDI (the “**GDI Acquisition**”) on 7 April 2017 (the “**GDI Acquisition Date**”), and the results, assets and liabilities of GDI has been consolidated into the Group’s financial statements since the GDI Acquisition Date.

The Company’s interest in GDI decreased to approximately 90.2% after the disposal of partial interest in GDI to a director of GDI and a company controlled by the director of GDI and the issuance of shares, convertible preferred shares of GDI to BGV Opportunity Fund LP (“**BGV**”) and the related put option during HY2019. The equity attributable to equity holders of the Company was HK\$1,308.7 million as at 30 June 2019.

### HY2019 vs HY2018

Revenue of the Group increased by approximately 20.8% to approximately HK\$1,353.0 million for HY2019 from approximately HK\$1,120.1 million for HY2018. Gross profit increased by approximately HK\$38.5 million to approximately HK\$270.7 million for HY2019 while the gross profit margin of the Group maintained at a constant level of approximately 20.0%. Profit for the period decreased from approximately HK\$51.5 million for HY2018 to approximately HK\$43.6 million HY2019 and the net profit margin decreased from approximately 4.6% for HY2018 to approximately 3.2% for HY2019.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As disclosed in the Interim Report 2019, the Group has been benefited from the business opportunities arising from traditional IT infrastructure demand, digital transformation and Cloud Computing in which it obtained numerous significant orders and achieved satisfactory growth of the Group's Three Core Businesses. Several significant projects were carried out during HY2019, including but not limited to, the promotion of Software as a Service (SaaS), the cooperation with Alibaba Cloud for launching new services, the launch of the A-Tips, an ASL Threat Intelligence Platform, for service improvement, and developing the one-stop service platform, etc, leading to an increase in revenue of approximately 23.4% and 19.3% for IT Products segment and IT Services segment respectively, among which, the GDI Group contributed a revenue of approximately HK\$430.3 million to the IT Services segment with a 31.6% growth compared to approximately HK\$327.0 million for corresponding period last year.

Profit for the period decreased from approximately HK\$51.5 million for HY2018 to approximately HK\$ 43.6 million for HY2019, which was mainly due to (i) the Group's increased spending in R&D as well as selling expenses for the expansion of its business in the United States; and (ii) the recognition of the equity-settled share-based payment expenses of approximately HK\$11.0 million during HY2019 for share options granted by GDI.

As at 30 June 2019, the Group reported net assets of approximately HK\$1,351.3 million, representing an increase of 11.4% from approximately HK\$1,212.9 million as at 31 December 2018. The increase was mainly due to the increase in the net cash from the aggregate proceeds of approximately HK\$153.9 million from the disposal of partial interest in GDI to a director of GDI and a company controlled by the director of GDI and the issuance of shares, convertible preferred shares of GDI to BGV and the related put option during HY2019 (collectively the "**Transactions**"). The Company holds approximately 90.2% equity interests in GDI after completion of the Transactions.

### *FY2018 vs FY2017*

Revenue of the Group increased by approximately 22.3% to approximately HK\$2,344.5 million for FY2018 from approximately HK\$1,917.5 million for FY2017, among which, IT Products sales increased by approximately 10.1% to approximately HK\$818.6 million while IT Services revenue increased significantly by approximately 30.0% to approximately HK\$1,525.8 million. Gross profit of the Group increased significantly by approximately 43.1% to approximately HK\$492.6 million for FY2018 from approximately HK\$344.2 million for FY2017, while gross profit margin increased from approximately 17.9% for FY2017 to 21.0% for FY2018. Profit for the year also increased significantly by approximately 60.4% to approximately HK\$84.3 million for FY2018 from approximately HK\$52.6 million for FY2017, while net profit margin increased from approximately 2.7% for FY2017 to 3.6% for FY2018.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As disclosed in the 2018 Annual Report, the increase in revenue and profit for the year of the Group were mainly because (i) the Group restructured its business focus on the development of its Three Core Businesses and it obtained and completed a host of large scale innovative projects from and in government and the industries the Group focused on, in particular, the Group ranked as one of top three security services providers in Hong Kong (according to the report “International Data Corporation (IDC) Asia/Pacific Semi Annual Services Tracker, 2H2017”) and it won advanced technology-related projects, including smart city, artificial intelligence, big data and face recognition and the Group also reached a strategic cooperation with Alibaba Cloud to further deepen the cloud markets in Hong Kong and Macau; and (ii) the financial results of the GDI Group were consolidated into the Group’s financial statements on a full-year basis for FY2018, while compared to FY2017, merely results for the period from 7 April 2017 to 31 December 2017 were consolidated.

As at 31 December 2018, the Group reported net assets of approximately HK\$1,212.9 million, representing an increase of 10.5% from approximately HK\$1,097.8 million as at 31 December 2017. The increase was mainly due to the overall increase in the balances of the Group’s operating assets, including inventories, trade receivables and contract assets as at 31 December 2018, which was in line with the revenue growth during FY2018.

### *FY2017 vs FY2016*

Revenue of the Group increased by approximately 26.0% to approximately HK\$1,917.5 million for FY2017 from approximately HK\$1,522.0 million for FY2016, among which, IT Products sales decreased by approximately 11.5% to approximately HK\$743.4 million while IT Services revenue increased significantly by approximately 72.2% to approximately HK\$1,174.1 million. Gross profit of the Group doubled from approximately HK\$166.7 million for FY2016 to approximately HK\$344.2 for FY2017 and the gross profit margin increased significantly from approximately 11.0% for FY2016 to 17.9% for FY2017. Profit for the year increased by approximately 82.6% to approximately HK\$52.6 million for FY2017 from approximately HK\$28.8 million for FY2016.

As disclosed in the 2017 Annual Report, the Group completed the acquisition of the GDI Group on 7 April 2017 and the increases in revenue and profit for the year of the Group were mainly attributable to the consolidation of the financial results of the GDI Group for the period from 7 April 2017 to 31 December 2017, which enlarged the scale of the Group’s IT Services segment.

As at 31 December 2017, the Group reported net assets of approximately HK\$1,097.8 million, representing an increase of 52.7% from approximately HK\$719.0 million as at 31 December 2016. The increase was mainly due to the consolidation of the assets and liabilities of the GDI Group in FY2017.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Business Plans of the Group*

As set out in the “Letter from the Board” contained in the Circular, the transactions contemplated under the Merger Agreement involving the acquisition of GDI by ChaSerg, are effectively an injection of GDI in exchange for cash and equity interest in ChaSerg and thereby effecting the separate listing of GDI on Nasdaq. Immediately after Completion, ChaSerg will, through its wholly-owned subsidiary, hold all the operating assets and intangible assets (including intellectual property rights) required for the operation of the IT services business of GDI, and the Company will, through its wholly-owned subsidiary, GDD, hold an approximately 34% of the issued share capital of ChaSerg (assuming (i) there is no redemption of funds by ChaSerg shareholders; (ii) there is no adjustment to the Merger Consideration; (iii) there is no change in shareholding interest of the Company in GDI from the Latest Practicable Date to the date of Completion; (iv) all outstanding and vested stock options of GDI convertible into shares in ChaSerg have been exercised; (v) outstanding ChaSerg warrants have not been exercised (as they are out of the money as at the Latest Practicable Date); and (vi) there is no other change in the number of CS Common Stock from the Latest Practicable Date to the date of Completion). Upon Completion, the Remaining Group will equity account for the results of ChaSerg as an associate and the results of the GDI Group will no longer be consolidated in the results of the Remaining Group.

Please refer to the sub-section headed “Information of the GDI Group” below for the background and the financial information of the GDI Group and details of the Merger Agreement are disclosed in the section headed “2. Principal terms of the Mergers and the Proposed Spin-off” in this letter as well as “Merger Agreement” in the Letter from the Board.

With regard to the Group immediately after the Proposed Spin-Off, the Remaining Group will focus on the remaining business, which comprise the provision of IT services and hardware including sales of hardware & software, cybersecurity solutions, IT managed services, IT infrastructure and cloud services in the Asia Pacific region (the “**Retained Business**”) with customers primarily being governmental authorities (e.g. Hong Kong, Macau), airlines and cargo terminals, insurance companies, financial institutions and universities. Over the years, the Retained Business grew stably and the Group has established its position as a professional and reliable IT services partner of the Retained Business in the Asia Pacific region. As disclosed in the 2018 Annual Report, the Group will continue to closely cooperate with strategic partners to consolidate its business locations in Greater China and Southeast Asia and gets well prepared to capture the opportunities arising from China’s Belt and Road and the development of the Guangdong-Hong Kong-Macao Greater Bay Area.

The Directors considered that a separate listing of GDI (through ChaSerg) will enhance the corporate structure of both the GDI Group and the Remaining Group. The GDI Group will focus on the Merger Business (as defined below), which by its nature is distinct (both functionally and geographically), whereas the Remaining Group will continue to focus on the Retained Business and enjoy the benefits from the growth and development of the GDI Group (i.e. the results of which will be accounted for as an associate of the Remaining Group). It will allow the management teams of the GDI Group and the Remaining Group to specialise in the respective core businesses of the two groups of companies, thereby enhancing operational efficiency. Please also refer the section headed “3. Reasons for and benefits of the Mergers and the Proposed Spin-off” below in this letter.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Management Team of the Remaining Group*

As at the Latest Practicable Date, the Board consists of Mr. Wang Weihang and Mr. Wang Yueou (“**Mr. Wang**”) being executive Directors; Mr. Li Wei and Mr. Cui Yong being non-executive Directors; and Mr. Pan Xinrong, Mr. Deng Jianxin and Ms. Or Siu Ching, Rerina being independent non-executive Directors.

As disclosed in the Letter from the Board, the Company will, as the single largest ChaSerg Shareholder be entitled to appoint up to two directors of ChaSerg (who will serve as non-executive directors) as long as the Company beneficially owns 10% or more of the voting shares in ChaSerg and one director of ChaSerg as long as the Company beneficially owns not less than 5% but less than 10% of the voting shares in ChaSerg. Out of the two representatives which the Company proposes to appoint as non-executive directors of ChaSerg, one such director has been identified to be Mr. Wang, who is currently the Chief Executive Officer (“**CEO**”) of the Company, an executive Director and a director of GDI. Upon Completion, Mr. Wang will serve as CEO, an executive Director and a non-executive director of ChaSerg. As the CEO and executive Director, Mr. Wang will continue to be responsible for overseeing the daily operations of the Retained Business and Mr. Wang’s involvement in ChaSerg will primarily be an oversight role to oversee on a macro basis the Remaining Group’s investment in ChaSerg. It is expected that the other non-executive director of ChaSerg to be identified and appointed by the Company (who may or may not be a director of the Remaining Group) will play a similar role as Mr. Wang as the non-executive director of ChaSerg.

In light of the above and the Remaining Group has been operating (both financially and in terms of business and management) independently from the Disposal Group with its own management team and functional departments, the Company does not expect material conflict of interest may arise between the Remaining Group and the GDI Group.

### **(b) Information of the GDI Group**

GDI is a corporation incorporated in the State of California of the United States and an approximately 86% owned subsidiary of the Company (taking into account preferred shares in GDI on an as-converted basis) as at the Latest Practicable Date. If assuming outstanding and vested stock options of GDI are exercised in full, the Company will own approximately 72% equity interest in GDI on a fully diluted basis. GDI is a provider of open, scalable, next-generation IT solutions in the areas of omni-channel digital platforms (such as designing and developing web catalogs, search systems and mobile applications), cloud enablement, big data analytics and continuous delivery. The GDI Group customers are largely tech-savvy across various industries (including retail, financial services industries and technology companies) in the US.

### *Financial Information of the GDI Group*

Set out below is the unaudited financial information of the GDI Group for HY2019, HY2018, FY2018, FY2017 and FY2016 as extracted from “Financial Information of the Disposal Group” as set out in Appendix II to the Circular.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Table 3.

### Financial Performance

	<b>HY2019</b>	<b>HY2018</b>	<b>FY2018</b>	<b>FY2017</b>	<b>FY2016</b>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>USD'000</i>	<i>USD'000</i>	<i>USD'000</i>	<i>USD'000</i>	<i>USD'000</i>
Revenue	54,903	41,698	91,865	70,684	54,402
Gross profit	21,450	16,804	38,602	30,688	24,382
Profit for the year/period	4,830	4,368	8,230	13,138	1,760

### Financial Position

	<b>As at</b>		<b>As at 31 December</b>	
	<b>30 June 2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>USD'000</i>	<i>USD'000</i>	<i>USD'000</i>	<i>USD'000</i>
Total assets	65,949	41,476	31,152	21,637
Total liabilities	18,055	8,602	7,044	8,377
Net assets	47,894	32,874	24,108	13,260

#### *HY2019 vs HY2018*

Revenue of the GDI Group increased by approximately 31.7% to approximately US\$54.9 million (equivalent to approximately HK\$428.2 million) for HY2019 from approximately US\$41.7 million (equivalent to approximately HK\$325.2 million) for HY2018. Gross profit for HY2019 increased by 27.6% to US\$21.5 million (equivalent to approximately HK\$167.3) and profit for the period of the GDI Group increased by approximately 10.6% to approximately US\$4.8 million (equivalent to approximately HK\$37.7 million) for HY2019 from approximately US\$4.4 million (equivalent to approximately HK\$34.1 million) for HY2018.

As disclosed in the Interim Report 2019, due to its professional competency and good reputation, the GDI Group continued to uphold its leading position in the industry during HY2019, and further expanded its customer base in its well established financial, retail and technology industries. An overall increase of over 50% of orders newly secured led to a significant increase in the overall revenue and profit for HY2019.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As at 30 June 2019, the GDI Group reported net assets of approximately US\$47.9 million (equivalent to approximately HK\$373.6 million) as compared with approximately US\$32.9 million (equivalent to approximately HK\$256.4 million) as at 31 December 2018. If excluding the amount due to the Remaining Group of approximately US\$133,000 (equivalent to approximately HK\$1.0 million) and US\$2.4 million (equivalent to approximately HK\$19.0 million) as at 30 June 2019 and 31 December 2018 respectively, the net assets of the GDI Group would be approximately US\$48.0 million (equivalent to approximately HK\$374.6 million) and US\$35.3 million (equivalent to approximately HK\$275.4 million) respectively. Such increase in net assets was mainly due to the increase in the net cash from the proceeds of approximately US\$15 million (equivalent to approximately HK\$117.7 million) from the issuance of shares, convertible preferred shares of GDI to BGV and the related put option during HY2019.

### *FY2018 vs FY2017*

Revenue of the GDI Group increased by approximately 30.0% to approximately US\$91.9 million (equivalent to approximately HK\$716.5 million) for FY2018 from approximately US\$70.7 million (equivalent to approximately HK\$551.3 million) for FY2017. Gross profit for FY2018 increased by 25.8% to US\$38.6 million (equivalent to approximately HK\$301.1 million) and profit for the year of the GDI Group decreased by approximately 37.4% to approximately US\$8.2 million (equivalent to approximately HK\$64.2 million) for FY2018 from approximately US\$13.1 million (equivalent to approximately HK\$102.5 million) for FY2017 and net profit margin dropped from approximately 18.6% for FY2017 to 9.0% for FY2018.

As disclosed in the 2018 Annual Report, the increase in revenue was primarily due to the progressive growth of existing customers among which the business scale reached ten million US\$ within customers from renowned multinational technology corporations. The decrease in net profit of the GDI Group was mainly due to the increase in administrative expenses from approximately US\$13.5 million for FY2017 to US\$20.8 million for FY2018 as a result of the increase in spending in R&D, as well as the recognition of the equity-settled share-based payment expenses of approximately US\$2.5 million during FY2018 for share options granted by GDI.

As at 31 December 2018, the GDI Group reported net assets of approximately US\$32.9 million as compared with approximately US\$24.1 million as at 31 December 2017. If excluding the amount due to the Remaining Group of approximately US\$2.4 million (equivalent to approximately HK\$19.0 million) and US\$2.9 million (equivalent to approximately HK\$22.8 million) as at 31 December 2018 and 31 December 2017 respectively, the net assets of the GDI Group would be approximately US\$35.3 million (equivalent to approximately HK\$275.4 million) and US\$27.0 million (equivalent to approximately HK\$210.8 million) respectively. Such increase in net assets was mainly due to the overall increase in the balances of the GDI Group's operating assets, including trade receivables and contract assets as at 31 December 2018, which was in line with the revenue growth during FY2018.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *FY2017 vs FY2016*

Revenue of the GDI Group amounted to approximately US\$70.7 million for FY2017, an increase of approximately 29.9% from approximately US\$54.4 million for FY2016. Based on our discussion with the Management, the increase in revenue was primarily due to the growth within the GDI Group's existing client base.

Profit for the year of the GDI Group amounted to approximately US\$13.1 million for FY2017 as compared with approximately US\$1.8 million for FY2016, which was mainly due to the turnaround in income tax from expenses of approximately US\$6.4 million for FY2016 to income tax credit of approximately US\$76,000 for FY2017 as a result of the reduction of US federal corporate income tax rate from 35% to 21% following the enactment of the US Tax Cuts and Jobs Act on 22 December 2017 (the "**US Tax Cuts**").

As at 31 December 2017, the GDI Group reported net assets of approximately US\$24.1 million as compared with approximately US\$13.3 million as at 31 December 2016. If excluding the amount due to the Remaining Group of approximately US\$2.9 million (equivalent to approximately HK\$22.8 million) as at 31 December 2017, the net assets of the GDI Group would be approximately US\$27.0 million (equivalent to approximately HK\$210.8 million). Such increase was mainly contributable to the recognition of the tax recoverable of approximately US\$4.0 million during FY2017 as a result of the US Tax Cuts and the deduction of the recognition of equity-settled share-based payment in connection with the GDI Acquisition.

### *Business Plan of the GDI Group*

The GDI Group will continue to deliver the provision of innovative, scalable, high-end self-produced IT solutions in the areas of omni-channel digital platforms, cloud enablement, big data analytics and continuous delivery for retail, financial and technology companies in the US (the "**Merger Business**"). The cash injection from ChaSerg, coupled with GDI's direct access to the capital market, will allow GDI to increase its investment in R&D, launch new marketing campaigns and open new offshore development center and offices. The GDI Group will also explore potential acquisition opportunities to further expand the business scale of its operations.

### **(c) Information of ChaSerg, Merger Sub 1 and Merger Sub 2**

#### *(i) Information of ChaSerg*

ChaSerg is a blank check company formed under the laws of the State of Delaware of the United States on 21 May 2018, whose shares are listed on Nasdaq on 10 October 2018 with ticker symbol CTAC. It was formed for the sole purpose of entering into a merger, share exchange, asset acquisition, stock purchase, recapitalization, reorganization or other similar business combination with one or more businesses or entities. Prior to its initial public offering, ChaSerg's efforts were limited to organizational activities as well as activities related to the offering. As at the Latest Practicable Date, ChaSerg is an investment holding company and has no business

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operations. Upon Completion, ChaSerg will change its name to “Grid Dynamics Holdings, Inc.” and serve as the publicly traded entity owning GDI, which will continue to operate business of the GDI Group.

As at the Latest Practicable Date, ChaSerg has 22,640,000 CS Common Stock and 5,500,000 Class B common stock (convertible into CS Common Stock on a one for one basis upon consummation of a business combination. e.g. the Mergers) outstanding and other than ChaSerg Sponsor who has 640,000 CS Common Stock and 5,500,000 Class B common stock in ChaSerg representing approximately 21.8% of the total issued shares of Chaserg, no investor holds sufficient stock to trigger a Schedule 13-D filing obligation and ChaSerg does not have information on other current ChaSerg Shareholders as CS Common Stock are traded on Nasdaq. Upon Completion, it is expected that ChaSerg Sponsor will be interested in approximately 11.4% of the outstanding CS Common Stock under Scenario C as set out in Table 4 under section headed “2. Principal terms of the Mergers and the Proposed Spin-off” in this letter.

As part of the initial public offering of CS Common Stock, certain shareholders of ChaSerg as well as the underwriter have been granted a total of 11.3 million ChaSerg warrants, which may result in the Additional Share Issue. The warrants have a strike price of US\$11.50 per CS Common Stock and an expiration date which is 5 years from the closing date of the transaction. If the price of CS Common Stock exceeds US\$11.50, assuming that all 11.3 million ChaSerg warrants have been exercised, the Company’s shareholding in ChaSerg will be reduced to approximately 28.3% taking into account certain assumptions (please refer to Scenario D as set out in Table 4 under section headed “2. Principal terms of the Mergers and the Proposed Spin-off” in this letter.) ChaSerg warrants also include placement warrants offered to ChaSerg Sponsor and the underwriter, which provide them with an opportunity to benefit from any increase in value of CS Common Stock if ChaSerg is successful in consummating a business combination transaction. The underwriter was engaged to sell the ChaSerg units to institutional and retail investors.

### *Financial information of ChaSerg*

As disclosed in the annual report of ChaSerg (the “**ChaSerg Annual Report**”) for the period from 21 May 2018 (the “**Inception Date**”) to 31 December 2018 (“**2018 Period**”) and the quarterly report of ChaSerg for the period from 1 April 2019 to 30 June 2019 (the “**ChaSerg Quarterly Report**”) prepared in accordance with the United States Generally Accepted Accounting Principles, ChaSerg had no operations and did not generate any revenue. The audited and unaudited net profits of approximately US\$0.6 million (equivalent to approximately HK\$4.8 million) and US\$1.5 million (equivalent to approximately HK\$11.7 million) reported by ChaSerg for 2018 Period and HY2019 respectively. Profits for both periods were mainly generated from the interest earned on marketable securities held in trust account (the “**Trust Account**”), representing approximately US\$1.2 million (equivalent to approximately HK\$9.0 million) and approximately US\$2.6 million (equivalent to approximately HK\$20.4 million) for 2018 Period and HY2019 respectively, net of general and administrative expenses and income taxes incurred for the respective periods.

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As disclosed in the ChaSerg Annual Report and the ChaSerg Quarterly Report, as at 31 December 2018 and 30 June 2019, the audited and unaudited total assets of ChaSerg amounted to approximately US\$222.4 million (equivalent to approximately HK\$1,734.4 million) and US\$223.8 million (equivalent to approximately HK\$1,745.9 million) respectively and the audited and unaudited net assets of ChaSerg amounted to approximately US\$214.2 (equivalent to approximately HK\$1,670.9 million) and US\$ 215.7 million (equivalent to approximately HK\$1,682.6 million) respectively. The assets owned by ChaSerg were mainly cash and marketable securities held in the Trust Account of approximately US\$221.2 million (equivalent to approximately HK\$1,725.0 million) and US\$223.0 million (equivalent to approximately HK\$1,739.4 million) as at 31 December 2018 and 30 June 2019 respectively, representing the funds originated from the investors of 22,000,000 IPO Shares in the initial public offering of ChaSerg. As at 31 December 2018 and 30 June 2019, ChaSerg had commitments in relation to the possible redemption of 20,921,905 and 21,071,299 IPO shares with fair values amounted to approximately US\$209.2 million (equivalent to approximately HK\$1,631.9 million) and US\$210.7 million (equivalent to approximately HK\$1,643.6 million) respectively. The stockholders' equity of ChaSerg as at both 31 December 2018 and 30 June 2019 was approximately US\$5.0 million (equivalent to approximately HK\$39.0 million).

An extract of the ChaSerg Annual Report and the ChaSerg Quarterly Report was set out in “Financial Information of ChaSerg” in Appendix III to the Circular.

### *Management Team of ChaSerg*

ChaSerg currently has no operation and it currently comprises five directors, namely, Mr. Lloyd Carney as Chief Executive Officer and director of ChaSerg, Mr. Eric Benhamou as Chief Financial Officer, President and director of ChaSerg as well as Mr. Clark N. Callander, Mr. Irwin Federman and Mr. William Zerella as independent directors of ChaSerg (collectively the “**Existing ChaSerg Directors**”).

Upon Completion, the board of directors of ChaSerg is expected to comprise eight directors, of which (i) up to two representatives of the Company, including Mr. Wang will be appointed as non-executive directors of ChaSerg; (ii) the Existing ChaSerg Directors will remain as ChaSerg's directors but Mr. Lloyd Carney and Mr. Eric Benhamou will be redesignated as non-executive directors of ChaSerg; and (iii) Mr. Leonard Livschitz, the existing chief executive officer and director of GDI, as executive director of ChaSerg. The day-to-day operation of ChaSerg and its subsidiaries will be carried out by Mr. Lloyd Carney, Mr. Leonard Livschitz, Mr. Eric Benhamou, and seven other existing senior management of GDI, namely Ms. Victoria Livschitz (Chief Technology Officer), Ms. Barbara Salazar (Vice President of Finance), Mr. Rahul Bindlish (Vice President of Sales), Mr. Max Martynov (vice president of technology and consulting), Mr. Yury Gryzlov (Vice President of Global Operations), Mr. Vadim Kozyrkov (Senior Vice President of Service Delivery) and Mr. Stan Klimoff (Vice President of Corporate Development). The directors and senior management identified above do not hold any position in the Remaining Group.

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On the basis of the current proposed board composition of ChaSerg, the involvement of up to two representatives of the Company will primarily be an oversight role to oversee on a macro basis the Remaining Group's investment in ChaSerg, it is believed that the board of directors and senior management of ChaSerg will operate and manage ChaSerg and the Merger Business independently from the Remaining Group.

(ii) *Information of Merger Sub 1*

Merger Sub 1 is a company formed under the laws of the State of California of the United States and is a wholly-owned subsidiary of ChaSerg as at the Latest Practicable Date. As at the Latest Practicable Date, Merger Sub 1 is an investment holding company and has no business operations.

(iii) *Information of Merger Sub 2*

Merger Sub 2 is a company formed under the laws of the State of Delaware of the United States and is a wholly-owned subsidiary of Merger Sub 1 as at the Latest Practicable Date. As at the Latest Practicable Date, Merger Sub 2 is an investment holding company and has no business operations.

## 2. Principal terms of the Mergers and the Proposed Spin-off

### *The Merger Agreement*

The principal terms and conditions of the Merger Agreement are summarised as below. Please refer to the "Letter from the Board" set out in the Circular for further details.

#### *Date of the Merger Agreement:*

13 November 2019

#### *Parties to the Merger Agreement:*

- (1) The Company
- (2) GDI
- (3) ChaSerg
- (4) Merger Sub 1
- (5) Merger Sub 2

(collectively the "**Parties**")

To be best of the Directors' knowledge, information and belief having made all reasonable enquiries, ChaSerg, Merger Sub 1 and Merger Sub 2 and their ultimate beneficial owners are third parties independent of the Company and its connected persons.



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### *Initial Merger and Second Step Merger*

The Merger Agreement dated 13 November 2019 involves two business combination transactions of (a) the Initial Merger and (b) the Second Step Merger.

**(a) Initial Merger**

Subject to the terms and conditions of the Merger Agreement, ChaSerg, GDI and Merger Sub 1 shall on the date of Completion, cause the Initial Merger involving the merger of Merger Sub 1 with and into GDI, upon completion of which, the separate existence of Merger Sub 1 will cease, and GDI will be the surviving entity in the Initial Merger.

**(b) Second Step Merger**

Immediately after the consummation of the Initial Merger, GDI, the surviving entity in the Initial Merger and Merger Sub 2 shall cause the Second Step Merger involving the merger of the surviving entity in the Initial Merger with and into Merger Sub 2, upon completion of which, the separate existence of the surviving entity in the Initial Merger will cease, and Merger Sub 2 will be the surviving entity in the Second Step Merger and a direct wholly-owned subsidiary of ChaSerg. The name of surviving entity in the Second Step Merger shall be renamed as “Grid Dynamics International LLC”.

As at the Latest Practicable Date, the Company indirectly owns approximately 86% equity (taking into account the preferred shares in GDI on an as-converted basis) and approximately 72% equity interest in GDI on a fully diluted basis (taking into account the preferred shares on an as-converted basis and immediately after allotment and issuance of shares upon exercise of 2,594,211 outstanding and vested stock options of GDI in full) before the Initial Merger and the Second Step Merger.

As disclosed in the Letter from the Board, assuming (i) there is no Consideration Share Adjustment; (ii) there is no change in shareholding interest of the Company in GDI from the Latest Practicable Date to the date of Completion; and (iii) there is no other change in the number of shares of CS Common Stock outstanding from the Latest Practicable Date to the date of Completion, and further assuming that (**Scenario A**) there is 30% redemption of funds by ChaSerg Shareholders and Consideration Share Adjustment (in respect of the Cash Consideration Reallocation Amount), where an increase in redemption of funds has the effect of increasing the Company’s shareholding in ChaSerg (taking into account the condition to Completion that the trust account balance of ChaSerg immediately before Completion should be no less than 70% of the balance as at the date of the Merger Agreement); (**Scenario B**) Scenario A and Consideration Share Adjustment of US\$92.8 million (equivalent to HK\$723.8 million),



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to illustrate the Company's maximum shareholding in ChaSerg (taking into account the Company's right to terminate the Merger Agreement should Completion result in the Company holding more than 50% of the outstanding CS Common Stock); **(Scenario C)** (x) there is no redemption, and (y) 2,594,211 outstanding and vested stock options of GDI convertible into CS Common Stock have been exercised (i.e. excluding 32,693 unvested stock options), where the allotment and issue of CS Common Stock upon the exercise of such outstanding and vested stock options of GDI has the effect of reducing the Company's shareholding in ChaSerg; **(Scenario D)**, Scenario C and completion of the Additional Share Issue, where the allotment and issue of CS Common Stock upon exercise of 11.3 million ChaSerg warrants has the effect of reducing the Company's shareholding in ChaSerg, the shareholding structure of ChaSerg immediately after Completion will be as follows:

Table 4

ChaSerg Shareholder	Scenario A (30% redemption)		Scenario B (30% redemption and Consideration Share Adjustment of US\$92.8 million)		Scenario C (no redemption and full exercise of vested stock options of GDI)		Scenario D (no redemption, full exercise of vested stock options of GDI and completion of the Additional Share Issue)	
	CS Common Stock	Percentage of outstanding CS Common Stock	CS Common Stock	Percentage of outstanding CS Common Stock	CS Common Stock	Percentage of outstanding CS Common Stock	CS Common Stock	Percentage of outstanding CS Common Stock
GDD	19,317,377	43.9	25,685,592	49.9	18,390,967	34.3	18,390,967	28.3
GDI Minority Shareholders	3,162,537	7.2	4,205,106	8.2	7,132,843	13.3	7,132,843	11.0
Other shareholders (including ChaSerg Sponsor)	21,540,000	48.9	21,540,000	41.9	28,140,000	52.4	39,460,000	60.7
<b>Total</b>	<b>44,019,914</b>	<b>100.0</b>	<b>51,430,698</b>	<b>100.0</b>	<b>53,663,810</b>	<b>100.0</b>	<b>64,983,810</b>	<b>100.0</b>

As shown in the table above, in the event of 30% redemption of funds by ChaSerg Shareholders (i.e. Scenario A), the Company's shareholding in ChaSerg is expected to be approximately 44%. Should Scenario A concur with a positive Consideration Share Adjustment (e.g. Scenario B), the shareholding of the Company will be further increased as the number of Consideration Shares increases, subject to the Company's termination right should Completion result in the Company holding more than 50% of the outstanding CS Common Stock (which the Company will exercise). Accordingly, the Company's shareholding in ChaSerg will not exceed 50% and the Company expects to account for the results of ChaSerg as an associate (i.e. not less than 20% shareholding in ChaSerg) in the results of the Remaining Group upon Completion.

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### *Consideration for the Mergers*

#### **(a) Merger Consideration**

In consideration for the Mergers, each share of GDI Common Stock in issue immediately prior to Completion (other than dissenting shares held by holders voting against the Mergers) will be converted into the right to receive the per GDI Common Stock share consideration (being total number of Consideration Shares divided by the “fully diluted number of GDI Common Stock in issue immediately prior to Completion” *Note*) and the per GDI Common Stock cash consideration (being total cash consideration for the Mergers divided by the “fully diluted number of shares of GDI Common Stock in issue immediately prior to Completion” *Note*), in each case, less the amounts to be held in escrow as described below.

*Note: “Fully diluted number of GDI Common Stock in issue immediately prior to Completion” refers to the aggregate number of outstanding shares of GDI Common Stock, taking into account preferred shares in GDI on an as-converted basis and GDI Common Stock underlying outstanding and vested stock options of GDI (i.e. excluding 32,693 unvested stock options which will be cancelled).*

The Merger Consideration (subject to Adjustments) is approximately US\$390.1 million (equivalent to approximately HK\$3,042.8 million), comprising cash consideration of US\$130 million (equivalent to HK\$1,014 million) and 25,523,810 Consideration Shares (being CS Common Stock priced at the CS Signing Stock Price of US\$10.19 each (equivalent to HK\$79.48) worth approximately US\$260.1 million (equivalent to approximately HK\$ 2,028.7 million).

As at the Latest Practicable Date, the Company has approximately 86% equity interest in GDI (taking into account preferred shares in GDI on an as-converted basis) and approximately 72% equity interest in GDI on a fully diluted basis (taking into account preferred shares in GDI on an as-converted basis and assuming outstanding and vested stock options of GDI are exercised in full). Based on the Company’s interest in GDI on a fully diluted basis, the Merger Consideration (subject to Adjustments) payable to the Company (the “**Company Consideration**”) is approximately US\$281 million (equivalent to approximately HK\$2,191.8 million), comprising cash consideration of approximately US\$93.6 million (equivalent to approximately HK\$730.6 million) and 18,390,967 Consideration Shares (being CS Common Stock priced at the CS Signing Stock Price of US\$10.19 each (equivalent to HK\$79.48) worth approximately US\$187.4 million (equivalent to approximately HK\$1,461.8 million). The Merger Consideration (comprising cash consideration and Consideration Shares but save for post-Completion adjustments to be settled by consideration shares held in escrow) will be settled upon Completion. Please refer to “(g) Escrow arrangement” below for details of the escrow arrangement.

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(b) *Adjustments to Merger Consideration*

*Consideration Share Adjustment*

The adjustment to the number of Consideration Shares for the Mergers, whereby the number of Consideration Shares to be issued will be adjusted by:

$$\frac{\text{Sum of the Share Adjustment Factors (as defined below)}}{\text{CS Signing Stock Price of US\$10.19 each (equivalent to HK\$79.48)}}$$

The Share Adjustment Factors include:

- (i) Working Capital Shortfall/Surplus of GDI – the difference between the target (being US\$10 million (equivalent to approximately HK\$78 million, the “**Target Working Capital**”)) and actual (as at the day before Completion) level of working capital excluding cash and marketable securities accounted for under item (iii) below;
- (ii) Closing Indebtedness of GDI — aggregate amount of indebtedness as at the day before Completion;
- (iii) Excess Cash Shortfall/Surplus of GDI – the difference in cash and marketable securities (being investments held by GDI including but not limited to United States treasury bonds and other investment grade bonds) from US\$29 million (equivalent to HK\$226.2 million) (the “**Target Excess Cash**”), where adjustment pursuant to this item (iii) is subject to a cap of US\$15 million (equivalent to HK\$117 million);
- (iv) GDI’s Performance Adjustment — US\$1.5 million (equivalent to HK\$11.7 million) for every US\$100,000 (equivalent to HK\$780,000) shortfall in expected EBITDA of GDI for the financial year ending 31 December 2019 from the target EBITDA of US\$23.8 million (equivalent to approximately HK\$185.6 million) (the “**Target EBITDA**”); and
- (v) Cash Consideration Reallocation Amount (as defined below).

*Cash Consideration Adjustment*

In the event of redemption of funds by ChaSerg Shareholders, the cash consideration will be reduced by the following formula:

$$\text{US\$13.5 million}^{(i)} \quad \times \quad \frac{(\text{ChaSerg Trust Account Balance}^{(ii)} - \text{ChaSerg Available Cash}^{(iii)})}{(30\% \times \text{ChaSerg Trust Account Balance}^{(iii)})}$$

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provided that such adjustment sum calculated above (the “**Cash Consideration Reallocation Amount**”) shall never be less than zero or greater than US\$13.5 million (equivalent to approximately HK\$105.3 million), and any such reduction in cash consideration for the Mergers will be taken into account in adjusting the number of Consideration Shares as part of the Consideration Share Adjustment (i.e. any Cash Consideration Adjustment will have the effect of increasing the number of Consideration Shares by virtue of the Consideration Share Adjustment, which is determined by dividing Cash Consideration Adjustment by the CS Signing Stock Price of US\$10.19 (equivalent to HK\$79.48)).

- (i) *US\$13.5 million — the upper limit of US\$13.5 million (equivalent to HK\$105.3 million) is determined with reference to, among other things, the cash required for the Company to settle in full the outstanding principal and unpaid interest (as at the expected date of Completion) of the convertible bonds and bank loan assumed by the Company in connection with the acquisition of the GDI Group in 2017 amounting to approximately HK\$434.7 million and the tax liability in connection with the Mergers amounting to approximately HK\$179.9 million (collectively, the “**Relevant Liabilities**”).*
- (ii) *ChaSerg Trust Account Balance — the trust account balance as at the date of the Merger Agreement, being US\$223,915,741 (equivalent to approximately HK\$1,746,542,780).*
- (iii) *ChaSerg Available Cash — the available cash and cash equivalents of ChaSerg (being ChaSerg Trust Account Balance after giving effect to redemption by ChaSerg Shareholders and receipt of any additional equity amount (if any)).*

Our analysis on the Merger Consideration and the Adjustments is set out under section headed “4. Analysis of the Consideration under the Mergers” below in this letter.

(c) **Treatment of outstanding stock options of GDI**

GDI shall terminate the share option scheme of GDI adopted on 21 December 2018 upon Completion pursuant to the terms of the scheme.

- (i) Any outstanding and vested stock options of GDI will be (i) assumed as to approximately 66.7% by ChaSerg and converted into CS Common Stock Options on substantially similar terms (including rules on their forfeiture); and (ii) cashed out as to approximately 33.3% by GDI immediately prior to Completion. The proportion of outstanding and vested stock options of GDI to be assumed by ChaSerg is equal to (i) the total value of Consideration Shares divided by (ii) the Merger Consideration (the “**Assumed Portion**”).

The Assumed Portion is commercially agreed based on the formula above such that holders of outstanding and vested GDI options receive cash consideration and Consideration Shares (upon exercise of the relevant CS Common Stock Options) in the same proportion as GDI shareholders under the Mergers. The Assumed Portion of each GDI Option shall be assumed by ChaSerg and automatically converted into an option (each, an “**Assumed Option**”) to purchase shares of CS Common Stock.

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Each Assumed Option will continue to be subject to substantially the same terms and conditions (including vesting and forfeiture) as applied to the Assumed Option immediately before the Initial Merger Effective Time, after giving effect to any accelerated vesting in connection with the Completion.

- (ii) Any unvested stock options of GDI will be assumed by ChaSerg and converted into CS Common Stock Options on substantially similar terms (including vesting and forfeiture).

As at the Latest Practicable Date, there are 2,044,565 GDI Options outstanding and if including the 582,339 GDI Options (which is expected to be granted by GDI before Completion), there will be 2,626,904 GDI Options outstanding immediately before Completion, of which the numbers of vested and unvested GDI Options will be 2,594,211 and 32,693 respectively.

**(d) *Conditions precedents to the Merger Agreement***

Completion shall take place no later than three business days from the satisfaction or waiver of the conditions precedent to the Merger Agreement, among other things, (i) the adoption of the Merger Agreement and the approval of the Mergers by holders of GDI Common Stock and GDI preferred shares; (ii) the approval of certain matters by the ChaSerg Shareholders, including the Merger Agreement and transactions contemplated thereunder, certain amendments to charter of ChaSerg, adoption of an equity incentive plan (*Note*) in respect of CS Common Stock, appointment of and designation of members of the board and board committees of ChaSerg (including Mr. Wang) and such other matters as considered necessary to effect the Mergers; (iii) the approval of the Merger Agreement and the Mergers by shareholders of Teamsun and the Company, respectively; (iv) each of the Company, GDI, Teamsun and ChaSerg having obtained the necessary third party consents and authorizations (including approvals from government authorities and securities exchanges) in respect of the Mergers and no such consents and authorizations having been revoked; (v) ChaSerg shall have net tangible assets equal to or greater than US\$5,000,001 immediately prior to Completion; (vi) the funds remaining in the Trust Account shall not be less than 70% of the Trust Account balance at the time of signing of the Merger Agreement after giving effect to redemption by ChaSerg Shareholders and receipt of any additional equity amount (if any) (the “**Redemption Limit**”); and (vii) GDI having delivered a statement and evidence reasonable satisfactory to ChaSerg to demonstrate that the cash and cash equivalents held by GDI is not less than US\$20 million, or such other time and date as GDI and ChaSerg may agree in writing.

Full details of the conditions precedent to the Merger Agreement are set out in the section headed “**Conditions precedent to the Merger Agreement**” in the Letter from the Board.

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*Note:*

It is a condition precedent that ChaSerg would, prior to Completion, adopt an equity incentive plan for the benefit of eligible participants (including employees, directors and consultants) through the grant of options, restricted stock, restricted stock units, stock appreciation rights, performance units and performance shares (collectively, the “Awards”). Based on the terms of the proposed equity incentive plan, the maximum number of CS Common Stock which may be issued is equal to 16,300,000, representing approximately 25.1% of the issued share capital of ChaSerg under Scenario D (please refer to Table 4 under the section headed “2. Principal terms of the Mergers and the Proposed Spin-off” in this letter) and approximately 20.1% of the issued share capital of ChaSerg under Scenario D as enlarged by the allotment and issuance of all 16,300,000 CS Common Stock Awards in respect of which may be granted under the proposed equity incentive plan. The proposed equity incentive plan is expected to have a life of ten years, unless otherwise terminated.

Following Completion, it is expected that ChaSerg will grant initial Awards in respect of up to 6,650,000 CS Common Stock to certain senior management and employees of ChaSerg (most of which are existing employees of GDI), comprising restricted stock units, performance units (the vesting of which is subject to, among other things, achievement of ChaSerg performance objectives) and stock options. The Awards are expected to vest over a period of four years, where 1/4 of CS Common Stock subject to the Awards would vest on the first anniversary of the vesting commencement date, and thereafter 1/16 of CS Common Stock subject to the Awards would vest on a quarterly basis, subject to the grantee’s continuous provision of services to ChaSerg on each vesting date.

The proposed equity incentive plan will be subject to the administration of the board of directors of ChaSerg and any of its committees, who have full discretion in determining the terms and conditions of the Awards, including but not limited to, the selection of eligible participants, the number of CS Common Stock to be covered by each Award etc. in accordance with the terms of the proposed equity incentive plan.

As disclosed in the Letter from the Board, we understand that the Company considers the equity incentive plan is necessary to attract and retain talent and incentivize, in particular, management and staff of ChaSerg to promote the growth of the business of ChaSerg and the scale of the proposed equity incentive plan to be adopted by ChaSerg to be in line with market practice.

We have discussed with the Management and understand that (i) GDI has engaged an independent consultant to perform a market research regarding the scale of equity incentive plans (EIP) adopted by other US listed IT companies, showing that the 75th percentile of the EIP ratios (i.e. the scale of equity incentive plan out of total issued share capital of the listed company) is approximately 25.8%, indicating that the EIP ratio of 25.1% adopted by ChaSerg is in line with the market practice; (ii) as the IT industry is a comparatively talent-centric industry, it’s reasonable to provide a competitive remuneration package in order to attract and retain talent and incentivize management and staff of ChaSerg to promote the growth of the business of ChaSerg; (iii) the proposed equity incentive plan is a long-term plan (with proposed term of ten years); (iv) despite the potential initial Awards of up to 6,650,000 CS Common Stock represents approximately 40% of the maximum number of CS Common Stock that might be issued under the equity incentive plan, vesting of the initial Awards will be subject to various restrictions, including vesting over a period of four years, achievement of certain performance objectives (depending on the types of the Awards) to be decided by the board of directors of ChaSerg and any of its committees, and all subject to grantees’ continuous provision of services to ChaSerg on each vesting date.

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Having considered the above, in particular, the proposed adoption of the equity incentive plan to be in line with market practice of US listed IT companies, the proposed equity incentive plan has a potential life of 10 years and the proposed initial Awards will be subject to various vesting restrictions, we are of the view that the potential dilution impact on the Company's shareholding in ChaSerg as a result of grants of Awards under the proposed equity incentive plan over a period of 10 years is justifiable.

(e) ***Lock-up***

Each of the shareholders of GDI shall enter into the agreed form of a lock-up agreement (the "**Lock-up Agreement**") pursuant to which the shareholders of GDI shall (subject to certain permitted transfers) agree not to transfer CS Common Stock to be received under the Merger Agreement until the earlier of, among other things, (i) end of a one-year period from the Completion; and (ii) end of any 30-trading day period during which the share price of CS Common Stock exceeds US\$12 for 20 trading days, the first day of which commences after 150 days from the Completion.

The Company, being one of the shareholders of GDI, is also bound by the Lock-up Agreement.

(f) ***Amended and restated registration rights agreement***

It is expected that the Company, ChaSerg, ChaSerg Sponsor, and other shareholders of GDI (including the relevant subsidiaries of the Company) will enter into an amended and restated registration rights agreement upon Completion, pursuant to which (amongst other things) ChaSerg will use its commercially reasonable efforts to effect shelf registration for potential resale in respect of certain securities in ChaSerg (including CS Common Stock) after Completion or upon the request of holders of at least a majority of the Company's interest in ChaSerg in respect of securities in ChaSerg which have not been registered. The shelf registration is intended to allow holders of CS Common Stock including ChaSerg Sponsor to sell CS Common Stock in the market without having to comply with applicable prospectus requirements for each transaction.

If unforeseen problems are encountered that result in delays in having the resale registration statement declared effective by the SEC, the Company will have the right to make public resales of its CS Common Stock in accordance with SEC Rule 144, provided the applicable holding period and other requirements of the rule (i.e., volume limits, manner of sale, etc.) are satisfied.

For the avoidance of doubt, the right of resale by the Company will be subject to the Lock-up Agreement stated above.

(g) ***Escrow arrangement***

It is expected that the Company will enter into an escrow agreement with ChaSerg and Continental Stock Transfer & Trust Company, an escrow agent independent of the Company, upon Completion, pursuant to which 857,143 Consideration Shares will be held in escrow for the settlement of any post-Completion adjustments (the "**Post-Completion Adjustment**").



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Post-Completion Adjustment is equal to the difference between (i) the final Consideration Share Adjustment and (ii) the estimated Consideration Share Adjustment.

The directors of ChaSerg designated by ChaSerg Sponsor (the “**Sponsor Designated Directors**”) are expected to determine the final Consideration Share Adjustment and deliver to the Company a statement (the “**Closing Statement**”) setting forth their calculation of each component of the Consideration Share Adjustment as of the date of Completion within 60 days after Completion (the “**Adjustment Determination Period**”), and any difference between the final Consideration Share Adjustment so determined and the estimated Consideration Share Adjustment will be settled by adjusting the number of Consideration Shares (by dividing the aforementioned difference by the CS Signing Stock Price).

We understand from the Management that (i) the number of 857,143 Consideration Shares to be held in escrow was a good faith estimate agreed among the parties, which represents approximately 4.7% (assuming no Adjustments) of the Considerations Shares to be received by the Company (on a fully-diluted basis); (ii) the estimated Consideration Share Adjustment amount value was a best-effort estimate of the effects of the Consideration Shares Adjustments at Completion; (iii) the Company shall review and confirm the Closing Statement (if no objection) within 30 days (the “**Closing Statement Review Period**”) after receipt of the Closing Statement, and the Company and the Sponsor Designated Directors will, within five Business Days after such final determination of the Post-Completion Adjustment, jointly instruct the escrow agent (the “**Joint Release Instruction**”) to disburse the final Post-Completion Adjustment escrow shares to relevant shareholders and the escrow agent will, within three Business Days upon receipt of the Joint Release Instruction, promptly disburse all or a portion of the escrow shares to the relevant shareholders; and (iv) in the event that the Company objects the Closing Statement by delivering to ChaSerg a written statement setting forth their objections (the “**Statement of Objections**”) during the Closing Statement Review Period, ChaSerg and the Company shall within 60 days (the “**Resolution Period**”) after delivery of the Statement of Objections by the Company, negotiate in good faith to resolve such objections and if necessary, an independent accountant will be engaged (whose engagement should be mutually agreed upon by ChaSerg and the Company) to finalize the Post-Completion Adjustment, which shall be final and binding.

In summary, it is expected that the final Consideration Shares Adjustments will be confirmed within 90 days after Completion (if no objection) or within 150 days if dispute resolution required. We understand that the above settlement timeline was internal estimates with reference to the current financial reporting timeline of the GDI Group, the time required by the Company and the Sponsor Designator Directors to review the completion accounts of the GDI Group and the Closing Statement and if necessary, dispute resolution, the engagement of auditor and the time required for independent auditor’s review of Post-Completion Adjustment. In light of the above, we consider the settlement period is commercially justifiable and is fair and reasonable so far as the Independent Shareholders are concerned.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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**(h) *Stockholders' agreement***

As disclosed in the Letter from the Board, in connection with the Mergers, it is expected that the Company, GDD, ChaSerg Sponsor and GDI will enter into a stockholders' agreement to provide for the rights and obligations of the parties as shareholders of ChaSerg upon Completion with respect to, among other things, management and operations of ChaSerg .

Pursuant to the stockholders' agreement, the Company will, as the single largest ChaSerg Shareholder, be entitled to appoint up to two directors of ChaSerg (who will serve as non-executive directors) as long as the Company beneficially owns 10% or more of the voting shares in ChaSerg and one director of ChaSerg as long as the Company beneficially owns not less than 5% but less than 10% of the voting shares in ChaSerg. The Company will also have an exclusive right to remove its nominated directors on the board of ChaSerg. It is currently contemplated that the board of directors of ChaSerg will comprise eight directors.

Other than the nomination and appointment of directors of ChaSerg, for so long as the Company has the right to appoint directors, the Company also has the right to (i) have one of the Company's designees on any committee of ChaSerg subject to any applicable law, rule or requirements; (ii) replace any of the Company's designees as it sees fit; and (iii) fill any vacancy caused by the resignation of the Company's designee(s).

Additionally, the Company (i) is obliged to vote for the election of the other voting parties' designees at every election (the same is required of the other voting parties voting for the Company's designees); and (ii) is required to refrain from entering into any agreement or arrangement regarding any voting shares (such as a voting trust or agreement) which would conflict with, or impede the implementation of, the provisions of the stockholders' agreement (including without limitation the appointment of directors of ChaSerg and voting obligations).

In view of the existence of the above arrangement in relation to (i) the nomination and appointment of director(s) of ChaSerg by the Company; (ii) the appointment and replacement of one designee on any committee of ChaSerg by the Company; and (iii) the voting obligations in respect of other voting parties designees, we concur with Directors' view that it will provide reasonable protection to the Company's right as the single largest ChaSerg Shareholder.

**(i) *Put option in respect of GDI shares previously granted to BGV Opportunity Fund LP***

Reference is made to the announcement of the Company dated 6 May 2019.

As disclosed in the Letter from the Board, in connection with the subscription of 622,027 GDI Common Stock and 622,027 Series A preferred shares in GDI by BGV Opportunity Fund LP, the Company granted a put option to BGV Opportunity Fund LP pursuant to which BGV Opportunity Fund LP shall have the right to require the Company to purchase all or part of the former's GDI securities at an amount equal to the original subscription price plus interest in the event the Board resolves not to proceed with an initial public offering of shares in GDI in the United States within three years. The put option shall terminate at the earlier of the closing of an initial public offering of GDI and the third anniversary of the date of grant.

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Upon Completion, GDI will become a wholly owned subsidiary of ChaSerg, thereby effecting the separate listing of GDI on Nasdaq. Accordingly, the put option will terminate upon Completion.

### 3. Reasons for and the benefits of the Mergers and the Proposed Spin-off

With reference to the Letter from the Board, the Mergers and the Proposed Spin-off Transactions would (i) improve the liquidity position of the Remaining Group; (ii) unlock the value of GDI; (iii) reduce future capital commitment from the Remaining Group; (iv) boost publicity of GDI following listing on Nasdaq; and (v) facilitate expansion into sensitive industries. In addition, the Directors consider that in light of recent tensions in Sino-US tensions, the separate listing of GDI would lower the possible political exposure of GDI as a member of a Chinese technology group. For detailed reasons for and benefits of the Mergers and the Proposed Spin-off, please refer to the section headed “Reasons for and the benefits of the Mergers and the Proposed Spin-off and Use of Proceeds” of the Letter from the Board.

Based on our discussion with the Management, upon Completion, the Remaining Group will continue to engage in the Retained Business mainly operated in the Asia Pacific Region and the business of ChaSerg primarily consists of the IT services operated by GDI in the US. Given the differences in the business and operational focus, the executive Directors are of the view that the Mergers and Proposed Spin-off will provide a delineation of ChaSerg’s business and the business of the Remaining Group and promote an appropriate investor base for each of them.

As discussed with the Management and as disclosed in the 2018 Annual Report and 2019 Interim Report, GDI experienced a robust growth and recorded remarkable increase in its revenue and profit. During FY2018, its business scale reached US\$10 million within customers from renowned multinational technology corporations. GDI has also opened its sixth R&D center in Serbia and set up a new office in Texas, the US during FY2018, so as to further strengthen the Group’s support in different regions and its global delivery capabilities to meet different customer needs in various regions.

There are positive impact factors on the global IT industry. As extracted from the IT Industry Outlook 2019 (the “**2019 IT Industry Report**”) published by the Computing Technology Industry Association (the “**CompTIA**”, one of the IT industry’s top trade associations which issues professional certifications for the IT industry), Silicon Valley (where the headquarter of GDI locates) and other U.S. cities will remain dominant players in the IT innovation wave. According to the 2019 IT Industry Report, the business scale of the global IT industry for the year of 2019 is expected to reach approximately US\$5.0 trillion, representing a year-over-year increase of 4%, among which approximately US\$1.6 trillion will be generated from the US market, accounting for 31% of the total amount.

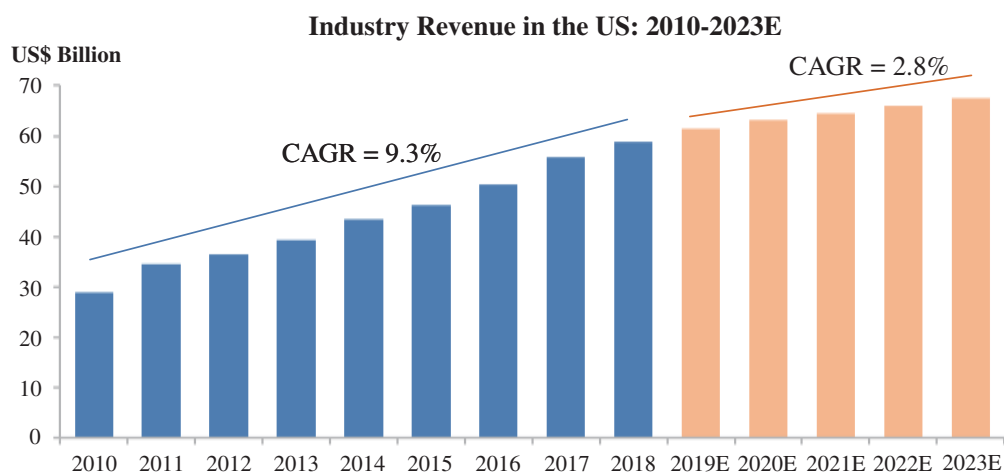
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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The GDI Group principally provides its enterprise customers with scalable, next-generation IT solutions, part of the business analytics and enterprise software publishing industry. This industry has grown steadily driven by favorable demand conditions caused by high corporate profit and investment. According to an industry research report on Business Analytics & Enterprise Software Publishing Industry in the US by IBISWorld (a US based market research provider and one of the most well-known industry analyst firms worldwide), industry revenue in the US market for the past ten years was in an upward trend (as shown in the Figure 1 below). Industry revenue in the US market for 2018 amounted to approximately US\$58.8 billion with a 5.3% increase from that of 2017, and representing a compound annual growth rate (“CAGR”) of approximately 9.3% from 2010 to 2018. IBISWorld also expected that over the five years to 2023, the industry will grow at a CAGR of 2.8%, on the back of the increasing technological complexity of businesses and an eagerness to adopt efficiency-enhancing software in the United States.

Figure 1.



Source: IBISWorld

Based on the above and together with the facts that:

***Clear delineation and enhanced corporate structure and operational efficiency***

Both the Remaining Group and the GDI Group will be in a better position to develop the Retained Business and the Merger Business respectively as (i) the IT services operated by GDI (primarily innovative, high-end self-produced technology solutions such as e-commerce solutions for multiple digital platforms) is very clearly distinguished from the traditional ongoing IT maintenance, management and technical support provided by the Remaining Group; (ii) the sales of services of the GDI Group have always been generated in the US and the US market will remain dominant player in the IT innovation wave as shown in the above statistics, while the sales of the Remaining Group were mainly generated in the Asia Pacific region; (iii) GDI has operated independently from the Remaining Group and the separate listing in the US will allow the GDI Group to better cooperate with market participants in the US; and (iv) the escalating geopolitical tensions between the PRC and the US materially affected the Company’s ability to introduce GDI’s know-how to large customers in the PRC, which in turn frustrated the Company’s initial objective of creating synergy with GDI for business expansion.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Financial independence of GDI and direct access to capital*

The separate listing will provide new and more diversified funding sources to finance the existing operations and future expansion of the GDI Group and release the Remaining Group from future capital commitment to GDI.

### *Improved liquidity and financial position of the Remaining Group*

The Proposed Spin-off will strengthen the liquidity and financial position of the Remaining Group as (i) the Cash Consideration payable to the Company, which intends to apply for repayment the Relevant Liabilities will improve the liquidity and gearing position of the Remaining Group and the Remaining Group will be in a better financial position to focus its resources on the Retained Business, which has been gaining scale and increasing turnover and profitability over the years; (ii) the Merger Consideration is fair and reasonable as analysed below and the Company would record a gain (net of estimated tax) of approximately HK\$830.9 million or HK\$871.7 million from the Mergers had the Completion taken place on 30 June 2019 or 1 January 2019 respectively on proforma basis.

### *The Remaining Group continues to share the future growth and prospect of the GDI Group*

Currently, the Company's share price has not been able to reflect the underlying value of GDI while the Proposed Spin-off will enable the market to better appraise and assess the value of GDI and will benefit the Company as a significant shareholder of GDI upon Completion. In addition, although the equity interest in GDI by the Company will decrease from approximately 72% on a fully diluted basis as at the Latest Practicable Date (taking into account the preferred shares in GDI on an as converted basis and assuming outstanding and vested stock options of GDI are exercised in full) to approximately 34% immediately after Completion (subject to Adjustments), the Company and its shareholders will continue to enjoy the benefits from the growth and development of GDI's business as the financial results of GDI will be equity accounted for in the results of the Remaining Group upon Completion.

In light of the foregoing, we are of the view that even though the entering into of the Merger Agreement is not in the ordinary and usual course of the business of the Group, the Mergers and the Proposed Spin-off are on normal commercial terms, fair and reasonable so far as the Shareholders are concerned and the entering into of the Merger Agreement is in the interest of the Company and the Shareholders as a whole.

The Directors (including the independent non-executive Directors) consider that the terms of the Merger Agreement have been negotiated on an arm's length basis and on normal commercial terms, and the transaction contemplated thereunder is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

#### **4. Analysis of the Consideration under the Mergers**

The Merger Consideration (subject to Adjustments) is approximately US\$390.1 million (equivalent to approximately HK\$3,042.8 million), comprising cash consideration of US\$130 million (equivalent to HK\$1,014 million) and 25,523,810 Consideration Shares (being CS Common Stock priced at the CS Signing Stock Price of US\$10.19 each (equivalent to HK\$79.48)) worth approximately US\$260.1 million (equivalent to approximately HK\$2,028.7 million). The Merger Consideration shall be paid to GDI Shareholders in proportion to their interests in GDI.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Based on the above, the Company Consideration amounts to approximately US\$281 million (equivalent to approximately HK\$2,191.8 million), comprising cash consideration of approximately US\$93.6 million (equivalent to approximately HK\$730.6 million) and 18,390,967 Consideration Shares (being CS Common Stock priced at the CS Signing Stock Price of US\$10.19 each (equivalent to HK\$79.48)) worth approximately US\$187.4 million (equivalent to approximately HK\$1,461.8 million).

As disclosed in the Letter from the Board and as discussed with the Management, the Board considers that the Merger Consideration is fair and reasonable given it was determined following arm's length negotiation between the Company and ChaSerg taking into account (i) the cost of investment when the Group acquired GDI in 2017, being US\$118 million (equivalent to HK\$920.4 million) on a cash-free and debt-free basis, to allow the Company to make an appropriate return on the investment in GDI as well as repay outstanding debt associated with the Company's acquisition of GDI and taxes on gain in connection with the Mergers (i.e. the Relevant Liabilities); (ii) in respect of the proportion of cash consideration and share consideration for the Mergers, the cash amount required for the Company to pay off the Relevant Liabilities, to allow the Company repay the outstanding debts associated with the Company's acquisition of GDI and taxes on gain in connection with the Mergers; (iii) the historical performance of GDI, including but not limited to its past financial performance (please refer to the Appendix II — Financial Information of the Disposal Group) for assessing the sustainability and repeatability of GDI's business model; (iv) business prospects of GDI, such as business opportunities in the industry and the growth trends and cost structure of GDI, for assessing the future growth opportunities of GDI; and (v) prevailing market conditions, including the valuation metrics (such as price to earnings (P/E) and enterprise value to EBITDA (EV/EBITDA) multiples) of publicly listed comparables (being US-listed companies which operate similar business) subject to a discount of approximately 30% to account for the scale of GDI's business (it was observed that among comparable identified, publicly listed companies of a certain scale or below traded at a discount compared to comparables above a certain scale), industry/customer concentration (e.g. reliance on major customers) and lack of public market track record (as there is no public market for the shares of GDI).

Based on our discussion with the Management, we understand that in determining the valuation of GDI, the parties to the Merger Agreement finally agreed to focus on the trading statistics of EPAM Systems, Inc. (EPAM), a public company listed on NYSE in view of the similarity in direct business offerings and the overlap in sourcing engineering talent in Central and Eastern Europe. Given smaller business scale and lack of public market track record of GDI as compared to EPAM (EBITDA and Profit to shareholders of EPAM were approximately US\$282 million and US\$240 million respectively for FY2018), a discount of approximately 30% (the "**Discount**") was adopted to account for the valuation of GDI.

Given (i) GDI is not listed and its ownership interest is typically not readily marketable compared to a similar interest in publicly listed companies; (ii) a share of stock in a privately held company is usually worth less than an otherwise comparable share in a publicly held company; (iii) GDI's reliance on major customers, which the top five and top ten customers of GDI accounted for approximately 71% and 95% of GDI's revenue for FY2018; (iv) smaller financial scale of GDI relative to EPAM; and (v) based on the empirical research based on the Business Valuation Discounts and Premiums written by Shannon P. Pratt <sup>(Note)</sup>, a well-known authority in the field of business valuation, which lack of marketability discounts for ownership interest in private companies generally range from approximately 3% to 35%, we consider the adoption of the Discount is fair and reasonable.

*Note:*

*Shannon P. Pratt, CFA, FASA, ARM, ABAR, MCBC, CM&AA holds an undergraduate degree in business administration from the University of Washington and a doctorate in business administration, majoring in finance, from Indiana University. He is a Fellow of the American Society of Appraisers, a Master Certified Business Appraiser, a Chartered Financial Analyst, a Master Certified Business Counselor, and is certified in mergers and acquisitions.*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Adjustments to the Merger Consideration*

As disclosed in the paragraph headed “(b) Adjustments to Merger Consideration” under the section headed “2. Principal Terms of Mergers and the Proposed Spin-off” in this letter, the Merger Consideration is subject to Adjustments, representing Consideration Share Adjustment and Cash Consideration Adjustment.

Based on our discussion with the Management, given the business nature and financial position of the GDI Group (i.e. assets light with strong working capital position and the potential business earnings capability), the Adjustments are calculated with reference to certain key financial indicators of GDI Group, including cash, working capital, indebtedness as well as EBITDA at 30 June 2019, the projected financials of GDI for the year ending 31 December 2019 (“**2019 GDI Projected Financials**”) and at Completion. These financial indicators were heavily vetted by ChaSerg through a detailed due diligence process during the negotiations of the Mergers in determining the Merger Consideration. In addition, the expected trust balances of ChaSerg at Completion, the major asset of ChaSerg, is one of termination events of the Merger Agreement and also one of the key factors in determining the Merger Consideration.

### *Consideration Share Adjustment*

There are five Share Adjustment Factors applied to the adjustment to the number of Consideration Shares for the Mergers as disclosed in the paragraph headed “(b) Adjustments to Merger Consideration” under the section headed “2. Principal Terms of Mergers and the Proposed Spin-off” in this letter. The number of Consideration Shares to be adjusted is calculated based on the sum of the Share Adjustment Factors divided by the CS Signing Stock Price.

Below is the analysis on the basis of determination of each Share Adjustment Factor:

<b>Share Adjustment Factors</b>	<b>Target Amount</b>	<b>Basis and Analysis</b>
(i) Working Capital Shortfall/ Surplus of GDI	Target Working Capital of US\$10 million (equivalent to approximately HK\$78 million)	<p>The Target Working Capital of US\$10 million (equivalent to approximately HK\$78 million) is determined with reference to the working capital (net of cash and marketable securities) of the GDI Group amounting to approximately US\$10.1 million (equivalent to approximately HK\$78.8 million) as at 30 June 2019 under US GAAP.</p> <p>According to the unaudited management account of the GDI Group, the working capital of the GDI Group (net of cash and marketable securities) was approximately US\$14.7 million (equivalent to approximately HK\$114.7 million) as at 31 October 2019.</p>

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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<b>Share Adjustment Factors</b>	<b>Target Amount</b>	<b>Basis and Analysis</b>
(ii) Closing Indebtedness of GDI	Nil	<p>GDI did not have any outstanding debt as at 30 June 2019 and the Latest Practicable Date.</p> <p>It is expected that GDI will not incur any outstanding debt before Completion.</p>
(iii) Excess Cash Shortfall/Surplus of GDI	Target Excess Cash of US\$29 million (equivalent to HK\$226.2 million) and the shortfall/surplus has been capped at US\$15 million (equivalent to approximately HK\$117 million)	<p>The Target Excess Cash of US\$29 million (equivalent to approximately HK\$226.2 million) is determined with reference to the cash position of the GDI Group as at 30 June 2019.</p> <p>The cash and bank balances of GDI as at 30 June 2019 was US\$41.1 million (equivalent to approximately HK\$320.6 million), of which US\$15 million (equivalent to approximately HK\$117 million) has been assigned for financing GDI's merger and acquisition. In view of the continuing growth of GDI's financial performance, it is expected that the cash position of GDI will not be less than US\$29 million (equivalent to HK\$226.2 million) at Completion.</p> <p>According to the unaudited management account of the GDI Group, the cash and bank balances of GDI as at 31 October 2019 was approximately US\$42.4 million (equivalent to approximately HK\$330.7 million).</p>



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Share Adjustment Factors	Target Amount	Basis and Analysis
(iv) GDI's Performance Adjustment	Target EBITDA for FY2019 of no less than US\$23.8 million (equivalent to HK\$185.6 million)	Based on the 2019 GDI Projected Financials.  According to unaudited management accounts of the GDI Group, the GDI Group's EBITDA for the ten months ended 31 October 2019 was US\$21.0 million (equivalent to approximately HK\$163.8 million) and the annualized EBITDA for FY2019 would be approximately US\$25.2 million (equivalent to approximately HK\$196.6 million).
(v) Cash Consideration Reallocation Amount	Shall never be less than zero and subject to Upper Limit of US\$13.5 million (equivalent to approximately HK\$105.3 million)	Please refer to analysis below.

In respect of Share Adjustment Factors (i) and (iii), any positive difference from the target value would have the effect of increasing the number of Consideration Shares whilst any deficit from the target value would decrease the number of Consideration Shares. In respect of Consideration Share Adjustment Factors (ii) and (iv), any indebtedness or shortfall from the expected EBITDA of GDI would have the effect of reducing the number of Consideration Shares. In respect of Share Adjustment Factors (v), the Cash Consideration Reallocation Amount will have the effect of increasing the number of Consideration Shares.

### *Cash Consideration Adjustment*

As disclosed in the paragraph headed "(b) Adjustments to Merger Consideration" under the section headed "2. Principal Terms of Mergers and the Proposed Spin-off" in this letter, we noted that the Cash Consideration Adjustment shall never be less than zero and is capped at the upper limit (the "**Upper Limit**") of US\$13.5 million (equivalent to HK\$105.3 million). The Upper Limit is determined with reference to, among other things, the cash required for the Company to settle in full the Relevant Liabilities and the Redemption Limit of 30% of ChaSerg Trust Account Balance.

As disclosed above, the Company has a right to terminate the Merger Agreement if the available cash in the trust account of ChaSerg is less than 70% of the balance as at the date of the Merger Agreement. Should there be 30% redemption of funds by ChaSerg Shareholders and the maximum Cash Consideration Reallocation Amount (i.e. US\$13.5 million (equivalent to HK\$105.3 million)) be settled in Consideration Shares as part of the Consideration Share Adjustment, the cash consideration payable to the Company will be reduced by US\$9.7 million (equivalent to approximately HK\$75.7 million) to approximately US\$83.9 million (equivalent to approximately HK\$654.4 million), which is sufficient to settle in full the Relevant Liabilities amounting to approximately HK\$614.6 million (consisting of the outstanding principal amount and interest in respect of the debt financing assumed in connection with the acquisition of GDI of approximately HK\$434.7 million and the tax liability in connection with the Mergers of approximately HK\$179.9 million).



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As disclosed in the Letter from the Board and as discussed with the Management, we understand that in the event that more than 30% of the funds of ChaSerg has been redeemed by ChaSerg Shareholders, such that the trust account balance of ChaSerg falls short of 70% of the balance as at the date of the Merger Agreement (the “**Minimum Available Cash**”), ChaSerg will conduct additional equity fundraising (at a subscription price of not less than US\$10 (equivalent to HK\$78, which is the subscription price for the ChaSerg IPO Shares) per CS Common Stock) with the aim of increasing ChaSerg Available Cash to 70% of the account balance as at the date of the Merger Agreement and proceeds from such additional equity fundraising will be used to settle cash consideration for and/or transaction costs of the Mergers. Given the size of the additional fund raising shall be up to the Minimum Available Cash and the minimum subscription price of not less than US\$10 (equivalent to HK\$78) is equal to the initial redemption price of ChaSerg of US\$10, we understand from the Company that there will not be any significant change in the issued share capital of ChaSerg resulting from the additional fund raising immediately before Completion (i.e. the net effect of reduction in the share capital of ChaSerg when the redemption exceeding 30% funds of ChaSerg (the “**Shortfall**”) would be compensated by the increase in share capital of ChaSerg from the additional fund raising up to the Shortfall at the price not less than the minimum subscription price) and therefore such additional equity fundraising will not result in any material dilution impact on the Consideration Shares available to the Company. The Company will exercise its termination right if the ChaSerg Available Cash remains less than 70% of the balance as at the date of the Merger Agreement, and the Proposed Spin-off will not proceed to Completion.

Having considered the above, especially: (i) it is a common market practice to agree between parties on certain financial/performance obligations of the target companies and compensation mechanisms (i.e. adjustments to consideration) for any non-fulfilments of obligations in transactions involving mergers and acquisitions; (ii) the events of Adjustments are the key indicators of the financial performance and position GDI Group and ChaSerg (as the case may be) based on our review of financial information of the GDI Group and ChaSerg and are appropriate to give effect to the events that are directly attributable to the financial position of GDI Group and ChaSerg at Completion; (iii) the basis and the target amount of the five Share Adjustment Factors were determined with reference to the latest financial position of the GDI Group as at 30 June 2019 and 2019 GDI Projected Financials; (iv) the financial position of the GDI Group for the ten months ended 31 October 2019 indicating that no material Post-Completion Adjustments would be expected (barring any unforeseen circumstances); (v) as advised by the Management, there was no redemption of funds by ChaSerg Shareholders since the date of the Announcement and up to the Latest Practicable Date; and (vi) the lowest expected cash consideration payable to the Company is sufficient to pay off in full the Relevant Liabilities, we are of the view that the Adjustments are fair and reasonable so far as the Independent Shareholders are concerned.

### *Costs of Investment in GDI*

Based on the information provided by the Group, the costs of investment in GDI amounted to US\$118 million (equivalent to approximately HK\$920.4 million) comprised the original acquisition cost of GDI of US\$100.0 million (equivalent to approximately HK\$780 million) and an earnout payment in the sum of US\$18 million (equivalent to approximately HK\$140.4 million) settled in two instalments by the Company to GDI and if including the financing costs paid and payable by the Company up to Completion of approximately HK\$48.9 million in relation to the bank financings (in the form of bank loans and convertible bonds) obtained by the Company to settle the consideration for

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the acquisition of GDI in 2017, the costs of investment (plus finance costs) would be approximately HK\$969.3 million. The Merger Consideration (subject to Adjustments) of approximately US\$390.1 million (equivalent to approximately HK\$3,042.8 million) and the Company Consideration of approximately US\$281 million (equivalent to approximately HK\$2,191.8 million) represented a premium of 213.9% and 126.1% respectively over the costs of investment (plus finance costs).

In addition, the GDI Group reported unaudited net assets of approximately US\$47.5 million (equivalent to approximately HK\$370.8 million) (the “**Net Asset Value**”) as at 30 June 2019. The Merger Consideration (subject to Adjustments) represented a premium of approximately 720.6% over the Net Asset Value.

As disclosed in the Appendix II – “Financial Information of the Disposal Group”, GDI Group reported an amount due to the Remaining Group of approximately US\$133,000 (equivalent to approximately HK\$1.0 million) as at 30 June 2019 (the “**Current Account Balance**”).

The Current Account Balance represents the amount of the US tax benefit of the Remaining Group enjoyed by GDI when filing the 2017 & 2018 US consolidated tax returns. Upon Completion, the tax sharing arrangement will be terminated and such amount will be waived by the Remaining Group (the “**Waiver**”). In the view that GDI’s actual level of working capital as at Completion will be increased by the Waiver, and such amount will be accounted for as one of the Share Adjustment Factors (i.e. corresponding increase in number of Consideration Shares received by the Remaining Group), we concur with the Directors’ view that the Waiver is fair and reasonable and in the interests of the Company and Shareholders as a whole.

### *Peers comparison*

#### *Comparable Companies*

In assessing the fairness and reasonableness of the Merger Consideration, we have carried out analysis by researching comparable peers listed in the two major stock exchanges in the US, namely The New York Stock Exchange (“**NYSE**”) or National Association of Securities Dealers Automated Quotations (“**Nasdaq**”), as GDI principally operates its business in the US.

The GDI Group is principally engaged in open innovative, scalable, high-end self-produced IT solutions in the areas of omni-channel digital platforms, cloud enablement and big data analytics in the US. There is no perfect match of comparable companies with exactly the same financial performance and business operations as GDI but the comparable companies (the “**Comparable Companies**”) we gathered are mainly engaged in the IT services involving one or more categories of services provided by the GDI Group and therefore we consider they are subject to similar business, industry, economic risks and rewards as the GDI Group.

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In addition, we have adopted the following selection criteria, all of which must be satisfied: (i) shares of the company are being listed on NYSE or Nasdaq; (ii) majority of its total revenues from continuing operations generated from IT services in the latest financial year; (iii) the company with market capitalization below US\$10 billion and above US\$100 million in view of the amount of the Merger Consideration; and (iv) detailed financial and operational information in respect of the companies are publicly available.

Based on our exhaustive search of the Bloomberg database using the criteria above, we have identified 11 Comparable Companies which are set out in Table 5 below.

### *Comparison Approach*

We have considered all the commonly adopted trading multiples, including price-to-earnings ratio (“**P/E ratio**”), enterprise value to earnings before interest, tax, depreciation and amortisation ratio (“**EV/EBITDA ratio**”), price to sales ratio (“**P/S ratio**”) and price to book ratio (“**P/B ratio**”) for peers comparison purpose.

Having considered (i) GDI runs a light assets business which provides IT services; (ii) measurements using P/S ratio (which does not account for the profitability of the business) and P/B ratio (GDI is technology related and light asset based) fail to reflect the earning power and value of the business; (iii) earnings is the primary determinant of value and EV and EBITDA measurements are useful for comparisons across Comparable Companies with different capital/asset structures as they exclude the distorting effects of individual companies’ capital/asset levels, we have adopted the P/E and EV/EBITDA ratios as multiples and the latest annual financial results of the Comparable Companies had been applied to the EV/EBITA and P/E of the Comparable Companies.

To the best of our knowledge and as far as we are aware, the selected Comparable Companies, in our view, are exhaustive, fair and representative samples for comparison. Their respective EV/EBITDA ratio and PE ratio are set out in Table 5 below.

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**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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Table 5

	Stock Code	Company Name	Market Cap	Enterprise Value	EBITDA	Profit to Shareholders	P/E	EV/EBITDA
			<i>US\$ m</i>	<i>US\$ m</i>	<i>(Note 1)</i> <i>US\$ m</i>	<i>(Note 2)</i> <i>US\$ m</i>	<i>x</i>	<i>x</i>
1	DXC	DXC Technology Co	9,364	17,601	3,744	1,946	4.8	4.7
2	CACI	CACI International Inc	6,285	8,195	464	267	23.6	17.7
3	SAIC	Science Applications International Corp	5,065	7,049	269	205	24.7	26.2
4	PRSP	Perspecta Inc	4,331	7,124	571	164	26.5	12.5
5	PRFT	Perficient Inc	1,504	1,620	56	20	75.0	28.7
6	PSDO	Presidio Inc	1,387	2,128	192	64	21.8	11.1
7	VRTU	Virtusa Corp	1,347	1,740	99	63	21.5	17.5
8	CNDT	Conduent Inc	1,275	3,056	182	3	471.5 <i>(Note 3)</i>	16.8
9	UIS	Unisys Corp	726	1,080	448	115	6.3	2.4
10	EIGI	Endurance International Group Holdings Inc	675	2,435	298	14	49.6	8.2
11	SRT	StarTek Inc	307	587	16.813	(16)	NA	34.9
						<b>Maximum</b>	75.0	34.9
						<b>Maximum</b>	4.8	2.4
						<b>Mean</b>	28.2	16.4
						<b>Median</b>	23.6	16.8
		<b>GDI Group</b> <i>(Note 4)</i>	390.1	372.2	20.1	8.2	47.6	18.5

Source: Bloomberg

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*Note:*

1. According to Bloomberg, the EBITDA of a company's financial performance which is essentially net income with interest, taxes, depreciation, and amortization added back to it.
2. According to Bloomberg, net income from continuing operations figure adjusted for abnormal items. Abnormal items include realized investment gains or losses, restructuring charges, non-recurring charges/gains, unusual charges/gains, special charges/gains, reserve charges, writedowns of assets, spin-off/sell-off expenses, merger expenses, acquisition charges, sale of subsidiary expenses, forgiveness of debt, writedown of goodwill and acquired research and development costs.
3. The P/E ratio of Conduent Inc is excluded in the calculation of the maximum/minimum/mean/median P/E of the Comparable Companies as an outlier since it is abnormally high.
4. GDI is a private company and we applied the Merger Consideration, which represents the Merger value of the entire equity interests of GDI and the latest annual financial results of GDI Group for the year ended 31 December 2018 to determine the implied P/E and EV/EBITDA ratios of the GDI Group.

For comparison purpose, the estimated PE ratio implied by the Merger Consideration of US\$390.1 million over the net profit of GDI of US\$8.2 million for FY2018, as disclosed in the "Financial Information of the Disposal Group" set out in Appendix II to the Circular, is approximately 47.6, which is substantially higher than the average and median PE ratios of the Comparable Companies of 28.2 and 23.6 respectively. The estimated EV/EBITDA ratio of GDI as implied by its enterprise value of approximately US\$372.2 million (implied by the difference of Merger Consideration and its excess cash of approximately US\$17.9 million as at 31 December 2018) over its EBITDA of approximately US\$20.1 million (equivalent to approximately HK\$191.6 million) for FY2018 is approximately 18.5, which is higher than the average and median EV/EBITDA ratios of the Comparable Companies of 16.4 and 16.8.

Having considered the above, in particular, (i) the Merger Consideration of US\$390.1 million and the Company Consideration of approximately US\$281 representing a premium of approximately 213.9% and 126.1% respectively over the cost of investment (plus finance costs) when the Group acquired GDI in 2017; (ii) the Merger Consideration represented a premium of 720.6% over the Net Asset Value; (iii) the PE ratio of GDI as implied by the Merger Consideration over its unaudited net profit attributable to owners of the company for FY2018 is substantially higher than the PE ratios of the Comparable Companies and the EV/EBITDA ratio of GDI as implied by its enterprise value over its EBITDA for FY2018 is higher than the mean and median EV/EBITDA ratios of the Comparable Companies (which suggesting investors' higher expectations on GDI's potential earnings growth in the future); (iv) the allocation of the Cash Consideration (after taking into account of the Cash Consideration Adjustment) out of the Merger Consideration is sufficient for the Company to pay off the Relevant Liabilities and the Consideration Shares calculated based on the CS Signing Stock Price is fair and reasonable as analysed below, which the Company will continue to interest in approximately 34.3% (subject to Adjustments) indirect shareholding interests in GDI Group and share its future growth and development; and (v) the Adjustments are appropriate to give effect to the events that are directly attributable to the financial position of GDI Group at Completion, we are of the view that the Merger Consideration (including the Adjustments) is fair and reasonable.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

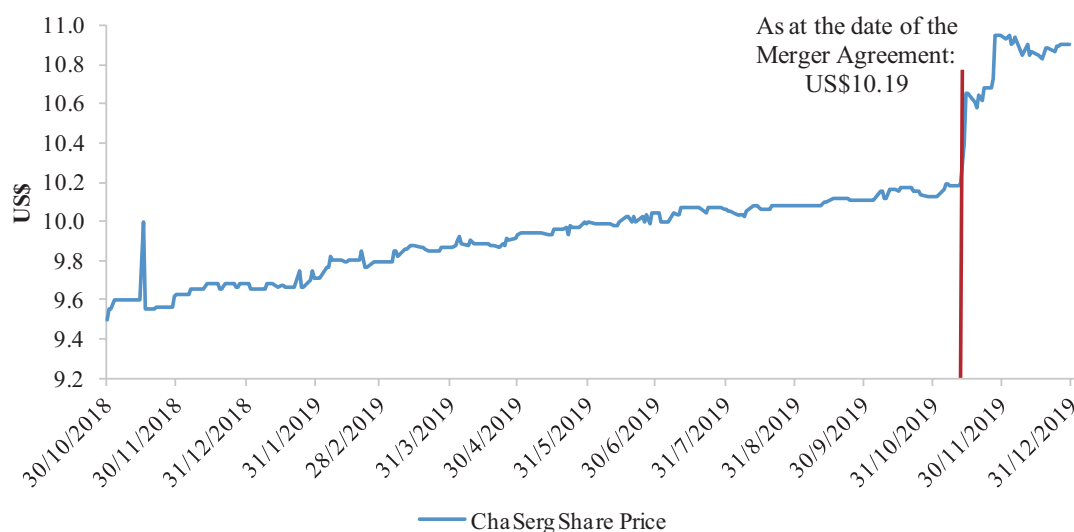
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### *Analysis of the CS Signing Stock Price*

Based on our discussion with the Management, the issue price of the CS Common Stock of US\$10.19 per share was determined between the parties after arm's length negotiations with reference to the closing price of CS Common Stock as at the date immediately preceding the date of the Merger Agreement.

The chart below shows the share price of CS Common Stock since its first trading date on Nasdaq on 30 October 2018 (the “**First Trading Date**”), up to and including the Latest Practicable Date (the “**Review Period**”):

Figures 2.



Source: Bloomberg

As shown above in Figure 2, the CS Common Stock was generally traded in an upward trend during the Review Period with the lowest closing price of US\$9.5 on 30 October 2018, and the highest closing price of US\$10.95 on 27 November 2019, 29 November 2019 and 3 December 2019.

During the period commencing from the beginning of the Review Period until ChaSerg announced on 13 November 2019 (the “**Last Trading Day**”) about the Mergers (the “**Pre-Announcement Period**”), the CS Common Stock was traded in an upward trend but at all time closed below or equal to the CS Signing Stock Price of US\$10.19. The highest price of US\$10.19 was recorded on 5 November 2019, 6 November 2019 and 12 November 2019 and the lowest price of US\$9.5 was recorded on 30 October 2018. The average closing price of the CS Common Stock was approximately US\$9.9 during the Pre-Announcement Period. The average closing prices per CS Common Stock for the last five (5), ten (10) and thirty (30) consecutive trading days immediately preceding the date of the announcement of the Mergers were approximately US\$10.19, US\$10.17 and US\$10.14 respectively.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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From the first trading day of the CS Common Stock after the entering into the Merger Agreement to the Latest Practicable Date (the “**Post-Announcement Period**”), the CS Common Stock was first traded in an upward trend and then gradually dropped but all the time above the CS Signing Stock Price, which we believe is most likely contributed by the price surges due to the investors’ speculation on the possible Mergers. The highest closing price, the lowest closing price and the average closing price of the CS Common Stock during the Post-Announcement Period was US\$10.95 on 27 November 2019, 29 November 2019 and 3 December 2019, US\$10.39 on 13 November 2019 and approximately US\$10.8 respectively.

Having considered that (i) the CS Signing Stock Price approximates the prevailing trading prices of the CS Common Stock immediately before the entering into of the Merger Agreement despite it represents a slight premium of approximately 2.9% over the average of the closing prices of CS Common Stock of approximately US\$9.9 during the Pre-Announcement Period (i.e. from 30 October 2018 to 12 November 2019); and (ii) the sustainability the share price momentum during the Post-Announcement Period is uncertain and may not continue in the absence of the Mergers, we are of the view that the CS Signing Stock Price, which was determined based on the closing price of CS Common Stock as at the date immediately preceding the date of the Merger Agreement is fair and reasonable so far as the Independent Shareholders are concerned.

### 5. Financial Effects

Immediately after Completion, the Company through its wholly-owned subsidiary, GDD, will be interested in approximately 34% of the issued share capital of ChaSerg (assuming (i) there is no redemption of funds by ChaSerg shareholders; (ii) there is no adjustment to the Merger Consideration; (iii) there is no change in shareholding interest of the Company in GDI from the Latest Practicable Date to the date of Completion; (iv) all outstanding and vested GDI options convertible into shares in ChaSerg have been exercised; (v) outstanding ChaSerg warrants have not been exercised (as they are out of the money as at the Latest Practicable Date); and (vi) there is no other change in the number of CS Common Stock from the Latest Practicable Date to the date of Completion) and GDI will cease to be a subsidiary of the Company. As illustrated in Appendix IV— Unaudited Pro Forma Financial Information of the Group after Completion of the Spin-off, the Remaining Group would record a gain (net of tax) of approximately HK\$830.9 million or HK\$871.7 million from the Mergers had the Completion taken place on 30 June 2019 or 1 January 2019 respectively. Shareholders should note that the actual gain from the disposal of the GDI Group to be recorded by the Company will depend on the final amount of Merger Consideration and the financial position of the GDI Group as at the date of Completion.

As disclosed above, the Company has a right to terminate the Merger Agreement if the ChaSerg Available Cash is less than 70% of the balance as at the date of the Merger Agreement. Assuming that ChaSerg Available Cash is 70% of the balance as at the date of the Merger Agreement (i.e. “net” redemption of 30%, as a result of redemption of funds by ChaSerg Shareholders which is offset by additional equity subscription), the Cash Consideration Adjustment would reduce cash consideration payable to the Company to approximately US\$83.9 million (equivalent to approximately HK\$654.8 million). Taking into account (i) the amount required to settle in full the outstanding principal and



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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unpaid interest of the convertible bonds and bank loan (“**CB and Bank Loan**”) assumed by the Company in connection with the acquisition of GDI in 2017 of approximately HK\$434.7 million and the tax liability of approximately HK\$179.9 million in connection with the Mergers (such tax liability is expected to be approximately 25% of the cash consideration payable to the Company) (i.e. the Relevant Liabilities in an aggregate amount of approximately HK\$614.6 million); (ii) the lowest expected cash consideration payable to the Company as set out above (i.e. US\$83.9 million (equivalent to approximately HK\$654.8 million)); and (iii) the Company’s undertaking to exercise its termination right if the ChaSerg Available Cash is less than 70% of the balance as at the date of the Merger Agreement, the Proposed Spin-off will only proceed to Completion if the Cash Consideration will be sufficient to fully repay the Relevant Liabilities and it results in a net positive impact on the cash position of the Group (excluding the GDI Group) immediately after Completion.

Based on the pro forma consolidated statement of financial position of the Group as set out in Appendix IV to the Circular, had Completion taken place on 30 June 2019, the cash position of the Remaining Group (i.e. after deduction of the payment of the Tax Liability) would be approximately HK\$724.5 million. If taking into account the repayment of CB and Bank Loans, the adjusted pro forma cash and bank balances of the Remaining Group would be further reduced to HK\$289.8 million, as compared to approximately HK\$184.5 million as at 30 June 2019 (which represents the cash and bank balances of the Group of approximately HK\$504.9 million as disclosed in the 2019 Interim Report less the cash and bank balances of the GDI Group of approximately HK\$320.4 million as disclosed in the Appendix II — “Financial Information of the Disposal Group” to the Circular).

Based on the foregoing, we concur with the Directors’ view that the Proposed Spin-off can achieve positive impact on the cash position for the Remaining Group and the Cash Consideration (assuming the lowest level of approximately US\$83.9 million, equivalent to approximately HK\$654.8 million) is sufficient to fully repay the Relevant Liabilities of approximately HK\$614.6 million.

Below is a summary of financial effects to the Company as illustrated in Appendix IV— Unaudited pro forma financial information of the Group after completion of the Proposed Spin-off:

**(a) *Effects on equity attributable to the Shareholders***

As illustrated in the pro forma consolidated statement of financial position of the Group as set out in Appendix IV to the Circular, had Completion taken place on 30 June 2019, the pro forma equity attributable to the Shareholders would be approximately HK\$2,140.5 million as compared to equity attributable to the Shareholders of approximately HK\$1,308.7 million as at 30 June 2019. The variance was mainly due to the gain on disposal to be recognised by the Company of HK\$830.9 million as if the Proposed Spin-off had been taken place on 30 June 2019.

**(b) *Effects on Earnings***

As illustrated in the pro forma consolidated statement of profit or loss and other comprehensive income of the Group as set out in Appendix IV to the Circular, the pro forma profit for HY2019 would be increased from approximately HK\$43.6 million to approximately HK\$893.7 million had Completion taken place at 1 January 2019.

The variance in profit for the period on a pro forma basis was mainly due to the recognition of the estimated pro forma gain on disposal of GDI of approximately HK\$871.7 million had Completion taken place on 1 January 2019, net of the difference between the profit of the GDI Group (as a subsidiary) for HY2019 of approximately HK\$37.7 million and the shared results of GDI as an associate of the Company of approximately HK\$11.6 million.

**(c) *Effects on working capital***

As at 30 June 2019, the Group's working capital, being current assets less current liabilities, was approximately HK\$156.0 million and the current ratio was approximately 1.1. Based on the pro forma unaudited consolidated statement of financial position of the Group as set out in Appendix IV to the circular, both of the Remaining Group's working capital and the current ratio would improve to HK\$366.8 million and 1.4 respectively had Completion taken place on 30 June 2019, mainly due to the increase in bank balances and cash from the proceeds of the Cash Consideration of approximately HK\$730.6 million, offset by the exclusion of net current assets of the GDI Group as at 30 June 2019 of approximately HK\$339.6 million and the estimated tax liabilities of approximately HK\$179.9 million and transaction costs of HK\$10.8 million arising from the Mergers. The Remaining Group will achieve a positive net cash inflow and its bank balances and cash on pro forma basis as at 30 June 2019 will be increased to approximately HK\$724.5 million from approximately HK\$504.9 million reported in the 2019 Interim Report by the Group.

**6. Assured Entitlement**

Under Paragraph 3(f) of PN15, a listed issuer is required to have due regard to the interests of its existing shareholders by providing them with an assured entitlement to shares in the spin-off entity, either by way of a distribution in specie of existing shares in the spin-off entity or by way of preferred application in any offering of existing or new shares in the spin-off entity.

As stated in the "Letter from the Board" contained in the Circular, the Board considers that the requirement to provide assured entitlement is impracticable in the circumstances and would incur significant delay to the proposed timetable and substantial costs in order to process such arrangements.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Board has resolved not to provide assured entitlements to the Shareholders under the Proposed Spin-off and proposes to put forth a resolution to Shareholders at the SGM to seek approval for the waiver of the assured entitlement under the Proposed Spin-off for the following reasons:

1. the Proposed Spin-off does not involve a new listing application of ChaSerg and there will not be any public offering of new CS Common Stock;
2. offering to the Company's shareholders will be deemed to be a public offering under US laws and would be subject to regulatory registration requirements with the US Securities and Exchange Commission which could delay the Proposed Spin-off as well as the addition of significant costs;
3. it would be unduly burdensome for the Company to coordinate the Shareholders to establish accounts in the US in order to participate in the offerings taking into account the possible jurisdictional compliance requirements in other countries where some Shareholders are from and the administration process of verification of Shareholders' information, etc.;
4. any offerings of CS Common Stock to Shareholders may require the issuance of prospectus pursuant to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong which could be unduly burdensome and costly to Shareholders; and
5. Shareholders continue to have an economic interest in CS Common Stock via their shareholding in the Company.

Based on the forgoing, we consider that the Company's proposal (i) to put forward a resolution to Shareholders at the SGM to waive their rights to an assured entitlement to the CS Common Stock; and (ii) the controlling Shareholder will abstain from voting on such resolution is in the interest of the Company and its shareholders as a whole.

### **7. Discussion and Analysis**

#### ***Objectives and benefits of the Mergers and the Proposed Spin-off***

The principal objective of the Mergers and the Proposed Spin-off principally relate to the delineation the Retained Business and the Merger Business held by two separate listed companies and to enable the GDI Group to gain access to a separate fund raising platform in the US. ChaSerg will be a new entity operating the Merger Business and listed on Nasdaq, where GDI will be in a better position to develop the Merger Business in the US and to enable the market to better appraise and assess the value of GDI, which will benefit the Company as a significant shareholder of GDI upon Completion. In addition, the Cash Consideration payable to the Company will improve the liquidity position of the Remaining Group and release the Remaining Group from future capital commitments of the GDI Group.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Consideration basis*

Based on the Merger Consideration (subject to Adjustments, which are appropriate to give effect to the events that are directly attributable to the financial position of the GDI Group at Completion) of approximately US\$390.1 million (equivalent to approximately HK\$3,042.8 million) and the Company Consideration of approximately US\$281 million (equivalent to approximately HK\$2,191.8 million) representing a premium of 213.9% and 126.1% respectively over the total costs of investment of approximately HK\$969.3 million (plus finance costs) when the Company acquired GDI in April 2017, we have carried out our own analysis to assess the value of the GDI Group by researching comparable peers listed in NYSE or Nasdaq that the PE ratio of GDI as implied by the Merger Consideration over its unaudited net profit attributable to owners of the company for FY2018 is substantially higher than the PE ratios of the Comparable Companies and the EV/EBITDA ratio of GDI as implied by its enterprise value over its EBITDA for FY2018 is higher than the average and median of the EV/EBITDA ratios of the Comparable Companies. In addition, the allocation of Cash Consideration (after taking into account of the Cash Consideration Adjustment) out of the Merger Consideration is sufficient for the Company to pay off the Relevant Liabilities and the Consideration Share calculated based on the CS Signing Stock Price is fair and reasonable. The CS Signing Stock Price is determined based on the closing price of ChaSerg the date before entering into the Merger Agreement, which approximates the prevailing trading prices of the CS Common Stock immediately before the entering into of the Merger Agreement.

The Merger Consideration shall be paid to the Company in proportion to the Company's interests in GDI.

### *Financial effects*

Based on the unaudited pro forma financial information of the Remaining Group set out in Appendix IV to the Circular, immediately after Completion, the Company through its wholly-owned subsidiary, GDD, will be interested in approximately 34% of the issued share capital of ChaSerg (assuming (i) there is no redemption of funds by ChaSerg shareholders; (ii) there is no adjustment to the Merger Consideration; (iii) there is no change in shareholding interest of the Company in GDI from the Latest Practicable Date to the date of Completion; (iv) all outstanding and vested GDI options convertible into shares in ChaSerg have been exercised; (v) outstanding ChaSerg warrants have not been exercised (as they are out of the money as at the Latest Practicable Date); and (vi) there is no other change in the number of CS Common Stock from the Last Practicable Date to the date of Completion) and GDI will cease to be a subsidiary of the Company.

Based on the unaudited pro forma financial information of the Remaining Group set out in Appendix IV to the Circular, it is expected that the Remaining Group would record a gain (net of tax) of approximately HK\$830.9 million or HK\$871.7 million had the Completion taken place on 30 June 2019 or 1 January 2019 respectively. The bank balances and cash of the Remaining Group on pro forma basis as at 30 June 2019 will be increased to approximately HK\$724.5 million from approximately HK\$504.9 million reported in the 2019 Interim Report by the Group. The equity attributable to Shareholders would also be increased from HK\$1,308.7 million to HK\$2,140.5 million on a pro forma basis.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Taking into account (i) the Company has a right to terminate the Merger Agreement if the available cash in the trust account of ChaSerg is less than 70% of the balance as at the date of the Merger Agreement, and (ii) assuming that ChaSerg Available Cash is 70% of the balance as at the date of the Merger Agreement, the lowest expected cash payable to the Company would be approximately US\$83.9 million (equivalent to approximately HK\$654.8 million) considering the Cash Consideration Adjustment, which is sufficient to settle the Relevant Liabilities amounting to approximately HK\$614.6 million, we concur with the Directors' view that the Proposed Spin-off will only proceed to Completion if it results in a net positive impact on the cash position of the Group (excluding the GDI Group) immediately after Completion.

We have reviewed the working capital statement set out in Appendix I to the Circular and the working capital projection of the Remaining Group which has taken into account the cash balances and facilities available to the Remaining Group and concur with the Directors that the Remaining Group will have sufficient working capital after the Proposed Spin-off.

### *Assured entitlement*

Under the Proposed Spin-off, in view of the requirement to provide assured entitlement is impracticable in the circumstances and would incur significant delay to the proposed timetable and substantial costs in order to process such arrangements, no assured entitlement to the CharSerg's shares will be offered to the Shareholders. The Company proposes to put forward a resolution to Shareholders at the SGM to waive their rights to an assured entitlement to the CS Common Stock of CharSerg and the controlling Shareholder will abstain from voting on such resolution.

Based on the above analysis, we consider the terms of the Mergers, the Proposed Spin-off and the transactions contemplated thereunder are fair and reasonable and in the interests of the Shareholders as a whole.

### **OPINION AND RECOMMENDATION**

Having taken into consideration the above principal factors and reasons, we are of the view that even though the entering into of the Merger Agreement is not in the ordinary and usual course of the business of the Group, the terms of the Merger Agreement and the transactions contemplated thereunder and the Proposed Spin-off are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend (i) the Independent Board Committee to advise the Independent Shareholders; and (ii) the Independent Shareholders, to vote in favour of the relevant resolution(s) at the SGM to approve the Merger Agreement and the transactions contemplated thereunder and the Proposed Spin-off.

Yours faithfully,  
**BaoQiao Partners Capital Limited**

**1. FINANCIAL INFORMATION OF THE GROUP FOR EACH OF THE THREE YEARS ENDED 31ST DECEMBER 2018 AND THE SIX MONTHS ENDED 30TH JUNE 2019**

The published audited consolidated financial statements of the Group for the three years ended 31st December 2016, 2017 and 2018 and the unaudited condensed consolidated financial statements for the six months ended 30th June 2019 are disclosed in the annual reports of the Company for the three years ended 31st December 2016, 2017 and 2018 and the interim report of the Company for the six months ended 30th June 2019 respectively. The said annual reports and the interim report of the Company are available on both the website of the Stock Exchange (<http://www.hkex.com.hk>) and the website of the Company (<http://www.asl.com.hk>).

- (a) annual report of the Company for the year ended 31st December 2016:

<http://www3.hkexnews.hk/listedco/listconews/SEHK/2017/0411/LTN20170411325.pdf>

- (b) annual report of the Company for the year ended 31st December 2017:

<http://www3.hkexnews.hk/listedco/listconews/SEHK/2018/0412/LTN20180412491.pdf>

- (c) annual report of the Company for the year ended 31st December 2018:

<http://www3.hkexnews.hk/listedco/listconews/SEHK/2019/0416/LTN20190416298.pdf>

- (d) interim report of the Company for the six months ended 30th June 2019:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0925/2019092500397.pdf>

**2. FINANCIAL AND TRADING PROSPECTS OF THE GROUP**

In light of the market trend as set out under the paragraph headed “Reasons for and benefits of the Mergers and Proposed spin-off and use of proceeds” in the letter from the Board of this circular, the Group decided to make an important move — gaining access to US capital market.

Upon completion of the Mergers, GDI will be listed on Nasdaq. Nasdaq is known to be a stock exchange with a focus on tech companies, and multiple tech giants including Amazon, Apple, Facebook and Google are listed on Nasdaq. The Company believes that the listing of GDI on Nasdaq will strengthen GDI’s reputation in the IT sector which would in turn support its future business growth and fundraising capability. This will also benefit the Company as a significant shareholder of GDI immediately after the Proposed Spin-off. The Company will continue to benefit from the growth of GDI’s business as a shareholder and enjoy returns on its investment in GDI.

### 3. INDEBTEDNESS STATEMENT

At the close of business on 31st October 2019, being the latest practicable date for the purpose of preparing this indebtedness statement prior to the publication of this circular, the Group had the following indebtedness:

#### **Borrowings**

- (i) Secured bank borrowings of approximately HK\$198.5 million secured by the Group's land and buildings and investment properties with carrying amounts of HK\$160.8 million and HK\$54.0 million respectively. Such bank borrowings was guaranteed by the Company and certain subsidiaries of the Group up to a limit of HK\$250.0 million.
- (ii) Convertible bonds of approximately HK\$268.1 million.

#### **Amounts due to related parties**

The amounts due to ultimate holding company and an associates of approximately HK\$1.2 million and HK\$1.7 million, respectively, are non-trade in nature, unsecured, interest free and repayable on demand.

#### **Lease liabilities**

Lease liabilities, as a lessee, amounting to approximately HK\$4.0 million.

#### **Contingent liabilities**

Performance bonds issued by banks on behalf of the Group to customers as security of contracts of approximately HK\$85.4 million. The Group has restricted bank deposit of approximately HK\$1.1 million held as security for performance bonds.

#### **Capital Commitments**

Contracted capital expenditure in respect of investment in equity instrument and acquisition of property, plant and equipment amounting to approximately HK\$10.6 million and HK\$0.6 million respectively.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal trade and other payables in the ordinary course of business of the Group, as at 31st October 2019, the Group did not have any other outstanding mortgages, charges, debentures, loan capital issued or agreed to be issued, bank loans and overdrafts, debt securities issued and outstanding, and authorised or otherwise created but unissued or other similar indebtedness, finance leases or hire purchase commitments, which are either guaranteed, unguaranteed, secured or unsecured, liabilities under acceptance (other than normal trade bills) or acceptance credits, guarantees or other material contingent liabilities.



At the Latest Practicable Date, the Directors are not aware of any material adverse changes in the indebtedness position and contingent liabilities of the Group since the close of business on 31st October 2019.

#### **4. WORKING CAPITAL STATEMENT**

The Directors are of the opinion that, in the absence of unforeseeable circumstances, upon completion of the Mergers and Proposed Spin-off and taking into account the internal resources of existing financing arrangements the Group, the Group will have sufficient working capital for its present requirements for at least the next twelve months from the Latest Practicable Date.

#### **5. NO MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31st December 2018, the date to which the latest published audited consolidated financial statements of the Group were made up.

The unaudited financial information of the Disposal Group has been reviewed by the auditors of the Company, Grant Thornton Hong Kong Limited, Certified Public Accountants, Hong Kong, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” and with reference to Practice Note 750 “Review of Financial Information under the Hong Kong Listing Rules for a Very Substantial Disposal” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable the auditors to obtain assurance that they would become aware of all significant matters that might be identified in an audit. Accordingly, the auditors do not express any audit opinion.

Based on the auditors’ review, nothing has come to their attention that causes them to believe that the Unaudited Financial Information of the Disposal Group is not prepared, in all material respects, in accordance with the basis of preparation as set out in Note 2 below.

### UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OF THE DISPOSAL GROUP

For the years ended 31st December 2016, 2017 and 2018 and the six months ended 30th June 2019

	Year ended 31st December			Six months ended 30th June	
	2016 US\$'000 (Unaudited)	2017 US\$'000 (Unaudited)	2018 US\$'000 (Unaudited)	2018 US\$'000 (Unaudited)	2019 US\$'000 (Unaudited)
<b>Revenue</b>	54,402	70,684	91,865	41,698	54,903
Cost of services rendered	(30,020)	(39,996)	(53,263)	(24,894)	(33,453)
Gross profit	24,382	30,688	38,602	16,804	21,450
Other income	2	481	81	22	73
Other loss, net	(1,271)	(255)	(241)	(40)	(60)
Selling expenses	(3,745)	(4,320)	(5,074)	(2,282)	(4,635)
Administrative expenses	(11,111)	(13,531)	(20,848)	(8,145)	(10,505)
Finance costs	(104)	(1)	(6)	(6)	(4)
<b>Profit before income tax</b>	8,153	13,062	12,514	6,353	6,319
Income tax (expense)/credit	(6,393)	76	(4,284)	(1,985)	(1,489)
<b>Profit and other comprehensive income for the year/period</b>	<b>1,760</b>	<b>13,138</b>	<b>8,230</b>	<b>4,368</b>	<b>4,830</b>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE DISPOSAL GROUP**

As at 31st December 2016, 2017 and 2018 and 30th June 2019

	As at 31st December			As at
	2016	2017	2018	30th June
	US\$'000	US\$'000	US\$'000	US\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment	810	1,249	2,029	2,277
Intangible assets	340	299	1,265	1,528
Goodwill	139	139	161	161
Deferred income tax assets	506	483	674	656
<b>TOTAL NON-CURRENT ASSETS</b>	<b>1,795</b>	<b>2,170</b>	<b>4,129</b>	<b>4,622</b>
<b>CURRENT ASSETS</b>				
Trade receivables	7,529	11,606	13,009	10,214
Other receivables, deposits and prepayment	749	1,046	1,759	2,307
Amounts due from customers for contract work	491	707	—	—
Contract assets	—	—	4,314	7,152
Tax recoverable	483	5,266	403	581
Bank balances and cash	10,590	10,357	17,862	41,073
<b>TOTAL CURRENT ASSETS</b>	<b>19,842</b>	<b>28,982</b>	<b>37,347</b>	<b>61,327</b>
<b>EQUITY</b>				
Share capital	1,362	1	1	7,764
Reserves	11,898	24,107	32,873	40,130
<b>TOTAL EQUITY</b>	<b>13,260</b>	<b>24,108</b>	<b>32,874</b>	<b>47,894</b>
<b>CURRENT LIABILITIES</b>				
Other payables and accruals	3,335	3,822	5,853	7,778
Financial liabilities at fair value through profit or loss	—	—	—	7,775
Receipts in advance	976	—	131	1,502
Amounts due to the immediate holding company	—	2,920	2,433	133
Borrowings	1,917	—	—	—
Lease liabilities	—	—	—	69
Current income tax liabilities	2,032	193	46	528
<b>TOTAL CURRENT LIABILITIES</b>	<b>8,260</b>	<b>6,935</b>	<b>8,463</b>	<b>17,785</b>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF  
THE DISPOSAL GROUP (CONTINUED)**

*As at 31st December 2016, 2017 and 2018 and 30th June 2019*

	As at 31st December			As at
	2016	2017	2018	30th June
	US\$'000	US\$'000	US\$'000	US\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>NON-CURRENT LIABILITIES</b>				
Warranty liability	78	—	—	—
Deferred income tax liabilities	39	109	139	165
Lease liabilities	—	—	—	105
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL NON-CURRENT LIABILITIES</b>	<u>117</u>	<u>109</u>	<u>139</u>	<u>270</u>
<b>NET CURRENT ASSETS</b>	<u>11,582</u>	<u>22,047</u>	<u>28,884</u>	<u>43,542</u>
<b>TOTAL ASSETS</b>	<u>21,637</u>	<u>31,152</u>	<u>41,476</u>	<u>65,949</u>
<b>NET ASSETS</b>	<u>13,260</u>	<u>24,108</u>	<u>32,874</u>	<u>47,894</u>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY OF THE DISPOSAL GROUP**
*For the years ended 31st December 2016, 2017 and 2018 and six months ended 30th June 2019*

	Common stock US\$'000 (Unaudited)	Convertible Preferred stock US\$'000 (Unaudited)	Capital contribution reserve US\$'000 (Unaudited)	Share-based payment reserve US\$'000 (Unaudited)	Retained earnings US\$'000 (Unaudited)	Total US\$'000 (Unaudited)
<b>At 1st January 2016</b>	1,217	3,317	—	783	8,064	13,381
Issue of common stock upon exercise of stock options	145	—	—	—	—	145
Recognition of equity-settled share-based payments	—	—	—	542	—	542
Dividends paid	—	—	—	—	(2,568)	(2,568)
Profit for the year	—	—	—	—	1,760	1,760
<b>At 31st December 2016 and 1st January 2017</b>	1,362	3,317	—	1,325	7,256	13,260
Issue of preferred stock upon exercise of warrant	—	90	—	—	—	90
Issue of common stock upon exercise of stock options	140	—	—	—	—	140
Recognition of equity-settled share-based payments	—	—	—	514	—	514
Dividends paid	—	—	—	—	(3,034)	(3,034)
Preferred stock conversion	3,407	(3,407)	—	—	—	—
Reorganisation	(4,908)	—	—	(1,839)	6,747	—
Profit for the year	—	—	—	—	13,138	13,138
<b>At 31st December 2017 and 1st January 2018</b>	1	—	—	—	24,107	24,108
Recognition of equity-settled share-based payments	—	—	—	2,536	—	2,536
Dividends declared	—	—	—	—	(2,000)	(2,000)
Profit for the year	—	—	—	—	8,230	8,230
<b>At 31st December 2018</b>	<b>1</b>	<b>—</b>	<b>—</b>	<b>2,536</b>	<b>30,337</b>	<b>32,874</b>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY OF THE DISPOSAL GROUP (CONTINUED)**
*For the years ended 31st December 2016, 2017 and 2018 and six months ended 30th June 2019*

	Common stock US\$'000 (Unaudited)	Convertible Preferred stock US\$'000 (Unaudited)	Capital contribution reserve US\$'000 (Unaudited)	Share-based payment reserve US\$'000 (Unaudited)	Retained earnings US\$'000 (Unaudited)	Total US\$'000 (Unaudited)
<b>At 1st January 2019</b>	1	—	—	2,536	30,337	32,874
Adjustment from the adoption of HKFRS 16	—	—	—	—	(3)	(3)
	1	—	—	2,536	30,334	32,871
Capital contribution from an intermediate holding company	—	—	1,471	—	—	1,471
Issue of common stock	5,733	—	—	—	—	5,733
Issue of common stock upon exercise of stock options	2,030	—	—	(446)	—	1,584
Recognition of equity-settled share-based payments	—	—	—	1,405	—	1,405
Profit for the period	—	—	—	—	4,830	4,830
<b>At 30th June 2019</b>	<b>7,764</b>	<b>—</b>	<b>1,471</b>	<b>3,495</b>	<b>35,164</b>	<b>47,894</b>
<b>At 1st January 2018</b>	1	—	—	—	24,107	24,108
Profit for the period	—	—	—	—	4,368	4,368
<b>At 30th June 2018</b>	<b>1</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>28,475</b>	<b>28,476</b>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS OF THE DISPOSAL GROUP**

*For the years ended 31st December 2016, 2017 and 2018 and six months ended 30th June 2019*

	Year ended 31st December			Six months ended	
	2016	2017	2018	30th June	2019
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Cash generated from operations	10,021	9,050	9,771	3,682	11,080
Tax (paid)/refund	(4,989)	(3,533)	524	2,206	(1,141)
<b>Net cash from operating activities</b>	<b>5,032</b>	<b>5,517</b>	<b>10,295</b>	<b>5,888</b>	<b>9,939</b>
<b>INVESTING ACTIVITIES</b>					
Purchases of property, plant and equipment	(474)	(1,058)	(1,632)	(759)	(680)
Additions to intangible assets	—	—	(1,220)	(540)	(642)
Interest received	17	30	64	21	71
Proceed from disposal of property, plant and equipment	6	—	4	4	—
<b>Net cash used in investing activities</b>	<b>(451)</b>	<b>(1,028)</b>	<b>(2,784)</b>	<b>(1,274)</b>	<b>(1,251)</b>



**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS OF THE DISPOSAL GROUP (CONTINUED)**

*For the years ended 31st December 2016, 2017 and 2018 and six months ended 30th June 2019*

	Year ended 31st December			Six months ended	
	2016	2017	2018	2018	2019
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>FINANCING ACTIVITIES</b>					
Interest paid	(104)	(1)	(6)	(6)	(4)
Repayment of borrowings	(1,000)	(1,917)	—	—	—
Dividend paid	(2,568)	(3,034)	—	—	(2,000)
Principal portion of lease payments	—	—	—	—	(36)
Proceed from issuance of preferred stock upon exercise of warrant	—	90	—	—	—
Proceed from issuance of financial liabilities at fair value through profit or loss	—	—	—	—	7,775
Capital contribution from an intermediate holding company	—	—	—	—	1,471
Proceed from issuance of common stock	—	—	—	—	5,733
Proceed from issuance of common stock upon exercise of stock options	145	140	—	—	1,584
	<u>145</u>	<u>140</u>	<u>—</u>	<u>—</u>	<u>1,584</u>
<b>Net cash (used in)/from financing activities</b>	<u>(3,527)</u>	<u>(4,722)</u>	<u>(6)</u>	<u>(6)</u>	<u>14,523</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	1,054	(233)	7,505	4,608	23,211
<b>Cash and cash equivalents at beginning of year/period</b>	<u>9,536</u>	<u>10,590</u>	<u>10,357</u>	<u>10,357</u>	<u>17,862</u>
<b>Cash and cash equivalents at end of year/period, represented by bank balances and cash</b>	<u>10,590</u>	<u>10,357</u>	<u>17,862</u>	<u>14,965</u>	<u>41,073</u>

**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION OF THE DISPOSAL GROUP FOR EACH OF THE THREE YEARS ENDED 31st DECEMBER 2016, 2017 AND 2018 AND FOR THE SIX MONTHS ENDED 30th JUNE 2019**

**1 GENERAL INFORMATION**

On 13th November 2019 (after trading hours), the Company, GDI, ChaSerg, Merger Sub 1, and Merger Sub 2 entered into the conditional Merger Agreement in relation to the Mergers.

The transactions contemplated under the Merger Agreement involving the acquisition of GDI by ChaSerg, a special purpose acquisition company the shares of which are listed on Nasdaq, are effectively an injection of GDI in exchange for cash and equity interests in ChaSerg and thereby effecting the separate listing of GDI on Nasdaq. Immediately after Completion, ChaSerg will, through its wholly-owned subsidiary, hold all the operating assets and intangible assets (including intellectual property rights) required for the operation of the IT services business of GDI. The Company will, through its wholly-owned subsidiary, GDD, be entitled to receive (a) cash consideration of approximately US\$93.6 million (equivalent to approximately HK\$730.6 million), subject to Cash Consideration Adjustment; and (b) Consideration Shares representing approximately 34% of the issued share capital of ChaSerg upon Completion (assuming (i) there is no redemption of funds by ChaSerg shareholders; (ii) there is no adjustment to the Merger Consideration; (iii) there is no change in shareholding interest of the Company in GDI from the Latest Practicable Date to the date of Completion; (iv) all outstanding and vested stock options of GDI convertible into CS Common Stock have been exercised; (v) outstanding ChaSerg warrants have not been exercised (as they are out of the money as at the Latest Practicable Date); and (vi) there is no other change in the number of CS Common Stock from the Latest Practicable Date to the date of Completion). Upon Completion, the results of the GDI Group will no longer be consolidated in the results of the Remaining Group.

**2 BASIS OF PREPARATION OF THE UNAUDITED FINANCIAL INFORMATION**

The Unaudited Financial Information of the Disposal Group for the years ended 31st December 2016, 2017 and 2018 and the six months ended 30th June 2019 have been prepared in accordance with paragraph 14.68(2)(a)(i) of the Listing Rules, and solely for the purposes of inclusion in this circular issued by the Company in connection with the Disposal.

The amounts included in the Unaudited Financial Information have been recognised and measured in accordance with the relevant accounting policies of the Company as set out in its annual reports for the years ended 31st December 2016, 2017 and 2018 and its interim report for the six months ended 30th June 2019, which conform with the Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The Unaudited Financial Information has been prepared under the historical cost convention, except for certain financial instruments that have been measured at fair value.

The Unaudited Financial Information is presented in US\$ and all values are rounded to the nearest thousand ('000) except when otherwise indicated. The Unaudited Financial Information does not contain sufficient information to constitute a complete set of financial statements as defined in HKAS 1 (Revised) "Presentation of Financial Statements" nor a set of condensed financial statements as defined in HKAS 34 "Interim Financial Reporting" issued by the HKICPA and should be read in connection with the published annual reports of the Company for the years ended 31 December 2016, 2017 and 2018 and the published interim report of the Company for the six months ended 30th June 2019.

**A. PUBLISHED FINANCIAL INFORMATION OF CHASERG OF THE PERIOD FROM 21ST MAY 2018 (DATE OF INCORPORATION) TO 31ST DECEMBER 2018 AND THE SIX MONTHS ENDED 30TH JUNE 2019**

For the purpose of this section only, unless the context requires otherwise, references to the “Company” refer to ChaSerg and references to “\$” refer to USD.

1. The following is an extract of the audited financial statements of the Company for the period from 21st May 2018 (date of incorporation) to 31st December 2018, which were prepared in accordance with accounting principles generally accepted in the United States of America (‘US GAAP’), from the 2018 annual report on Form 10-K of the Company issued on 20th March 2019.

The 2018 annual report on Form 10-K have been published on the website of the U.S. Securities and Exchange Commission ([www.sec.gov](http://www.sec.gov)) and can be accessed at the website address below:

[https://www.sec.gov/Archives/edgar/data/1743725/000121390019004549/f10k2018\\_chasergtech.htm](https://www.sec.gov/Archives/edgar/data/1743725/000121390019004549/f10k2018_chasergtech.htm)

**CHASERG TECHNOLOGY ACQUISITION CORP.  
BALANCE SHEET  
DECEMBER 31, 2018**

<b>ASSETS</b>	
Current Assets	
Cash	\$1,011,224
Prepaid expenses and other current assets	194,482
Total Current Assets	1,205,706
Cash and marketable securities held in Trust Account	221,158,467
<b>Total Assets</b>	<b><u>\$222,364,173</u></b>
<b>LIABILITIES AND STOCKHOLDERS’ EQUITY</b>	
Current Liabilities:	
Accounts payable and accrued expenses	\$ 216,493
Accrued offering costs	11,250
Income taxes payable	217,377
Total Current Liabilities	445,120
Deferred underwriting fees	7,700,000
<b>Total Liabilities</b>	<b><u>8,145,120</u></b>
<b>Commitments</b>	
Common stock subject to possible redemption, 20,921,905 shares at approximately \$10.00 per share	209,219,050
<b>Stockholders’ Equity</b>	
Preferred stock, \$0.0001 par value; 1,000,000 shares authorized; none issued and outstanding	—
Class A common stock, \$0.0001 par value; 100,000,000 shares authorized; 1,718,095 issued and outstanding (excluding 20,921,905 shares subject to possible redemption)	172
Class B common stock, \$0.0001 par value; 10,000,000 shares authorized; 5,500,000 shares issued and outstanding	550
Additional paid-in capital	4,383,917
Retained earnings	615,364
<b>Total Stockholders’ Equity</b>	<b><u>5,000,003</u></b>
Total Liabilities and Stockholders’ Equity	<b><u>\$222,364,173</u></b>

The accompanying notes are an integral part of the financial statements.

**CHASERG TECHNOLOGY ACQUISITION CORP.**  
**STATEMENT OF OPERATIONS**  
**FOR THE PERIOD FROM MAY 21, 2018 (INCEPTION) THROUGH DECEMBER 31, 2018**

General and administrative expenses	\$325,726
	<hr/>
<b>Loss from operations</b>	<b>(325,726)</b>
Other income:	
Interest earned on marketable securities held in Trust Account	1,158,467
	<hr/>
Income before provision for income taxes	832,741
Provision for income taxes	(217,377)
	<hr/>
<b>Net income</b>	<b>\$615,364</b>
	<hr/> <hr/>
Weighted average shares outstanding of	
Class A redeemable common stock	21,654,321
	<hr/> <hr/>
<b>Basic and diluted income per share, Class A</b>	<b>\$0.04</b>
	<hr/> <hr/>
Weighted average shares outstanding of Class A and	
Class B non-redeemable common stock	5,733,422
	<hr/> <hr/>
<b>Basic and diluted net loss per share, Class A and Class B</b>	<b>\$(0.04)</b>
	<hr/> <hr/>

The accompanying notes are an integral part of the financial statements.

**CHASERG TECHNOLOGY ACQUISITION CORP.**  
**STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY**  
**FOR THE PERIOD FROM MAY 21, 2018 (INCEPTION) THROUGH DECEMBER 31, 2018**

	Class A Common Stock		Class B Common Stock		Additional Paid in Capital	Retained Earnings	Total Stockholders' Equity
	Shares	Amount	Shares	Amount			
Balance — May 21, 2018 (inception)	—	\$—	—	\$—	\$—	\$—	\$—
Issuance of Founder Shares to Sponsor	—	—	5,750,000	575	24,425	—	25,000
Sale of 22,000,000 Units, net of underwriting discounts and offering expenses	22,000,000	2,200	—	—	207,176,489	—	207,178,689
Sale of 640,000 Private Units	640,000	64	—	—	6,399,936	—	6,400,000
Forfeiture of Founder Shares	—	—	(250,000)	(25)	25	—	—
Common stock subject to possible redemption	(20,921,905)	(2,092)	—	—	(209,216,958)	—	(209,219,050)
Net income	—	—	—	—	—	615,364	615,364
<b>Balance — December 31, 2018</b>	<b>1,718,095</b>	<b>\$172</b>	<b>5,500,000</b>	<b>\$550</b>	<b>\$4,383,917</b>	<b>\$615,364</b>	<b>\$5,000,003</b>

The accompanying notes are an integral part of the financial statements.

**CHASERG TECHNOLOGY ACQUISITION CORP.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE PERIOD FROM MAY 21, 2018 (INCEPTION) THROUGH DECEMBER 31, 2018**

**Cash Flows from Operating Activities:**

Net income	\$615,364
Adjustments to reconcile net income to net cash used in operating activities:	
Interest earned on marketable securities held in Trust Account	(1,158,467)
Changes in operating assets and liabilities:	
Prepaid expenses and other current assets	(194,482)
Accounts payable and accrued expenses	216,493
Income taxes payable	217,377
	<u>(303,715)</u>

**Cash Flows from Investing Activities:**

Investment of cash into Trust Account	(220,000,000)
	<u>(220,000,000)</u>

**Cash Flows from Financing Activities:**

Proceeds from issuance of Class B common stock to Sponsor	25,000
Proceeds from sale of Units, net of underwriting discounts paid	215,600,000
Proceeds from sale of Placement Units	6,400,000
Advances from related party	23,100
Repayment of advances from related party	(23,100)
Proceeds from promissory note — related party	300,000
Repayment of promissory note — related party	(300,000)
Payment of offering costs	(710,061)
	<u>221,314,939</u>

<b>Net Change in Cash</b>	<b>1,011,224</b>
Cash — Beginning of period	—
	<u>\$1,011,224</u>

**Non-Cash investing and financing activities:**

Change in value of common stock subject to possible redemption	\$209,219,050
	<u>\$209,219,050</u>
Deferred underwriting fees charged to additional paid in capital	\$7,700,000
	<u>\$7,700,000</u>

The accompanying notes are an integral part of the financial statements.



**CHASERG TECHNOLOGY ACQUISITION CORP.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 1. DESCRIPTION OF ORGANIZATION AND BUSINESS OPERATIONS**

ChaSerg Technology Acquisition Corp. (the “Company”) was incorporated in Delaware on May 21, 2018. The Company was formed for the purpose of effecting a merger, capital stock exchange, asset acquisition, stock purchase, reorganization or similar business combination with one or more businesses (the “Business Combination”).

Although the Company is not limited to a particular industry or sector for purposes of consummating a Business Combination, the Company intends to focus its search on companies in the technology industry. The Company is an early stage and emerging growth company and, as such, the Company is subject to all of the risks associated with early stage and emerging growth companies.

As of December 31, 2018, the Company had not commenced any operations. All activity for the period from May 21, 2018 (inception) through December 31, 2018 relates to the Company’s formation, its Initial Public Offering, which is described below, and identifying a target company for a Business Combination. The Company will not generate any operating revenues until after the completion of its initial Business Combination, at the earliest. The Company will generate non-operating income in the form of interest income from the proceeds derived from the initial public offering (“Initial Public Offering”).

The registration statement for the Company’s Initial Public Offering was declared effective on October 4, 2018. On October 10, 2018, the Company consummated the Initial Public Offering of 20,000,000 units (“Units” and, with respect to the Class A common stock included in the Units offered, the “Public Shares”) at \$10.00 per Unit, generating gross proceeds of \$200,000,000, which is described in Note 3.

Simultaneously with the closing of the Initial Public Offering, the Company consummated the sale of 600,000 units (the “Placement Units”) at a price of \$10.00 per Placement Unit in a private placement to ChaSerg Technology Sponsor LLC, a Delaware limited liability company (the “Sponsor”) and Cantor Fitzgerald & Co. (“Cantor”), generating gross proceeds of \$6,000,000, which is described in Note 4.

Following the closing of the Initial Public Offering on October 10, 2018, an amount of \$200,000,000 (\$10.00 per Unit) from the net proceeds of the sale of the Units in the Initial Public Offering and the sale of the Placement Units was placed in a trust account (“Trust Account”) which was invested in U.S. government securities, within the meaning set forth in Section 2(a)(16) of the Investment Company Act of 1940, as amended (the “Investment Company Act”), with a maturity of 180 days or less or in any open-ended investment company that holds itself out as a money market fund selected by the Company meeting the conditions of Rule 2a-7 of the Investment Company Act, as determined by the Company, until the earlier of: (i) the completion of a Business Combination and (ii) the distribution of the Trust Account, as described below. At October 10, 2018, the proceeds of the Initial Public Offering were held in cash and subsequently invested in U.S. Treasury securities, as specified above.

On October 25, 2018, in connection with the underwriters’ election to partially exercise their over-allotment option, the Company sold an additional 2,000,000 Units at \$10.00 per Unit and sold an additional 40,000 Placement Units at \$10.00 per Placement Unit, generating total gross proceeds of \$20,400,000. Following such closing, an additional \$20,000,000 of net proceeds (\$10.00 per Unit) was deposited in the Trust Account, resulting in \$220,000,000 (\$10.00 per Unit) held in the Trust Account.

Transaction costs amounted to \$12,821,311, consisting of \$4,400,000 of underwriting fees, \$7,700,000 of deferred underwriting fees and \$721,311 of legal and other costs. In addition, as of December 31, 2018, \$1,011,224 of cash was held outside of the Trust Account and is available for working capital purposes.

The Company's management has broad discretion with respect to the specific application of the net proceeds of the Initial Public Offering and the sale of Placement Units, although substantially all of the net proceeds are intended to be applied generally toward consummating a Business Combination. There is no assurance that the Company will be able to complete a Business Combination successfully. The Company must complete one or more initial Business Combinations having an aggregate fair market value of at least 80% of the assets held in the Trust Account (excluding the deferred underwriting commissions and taxes payable on interest earned on the Trust Account) at the time of the agreement to enter into the initial Business Combination. However, the Company will only complete a Business Combination if the post-transaction company owns or acquires 50% or more of the outstanding voting securities of the target or otherwise acquires a controlling interest in the target sufficient for it not to be required to register as an investment company under the Investment Company Act 1940, as amended (the "Investment Company Act").

The Company will provide its holders of the outstanding Public Shares (the "public stockholders") with the opportunity to redeem all or a portion of their Public Shares upon the completion of a Business Combination either (i) in connection with a stockholder meeting called to approve the Business Combination or (ii) by means of a tender offer. The decision as to whether the Company will seek stockholder approval of a Business Combination or conduct a tender offer will be made by the Company, solely in its discretion. The public stockholders will be entitled to redeem their Public Shares for a pro rata portion of the amount then in the Trust Account (\$10.00 per Public Share, plus any pro rata interest earned on the funds held in the Trust Account and not previously released to the Company to pay its franchise and income tax obligations). The per-share amount to be distributed to public stockholders who redeem their Public Shares will not be reduced by the deferred underwriting commissions the Company will pay to the underwriters (as discussed in Note 6). There will be no redemption rights upon the completion of a Business Combination with respect to the Company's warrants. The Company will proceed with a Business Combination if the Company has net tangible assets of at least \$5,000,001 upon such consummation of a Business Combination and, if the Company seeks stockholder approval, a majority of the shares voted are voted in favor of the Business Combination. If a stockholder vote is not required by law and the Company does not decide to hold a stockholder vote for business or other legal reasons, the Company will, pursuant to its Amended and Restated Certificate of Incorporation (the "Amended and Restated Certificate of Incorporation"), conduct the redemptions pursuant to the tender offer rules of the U.S. Securities and Exchange Commission ("SEC") and file tender offer documents with the SEC prior to completing a Business Combination. If, however, stockholder approval of the transactions is required by law, or the Company decides to obtain stockholder approval for business or legal reasons, the Company will offer to redeem shares in conjunction with a proxy solicitation pursuant to the proxy rules and not pursuant to the tender offer rules. If the Company seeks stockholder approval in connection with a Business Combination, the Company's Sponsor has agreed to vote its Founder Shares (as defined in Note 5), Placement Shares (as defined in Note 4) and any Public Shares purchased during or after the Initial Public Offering in favor of approving a Business Combination. Additionally, each public stockholder may elect to redeem their Public Shares irrespective of whether they vote for or against the proposed transaction.

If the Company seeks stockholder approval of a Business Combination and it does not conduct redemptions pursuant to the tender offer rules, the Amended and Restated Certificate of Incorporation provides that a public stockholder, together with any affiliate of such stockholder or any other person with whom such stockholder is acting in concert or as a "group" (as defined under Section 13 of the Securities Exchange Act of 1934, as amended (the "Exchange Act")), will be restricted from redeeming its shares with respect to more than an aggregate of 15% or more of the Public Shares, without the prior consent of the Company.

The Sponsor has agreed (a) to waive its redemption rights with respect to its Founder Shares, Placement Shares and Public Shares held by it in connection with the completion of a Business Combination and (b) not to propose an amendment to the Amended and Restated Certificate of Incorporation (i) that would affect the substance or timing of the Company's obligation to redeem 100% of its Public Shares if the Company does not complete a Business Combination or (ii) with respect to any other provision relating to stockholders' rights or pre-business combination activity, unless the Company provides the public stockholders with the opportunity to redeem their Public Shares in conjunction with any such amendment.

The Company has until April 9, 2020 to consummate a Business Combination (the “Combination Period”). If the Company is unable to complete a Business Combination by the Combination Period, the Company will (i) cease all operations except for the purpose of winding up, (ii) as promptly as reasonably possible but not more than ten business days thereafter, redeem the Public Shares, at a per-share price, payable in cash, equal to the aggregate amount then on deposit in the Trust Account including interest earned on the funds held in the Trust Account and not previously released to the Company to pay franchise and income taxes (less up to \$100,000 of interest to pay dissolution expenses), divided by the number of then outstanding Public Shares, which redemption will completely extinguish public stockholders’ rights as stockholders (including the right to receive further liquidating distributions, if any), subject to applicable law, and (iii) as promptly as reasonably possible following such redemption, subject to the approval of the Company’s remaining stockholders and the Company’s board of directors, dissolve and liquidate, subject in each case to the Company’s obligations under Delaware law to provide for claims of creditors and the requirements of other applicable law. There will be no redemption rights or liquidating distributions with respect to the Company’s warrants, which will expire worthless if the Company fails to complete a Business Combination within the Combination Period.

The Sponsor has agreed to waive its liquidation rights with respect to the Founder Shares and Placement Shares if the Company fails to complete a Business Combination within the Combination Period. However, if the Sponsor acquires Public Shares in or after the Initial Public Offering, such Public Shares will be entitled to liquidating distributions from the Trust Account if the Company fails to complete a Business Combination within the Combination Period. The underwriters have agreed to waive their rights to their deferred underwriting commission (see Note 6) held in the Trust Account in the event the Company does not complete a Business Combination within in the Combination Period and, in such event, such amounts will be included with the other funds held in the Trust Account that will be available to fund the redemption of the Public Shares. In the event of such distribution, it is possible that the per share value of the assets remaining available for distribution will be less than \$10.00 per share.

In order to protect the amounts held in the Trust Account, the Sponsor has agreed to be liable to the Company if and to the extent any claims by a third party for services rendered or products sold to the Company, or a prospective target business with which the Company has discussed entering into a transaction agreement, reduce the amount of funds in the Trust Account to below (i) \$10.00 per share or (ii) the actual amount per Public Share held in the Trust Account as of the date of the liquidation of the Trust Account, if less than \$10.00 per share due to reductions in the value of the trust assets. This liability will not apply with respect to any claims by a third party who executed a waiver of any right, title, interest or claim of any kind in or to any monies held in the Trust Account or to any claims under the Company’s indemnity of the underwriters of the Initial Public Offering against certain liabilities, including liabilities under the Securities Act of 1933, as amended (the “Securities Act”). Moreover, in the event that an executed waiver is deemed to be unenforceable against a third party, the Sponsor will not be responsible to the extent of any liability for such third party claims. The Company will seek to reduce the possibility that the Sponsor will have to indemnify the Trust Account due to claims of creditors by endeavoring to have all vendors, service providers (except for the Company’s independent registered public accounting firm), prospective target businesses or other entities with which the Company does business, execute agreements with the Company waiving any right, title, interest or claim of any kind in or to monies held in the Trust Account.

## **NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **Basis of Presentation**

The accompanying financial statements are presented in conformity with accounting principles generally accepted in the United States of America (“GAAP”) and pursuant to the rules and regulations of the SEC.

**Emerging Growth Company**

The Company is an “emerging growth company,” as defined in Section 2(a) of the Securities Act, as modified by the Jumpstart our Business Startups Act of 2012 (the “JOBS Act”), and it may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies including, but not limited to, not being required to comply with the independent registered public accounting firm attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in its periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved.

Further, Section 102(b)(1) of the JOBS Act exempts emerging growth companies from being required to comply with new or revised financial accounting standards until private companies (that is, those that have not had a Securities Act registration statement declared effective or do not have a class of securities registered under the Exchange Act) are required to comply with the new or revised financial accounting standards. The JOBS Act provides that a company can elect to opt out of the extended transition period and comply with the requirements that apply to non-emerging growth companies but any such election to opt out is irrevocable. The Company has elected not to opt out of such extended transition period which means that when a standard is issued or revised and it has different application dates for public or private companies, the Company, as an emerging growth company, can adopt the new or revised standard at the time private companies adopt the new or revised standard. This may make comparison of the Company’s financial statements with another public company which is neither an emerging growth company nor an emerging growth company which has opted out of using the extended transition period difficult or impossible because of the potential differences in accounting standards used.

**Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Making estimates requires management to exercise significant judgment. It is at least reasonably possible that the estimate of the effect of a condition, situation or set of circumstances that existed at the date of the financial statements, which management considered in formulating its estimate, could change in the near term due to one or more future events. Accordingly, the actual results could differ significantly from the Company’s estimates.

**Cash and Cash Equivalents**

The Company considers all short-term investments with an original maturity of three months or less when purchased to be cash equivalents. The Company did not have any cash equivalents as of December 31, 2018.

**Cash and marketable securities held in Trust Account**

At December 31, 2018, assets held in the Trust Account were comprised of \$24,616 in cash and \$221,133,851 in U.S. Treasury Bills.

**Common stock subject to possible redemption**

The Company accounts for its common stock subject to possible redemption in accordance with the guidance in Accounting Standards Codification (“ASC”) Topic 480 “Distinguishing Liabilities from Equity.” Common stock subject to mandatory redemption is classified as a liability instrument and is measured at fair value. Conditionally redeemable common stock (including common stock that features redemption rights that are either within the control of the holder or subject to redemption upon the occurrence of uncertain events not solely within the Company’s control) is classified as temporary equity. At all other times, common stock is classified as stockholders’ equity. The Company’s common stock, sold in the Public Offering, features certain redemption rights that are considered to be outside of the Company’s control and subject to occurrence of uncertain future events. The shares of common stock sold in the private placements do not contain these rights. Accordingly, at December 31, 2018, 20,921,905 shares of common stock subject to possible redemption is presented as temporary equity, outside of the stockholders’ equity section of the Company’s balance sheet.

**Offering Costs**

Offering costs consist of legal, accounting, underwriting fees and other costs incurred through the balance sheet date that are directly related to the Initial Public Offering. Offering costs amounting to \$12,821,311 were charged to stockholders’ equity upon the completion of the Initial Public Offering.

**Income Taxes**

The Company follows the asset and liability method of accounting for income taxes under ASC 740, “Income Taxes.” Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statements carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that included the enactment date. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized.

ASC 740 prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more likely than not to be sustained upon examination by taxing authorities. The Company recognizes accrued interest and penalties related to unrecognized tax benefits as income tax expense. There were no unrecognized tax benefits and no amounts accrued for interest and penalties as of December 31, 2018. The Company is currently not aware of any issues under review that could result in significant payments, accruals or material deviation from its position. The Company is subject to income tax examinations by major taxing authorities since inception.

**Net Income (Loss) Per Common Share**

Net income (loss) per common share is computed by dividing net income (loss) by the weighted average number of common shares outstanding for the period. The Company has not considered the effect of warrants sold in the Initial Public Offering and private placement to purchase 11,320,000 shares of Class A common stock in the calculation of diluted income (loss) per share, since the exercise of the warrants are contingent upon the occurrence of future events and the inclusion of such warrants would be anti-dilutive.

The Company’s statement of operations includes a presentation of income (loss) per share for common shares subject to redemption in a manner similar to the two-class method of income per share. Net income per common share, basic and diluted for Class A redeemable common stock is calculated by dividing the interest income earned on the Trust Account, net of applicable franchise and income taxes, by the weighted average number of Class A redeemable common stock outstanding since original issuance. Net loss per common share, basic and diluted for Class A and Class B non-redeemable common stock is calculated by dividing the net income (loss), less income attributable to Class A redeemable common stock, by the weighted average number of Class A and Class B non-redeemable common stock outstanding for the period. Class A and Class B nonredeemable common stock includes the Founder Shares and the Placement Units as these shares do not have any redemption features and do not participate in the income earned on the Trust Account.

**Concentration of Credit Risk**

Financial instruments that potentially subject the Company to concentration of credit risk consist of a cash account in a financial institution which, at times may exceed the Federal Depository Insurance Coverage of \$250,000. At December 31, 2018, the Company has not experienced losses on this account and management believes the Company is not exposed to significant risks on such account.

**Financial Instruments**

The fair value of the Company's assets and liabilities, which qualify as financial instruments under ASC Topic 820, "Fair Value Measurements and Disclosures," approximates the carrying amounts represented in the accompanying balance sheet, primarily due to their short-term nature.

**Recent Accounting Pronouncements**

In August 2018, the SEC adopted the final rule under SEC Release No. 33-10532, "Disclosure Update and Simplification," amending certain disclosure requirements that were redundant, duplicative, overlapping, outdated or superseded. In addition, the amendments expanded the disclosure requirements on the analysis of stockholders' equity for interim financial statements. Under the amendments, an analysis of changes in each caption of stockholders' equity presented in the balance sheet must be provided in a note or separate statement. The analysis should present a reconciliation of the beginning balance to the ending balance of each period for which a statement of income is required to be filed. This final rule is effective on November 5, 2018. The Company anticipates its first presentation of the revised disclosures on the changes in stockholders' equity will be included in its Form 10-Q for the quarter ended March 31, 2019.

Management does not believe that any other recently issued, but not yet effective, accounting pronouncements, if currently adopted, would have a material effect on the Company's financial statements.

**NOTE 3. PUBLIC OFFERING**

Pursuant to the Initial Public Offering, the Company sold 22,000,000 Units at a price of \$10.00 per Unit, inclusive of 2,000,000 Units sold to the underwriters on October 25, 2018 upon the underwriters' election to partially exercise their overallotment option. Each Unit consists of one share of Class A common stock and one-half of one redeemable warrant ("Public Warrant"). Each whole Public Warrant entitles the holder to purchase one share of Class A common stock at a price of \$11.50 per share, subject to adjustment (see Note 7).

**NOTE 4. PRIVATE PLACEMENT**

Simultaneously with the closing of the Initial Public Offering, the Sponsor and Cantor purchased an aggregate of 600,000 Placement Units at a price of \$10.00 per Placement Unit, for an aggregate purchase price of \$6,000,000, of which the Sponsor purchased 500,000 Placement Units and the underwriters purchased 100,000 Placement Units. On October 25, 2018, in connection with the underwriters' election to partially exercise their over-allotment option, the Company sold an additional 30,000 Placement Units to the Sponsor and 10,000 Placement Units to the underwriters, at a price of \$10.00 per Placement Unit, generating gross proceeds of \$400,000. Each Placement Unit consists of one share of Class A common stock ("Placement Share") and one-half of one redeemable warrant (each, a "Placement Warrant"). Each whole Placement Warrant is exercisable to purchase one share of Class A common stock at a price of \$11.50 per share. The proceeds from the Placement Units were added to the proceeds from the Initial Public Offering held in the Trust Account. If the Company does not complete a Business Combination within the Combination Period, the proceeds from the sale of the Placement Units will be used to fund the redemption of the Public Shares (subject to the requirements of applicable law), and the Placement Units and all underlying securities will expire worthless.

**NOTE 5. RELATED PARTY TRANSACTIONS****Founder Shares**

On May 30, 2018, the Sponsor purchased 5,750,000 shares (the “Founder Shares”) of the Company’s Class B common stock for an aggregate price of \$25,000. The Founder Shares included an aggregate of up to 750,000 shares subject to forfeiture to the extent that the underwriters’ over-allotment option was not exercised in full or in part, so that the Sponsor would own, on an as-converted basis, 20% of the Company’s issued and outstanding shares after the Initial Public Offering (assuming the Sponsor did not purchase any Public Shares in the Initial Public Offering and excluding the Placement Units). As a result of the underwriters’ election to partially exercise their over-allotment option, 250,000 Founder Shares were forfeited and 500,000 Founder Shares are no longer subject to forfeiture.

The Founder Shares will automatically convert into Class A common stock upon consummation of a Business Combination on a one-for-one basis, subject to certain adjustments, as described in Note 7.

The Sponsor has agreed, subject to limited exceptions, not to transfer, assign or sell any of its Founder Shares until the earlier to occur of: (A) one year after the completion of a Business Combination or (B) subsequent to a Business Combination, (x) if the last sale price of the Class A common stock equals or exceeds \$12.00 per share (as adjusted for stock splits, stock dividends, reorganizations, recapitalizations and the like) for any 20 trading days within any 30-trading day period commencing at least 150 days after a Business Combination, or (y) the date on which the Company completes a liquidation, merger, capital stock exchange or other similar transaction that results in all of the Company’s stockholders having the right to exchange their shares of common stock for cash, securities or other property.

**Related Party Loans**

On May 23, 2018, the Company issued a promissory note to the Sponsor, pursuant to which the Company borrowed an aggregate of \$300,000 to cover expenses related to the Initial Public Offering (the “Promissory Note”). The Promissory Note was non-interest bearing and payable on the earlier of March 31, 2019 or the completion of the Initial Public Offering. The Promissory Note was repaid upon the consummation of the Initial Public Offering on October 10, 2018.

In addition, in order to finance transaction costs in connection with a Business Combination, the Sponsor or an affiliate of the Sponsor, or certain of the Company’s officers and directors may, but are not obligated to, loan the Company funds as may be required (“Working Capital Loans”). If the Company completes a Business Combination, the Company would repay the Working Capital Loans out of the proceeds of the Trust Account released to the Company. Otherwise, the Working Capital Loans would be repaid only out of funds held outside the Trust Account. In the event that a Business Combination does not close, the Company may use a portion of proceeds held outside the Trust Account to repay the Working Capital Loans but no proceeds held in the Trust Account would be used to repay the Working Capital Loans. Except for the foregoing, the terms of such Working Capital Loans, if any, have not been determined and no written agreements exist with respect to such loans. The Working Capital Loans would either be repaid upon consummation of a Business Combination, without interest, or, at the lender’s discretion, up to \$1,500,000 of such Working Capital Loans may be convertible into units of the post Business Combination entity at a price of \$10.00 per unit. The units would be identical to the Placement Units.

**Administrative Support Agreement**

The Company entered into an agreement whereby, commencing on October 10, 2018 through the earlier of the Company’s consummation of a Business Combination and its liquidation, to pay an affiliate of the Sponsor a total of \$15,000 per month for office space, utilities and secretarial and administrative support. For the period from May 21, 2018 (inception) through December 31, 2018, the Company incurred \$30,000 in fees for these services, of which \$30,000 is included in accounts payable and accrued expenses in the accompanying balance sheet.



**NOTE 6. COMMITMENTS****Registration Rights**

Pursuant to a registration rights agreement entered into on October 4, 2018, the holders of the Founder Shares, Placement Units (including securities contained therein) and securities that may be issued upon conversion of Working Capital Loans (and any shares of Class A common stock issuable upon the exercise of the Placement Warrants and warrants that may be issued upon conversion of working capital loans and upon conversion of the Founder Shares) will be entitled to registration rights requiring the Company to register such securities for resale (in the case of the Founder Shares, only after conversion to Class A common stock). The holders of the majority of these securities are entitled to make up to three demands, excluding short form demands, that the Company register such securities. In addition, the holders have certain “piggy-back” registration rights with respect to registration statements filed subsequent to the completion of a Business Combination and rights to require the Company to register for resale such securities pursuant to Rule 415 under the Securities Act. Notwithstanding the foregoing, the underwriters may not exercise their demand and “piggyback” registration rights after five (5) and seven (7) years after the effective date of the registration statement and may not exercise their demand rights on more than one occasion. The Company will bear the expenses incurred in connection with the filing of any such registration statements.

**Underwriting Agreement**

The Company granted the underwriters a 45-day option to purchase up to 3,000,000 additional Units to cover over-allotments at the Initial Public Offering price less the underwriting discounts and commissions. On October 25, 2018, the underwriters elected to partially exercise their over-allotment option to purchase 2,000,000 Units at a purchase price of \$10.00 per Unit.

In connection with the closing of the Initial Public Offering and the over-allotment option, the underwriters were paid a cash underwriting discount \$4,400,000. In addition, the underwriters are entitled to a deferred fee of \$0.35 per Unit, or \$7,700,000 in the aggregate. The deferred fee will become payable to the underwriters from the amounts held in the Trust Account solely in the event that the Company completes a Business Combination, subject to the terms of the underwriting agreement.

**NOTE 7. STOCKHOLDERS' EQUITY**

**Preferred Stock** — The Company is authorized to issue 1,000,000 shares of preferred stock with a par value of \$0.0001 per share with such designations, voting and other rights and preferences as may be determined from time to time by the Company's board of directors. At December 31, 2018, there were no shares of preferred stock issued or outstanding.

**Common Stock**

**Class A Common Stock** — The Company is authorized to issue 100,000,000 shares of Class A common stock with a par value of \$0.0001 per share. Holders of Class A common stock are entitled to one vote for each share. At December 31, 2018, there were 1,718,095 shares of Class A common stock issued or outstanding, excluding 20,921,905 shares of common stock subject to possible redemption.

**Class B Common Stock** — The Company is authorized to issue 10,000,000 shares of Class B common stock with a par value of \$0.0001 per share. Holders of Class B common stock are entitled to one vote for each share. At December 31, 2018, there were 5,500,000 shares of Class B common stock issued and outstanding.

Holders of Class A common stock and Class B common stock will vote together as a single class on all other matters submitted to a vote of stockholders except as required by law.



The shares of Class B common stock will automatically convert into shares of Class A common stock at the time of a Business Combination on a one-for-one basis, subject to adjustment. In the case that additional shares of Class A common stock, or equity-linked securities, are issued or deemed issued in excess of the amounts offered in the Initial Public Offering and related to the closing of a Business Combination, the ratio at which shares of Class B common stock shall convert into shares of Class A common stock will be adjusted (unless the holders of a majority of the outstanding shares of Class B common stock agree to waive such adjustment with respect to any such issuance or deemed issuance) so that the number of shares of Class A common stock issuable upon conversion of all shares of Class B common stock will equal, in the aggregate, on an as-converted basis, 20% of the sum of the total number of all shares of common stock outstanding upon the completion of the Initial Public Offering (not including the shares of Class A common stock underlying the Placement Units) plus all shares of Class A common stock and equity-linked securities issued or deemed issued in connection with a Business Combination (excluding any shares or equity-linked securities issued, or to be issued, to any seller in a Business Combination, any private placement-equivalent warrants issued, or to be issued, to any seller in a Business Combination, any private placement equivalent securities issued to the Sponsor or its affiliates upon conversion of loans made to the Company). Holders of Founder Shares may also elect to convert their shares of Class B common stock into an equal number of shares of Class A common stock, subject to adjustment as provided above, at any time.

**Warrants** — Public Warrants may only be exercised for a whole number of shares. No fractional warrants will be issued upon separation of the Units and only whole warrants will trade. The Public Warrants will become exercisable on the later of (a) 30 days after the completion of a Business Combination or (b) 12 months from the closing of the Initial Public Offering; provided in each case that the Company has an effective registration statement under the Securities Act covering the shares of common stock issuable upon exercise of the Public Warrants and a current prospectus relating to them is available. The Company has agreed that as soon as practicable, but in no event later than 15 business days after the closing of a Business Combination, the Company will use its best efforts to file with the SEC a registration statement for the registration, under the Securities Act, of the shares of Class A common stock issuable upon exercise of the Public Warrants. The Company will use its best efforts to cause the same to become effective and to maintain a current prospectus relating to those shares of Class A common stock until the Public Warrants expire or are redeemed, as specified in the warrant agreement. If a registration statement covering the shares of Class A common stock issuable upon exercise of the Public Warrants is not effective by the 60th business day after the closing of a Business Combination, warrant holders may, until such time as there is an effective registration statement and during any period when the Company shall have failed to maintain an effective registration statement, exercise warrants on a cashless basis in accordance with Section 3(a)(9) of the Securities Act or another exemption. Notwithstanding the above, if the Class A common stock is at the time of any exercise of a warrant not listed on a national securities exchange such that it satisfies the definition of a “covered security” under Section 18(b)(1) of the Securities Act, the Company may, at its option, require holders of Public Warrants who exercise their warrants to do so on a “cashless basis” in accordance with Section 3(a)(9) of the Securities Act and, in the event the Company so elects, the Company will not be required to file or maintain in effect a registration statement, and in the event the Company does not so elect, the Company will use its best efforts to register or qualify the shares under applicable blue sky laws to the extent an exemption is not available. If that exemption, or another exemption, is not available, holders will not be able to exercise their warrants on a cashless basis. The Public Warrants will expire five years after the completion of a Business Combination or earlier upon redemption or liquidation.

Once the warrants become exercisable, the Company may redeem the Public Warrants:

- in whole and not in part;
- at a price of \$0.01 per warrant;
- upon not less than 30 days’ prior written notice of redemption; and
- if, and only if, the reported last sale price of the Company’s Class A common stock equals or exceeds \$18.00 per share for any 20 trading days within a 30-trading day period ending three business days before the Company sends the notice of redemption to the warrant holders.
- If, and only if, there is a current registration statement in effect with respect to the shares of Class A common stock underlying such warrants.

The Placement Warrants are identical to the Public Warrants underlying the Units sold in the Initial Public Offering, except that the Placement Warrants and the Class A common stock issuable upon the exercise of the Placement Warrants will not be transferable, assignable or salable until 30 days after the completion of a Business Combination, subject to certain limited exceptions. Additionally, the Placement Warrants will be exercisable on a cashless basis and be non-redeemable so long as they are held by the initial purchasers or their permitted transferees. If the Placement Warrants are held by someone other than the initial purchasers or their permitted transferees, the Placement Warrants will be redeemable by the Company and exercisable by such holders on the same basis as the Public Warrants.

If the Company calls the Public Warrants for redemption, management will have the option to require all holders that wish to exercise the Public Warrants to do so on a “cashless basis,” as described in the warrant agreement. The exercise price and number of shares of Class A common stock issuable upon exercise of the warrants may be adjusted in certain circumstances including in the event of a stock dividend, or recapitalization, reorganization, merger or consolidation. However, the warrants will not be adjusted for issuance of Class A common stock at a price below its exercise price. Additionally, in no event will the Company be required to net cash settle the warrants. If the Company is unable to complete a Business Combination within the Combination Period and the Company liquidates the funds held in the Trust Account, holders of warrants will not receive any of such funds with respect to their warrants, nor will they receive any distribution from the Company’s assets held outside of the Trust Account with the respect to such warrants. Accordingly, the warrants may expire worthless.

#### NOTE 8. INCOME TAX

The Company’s net deferred tax assets are as follows:

Deferred tax asset	
Organizational costs/Startup expenses	\$42,501
	<hr/>
Total deferred tax asset	42,501
Valuation allowance	(42,501)
	<hr/>
Deferred tax asset, net of allowance	\$—
	<hr/> <hr/>

The income tax provision consists of the following:

Federal	
Current	\$217,377
Deferred	(42,501)
State	
Current	\$—
Deferred	—
Change in valuation allowance	42,501
	<hr/>
Income tax provision	\$217,377
	<hr/> <hr/>

As of December 31, 2018, the Company did not have any U.S. federal and state net operating loss carryovers available to offset future taxable income.

In assessing the realization of the deferred tax assets, management considers whether it is more likely than not that some portion of all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which temporary differences representing net future deductible amounts become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. After consideration of all of the information available, management believes that significant uncertainty exists with respect to future realization of the deferred tax assets and has therefore established a full valuation allowance. For the period from May 21, 2018 (inception) through December 31, 2018, the change in the valuation allowance was \$42,501.

A reconciliation of the federal income tax rate to the Company's effective tax rate at December 31, 2018 is as follows:

Statutory federal income tax rate	21.0%
State taxes, net of federal tax benefit	0.0%
Change in valuation allowance	5.1%
	<hr/>
Income tax provision	26.1%
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The Company files income tax returns in the U.S. federal jurisdiction in various state and local jurisdictions and is subject to examination by the various taxing authorities.

#### NOTE 9. FAIR VALUE MEASUREMENTS

The Company classifies its U. S. Treasury and equivalent securities as held-to-maturity in accordance with ASC 320 "Investments — Debt and Equity Securities." Held-to-maturity securities are those securities which the Company has the ability and intent to hold until maturity. Held-to-maturity treasury securities are recorded at amortized cost on the accompanying balance sheets and adjusted for the amortization or accretion of premiums or discounts.

At December 31, 2018, assets held in the Trust Account were comprised of \$24,616 in cash and \$221,133,851 in U.S. Treasury Bills.

The gross holding losses and fair value of held-to-maturity securities at December 31, 2018 are as follows:

	<u>Held-To-Maturity</u>	<u>Amortized Cost</u>	<u>Gross Holding Losses</u>	<u>Fair Value</u>
December 31, 2018	U.S. Treasury Securities (Mature on 4/11/2019)	\$110,548,511	\$(11,025)	\$110,537,486
		<hr/>	<hr/>	<hr/>
December 31, 2018	U.S. Treasury Securities (Mature on 4/4/2019)	\$110,585,340	\$(6,208)	\$110,579,132
		<hr/>	<hr/>	<hr/>

The fair value of the Company's financial assets and liabilities reflects management's estimate of amounts that the Company would have received in connection with the sale of the assets or paid in connection with the transfer of the liabilities in an orderly transaction between market participants at the measurement date. In connection with measuring the fair value of its assets and liabilities, the Company seeks to maximize the use of observable inputs (market data obtained from independent sources) and to minimize the use of unobservable inputs (internal assumptions about how market participants would price assets and liabilities). The following fair value hierarchy is used to classify assets and liabilities based on the observable inputs and unobservable inputs used in order to value the assets and liabilities:

Level 1: Quoted prices in active markets for identical assets or liabilities. An active market for an asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: Observable inputs other than Level 1 inputs. Examples of Level 2 inputs include quoted prices in active markets for similar assets or liabilities and quoted prices for identical assets or liabilities in markets that are not active.

Level 3: Unobservable inputs based on our assessment of the assumptions that market participants would use in pricing the asset or liability.

#### NOTE 10. SUBSEQUENT EVENTS

The Company evaluates subsequent events and transactions that occur after the balance sheet date up to the date that the financial statements were issued. Based upon this review, the Company did not identify any subsequent events that would have required adjustment or disclosure in the financial statements.

2. The following is an extract of the quarterly financial statements of ChaSerg for the period ended 30th June 2019, which were prepared in accordance with accounting principles generally accepted in the United States of America (“US GAAP”), from quarterly report on Form 10-Q of ChaSerg issued on 13th August 2019.

The 2019 quarterly report on Form 10-Q have been published on the website of the U.S. Securities and Exchange Commission ([www.sec.gov](http://www.sec.gov)) and can be accessed at the website address below:

[https://www.sec.gov/Archives/edgar/data/1743725/000121390019023007/f10q0919\\_chasergtechno.htm](https://www.sec.gov/Archives/edgar/data/1743725/000121390019023007/f10q0919_chasergtechno.htm)

**CHASERG TECHNOLOGY ACQUISITION CORP.  
CONDENSED BALANCE SHEETS**

	<b>June 30, 2019</b>	<b>December 31, 2018</b>
	<i>(unaudited)</i>	
<b>ASSETS</b>		
Current Assets		
Cash	\$659,543	\$1,011,224
Prepaid expenses and other current assets	175,201	194,482
Total Current Assets	834,744	1,205,706
Cash and marketable securities held in Trust Account	222,993,855	221,158,467
<b>Total Assets</b>	<b>\$223,828,599</b>	<b>\$222,364,173</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current Liabilities:		
Accounts payable and accrued expenses	\$165,361	\$216,493
Accrued offering costs	11,250	11,250
Income taxes payable	238,996	217,377
Total Current Liabilities	415,607	445,120
Deferred underwriting fees	7,700,000	7,700,000
<b>Total Liabilities</b>	<b>8,115,607</b>	<b>8,145,120</b>

	<b>June 30, 2019</b>	<b>December 31, 2018</b>
	<i>(unaudited)</i>	
<b>Commitments</b>		
Common stock subject to possible redemption, 21,071,299 and 20,921,905 shares at approximately \$10.00 per share as of June 30, 2019 and December 31, 2018, respectively	210,712,990	209,219,050
<b>Stockholders' Equity</b>		
Preferred stock, \$0.0001 par value; 1,000,000 shares authorized; none issued and outstanding	—	—
Class A common stock, \$0.0001 par value; 100,000,000 shares authorized; 1,568,701 and 1,718,095 issued and outstanding (excluding 21,071,299 and 20,921,905 shares subject to possible redemption) as of June 30, 2019 and December 31, 2018, respectively	157	172
Class B common stock, \$0.0001 par value; 10,000,000 shares authorized; 5,500,000 shares issued and outstanding	550	550
Additional paid-in capital	2,889,992	4,383,917
Retained earnings	2,109,303	615,364
<b>Total Stockholders' Equity</b>	<b>5,000,002</b>	<b>5,000,003</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b><u>\$223,828,599</u></b>	<b><u>\$222,364,173</u></b>

The accompanying notes are an integral part of the unaudited condensed financial statements.

**CHASERG TECHNOLOGY ACQUISITION CORP.**  
**CONDENSED STATEMENTS OF OPERATION**  
**(UNAUDITED)**

	<b>Three Months Ended June 30, 2019</b>	<b>Six Months Ended June 30, 2019</b>	<b>For the Period from May 21, 2018 (inception) through June 30, 2018</b>
General and administrative expenses	\$278,012	\$595,223	\$1,575
<b>Loss from operations</b>	<b>(278,012)</b>	<b>(595,223)</b>	<b>(1,575)</b>
Other income:			
Interest earned on marketable securities held in Trust Account	1,317,860	2,617,791	—
Income (loss) before provision for income taxes	1,039,848	2,022,568	(1,575)
Provision for income taxes	(266,143)	(528,629)	—
<b>Net income (loss)</b>	<b>\$773,705</b>	<b>\$1,493,939</b>	<b>\$(1,575)</b>
Weighted average shares outstanding of Class A redeemable common stock	22,000,000	22,000,000	—
<b>Basic and diluted income per share, Class A</b>	<b>\$0.05</b>	<b>\$0.09</b>	<b>\$—</b>
Weighted average shares outstanding of Class A and Class B non-redeemable common stock	6,140,000	6,140,000	5,000,000
<b>Basic and diluted net loss per share, Class A and Class B</b>	<b>\$(0.04)</b>	<b>\$(0.08)</b>	<b>\$(0.00)</b>

The accompanying notes are an integral part of the unaudited condensed financial statements.

**CHASERG TECHNOLOGY ACQUISITION CORP.**  
**CONDENSED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**  
**(UNAUDITED)**

	Class A Common Stock		Class B Common Stock		Additional Paid in Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount	Shares	Amount			
<b>Balance — May 21, 2018</b> (inception)	—	\$—	—	\$—	\$—	\$—	\$—
Issuance of Class B common stock to Sponsor <sup>(1)</sup>	—	—	5,750,000	575	24,425	—	25,000
Net loss	—	—	—	—	—	(1,575)	(1,575)
<b>Balance — June 30, 2018</b> (unaudited)	—	\$—	5,750,000	\$575	\$24,425	\$(1,575)	\$23,425

<sup>(1)</sup> Included 750,000 shares subject to forfeiture if the over-allotment option was not exercised in full or in part by the underwriters.

	Class A Common Stock		Class B Common Stock		Additional Paid in Capital	Accumulated Earnings	Total Stockholders' Equity
	Shares	Amount	Shares	Amount			
<b>Balance — December 31, 2018</b>	118,095	\$172	5,500,000	\$550	\$4,383,917	\$615,364	\$5,000,003
Change in value of common stock subject to possible redemption	(72,023)	(7)	—	—	(720,223)	—	(720,230)
Net income	—	—	—	—	—	720,234	720,234
<b>Balance — March 31, 2019</b> (unaudited)	1,646,072	165	5,500,000	550	3,663,694	1,335,598	5,000,007
Change in value of common stock subject to possible redemption	(77,371)	(8)	—	—	(773,702)	—	(773,710)
Net income	—	—	—	—	—	773,705	773,705
<b>Balance — June 30, 2019</b> (unaudited)	1,568,701	\$157	5,500,000	\$550	\$2,889,992	\$2,109,303	\$5,000,002

The accompanying notes are an integral part of the unaudited condensed financial statements.

**CHASERG TECHNOLOGY ACQUISITION CORP.**  
**CONDENSED STATEMENTS OF CASH FLOWS**  
(Unaudited)

	<b>Six Months Ended June 30, 2019</b>	<b>For the Period from May 21, 2018 (inception) through June 30, 2018</b>
<b>Cash Flows from Operating Activities:</b>		
Net income (loss)	\$1,493,939	\$(1,575)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Interest earned on marketable securities held in Trust Account	(2,617,791)	—
Changes in operating assets and liabilities:		
Prepaid expenses and other current assets	19,281	—
Accounts payable and accrued expenses	(51,132)	1,500
Income taxes payable	21,619	—
<b>Net cash used in operating activities</b>	<b>(1,134,084)</b>	<b>(75)</b>
<b>Cash Flows from Investing Activities:</b>		
Cash withdrawn from Trust Account	782,403	—
<b>Net cash provided by investing activities</b>	<b>782,403</b>	<b>—</b>
<b>Cash Flows from Financing Activities</b>		
Proceeds from issuance of Class B common stock to Sponsor	—	25,000
Proceeds from promissory note – related party	—	148,100
Payment of offering costs	—	(137,459)
<b>Net cash provided by financing activities</b>	<b>—</b>	<b>35,641</b>
<b>Net Change in Cash</b>	<b>(351,681)</b>	<b>35,566</b>
Cash – Beginning of period	1,011,224	—
<b>Cash – End of period</b>	<b>\$659,543</b>	<b>\$35,566</b>
<b>Supplementary cash flow information:</b>		
Cash paid for income taxes	\$507,010	\$—
<b>Non-Cash investing and financing activities:</b>		
Change in value of common stock subject to possible redemption	\$1,493,940	\$—
Offering costs included in accrued offering costs	\$—	\$9,700

The accompanying notes are an integral part of the unaudited condensed financial statements.



**CHASERG TECHNOLOGY ACQUISITION CORP.**  
**NOTES TO CONDENSED FINANCIAL STATEMENTS**  
**JUNE 30, 2019**  
**(Unaudited)**

**NOTE 1. DESCRIPTION OF ORGANIZATION AND BUSINESS OPERATIONS**

ChaSerg Technology Acquisition Corp. (the “Company”) was incorporated in Delaware on May 21, 2018. The Company was formed for the purpose of effecting a merger, capital stock exchange, asset acquisition, stock purchase, reorganization or similar business combination with one or more businesses (the “Business Combination”).

Although the Company is not limited to a particular industry or sector for purposes of consummating a Business Combination, the Company intends to focus its search on companies in the technology industry. The Company is an early stage and emerging growth company and, as such, the Company is subject to all of the risks associated with early stage and emerging growth companies.

As of June 30, 2019, the Company had not commenced any operations. All activity for the period from May 21, 2018 (inception) through June 30, 2019 relates to the Company’s formation, its Initial Public Offering, which is described below, and identifying a target company for a Business Combination. The Company will not generate any operating revenues until after the completion of its initial Business Combination, at the earliest. The Company will generate non-operating income in the form of interest income from the proceeds derived from the initial public offering (“Initial Public Offering”).

The registration statement for the Company’s Initial Public Offering was declared effective on October 4, 2018. On October 10, 2018, the Company consummated the Initial Public Offering of 20,000,000 units (“Units” and, with respect to the Class A common stock included in the Units offered, the “Public Shares”) at \$10.00 per Unit, generating gross proceeds of \$200,000,000, which is described in Note 3.

Simultaneously with the closing of the Initial Public Offering, the Company consummated the sale of 600,000 units (the “Placement Units”) at a price of \$10.00 per Placement Unit in a private placement to ChaSerg Technology Sponsor LLC, a Delaware limited liability company (the “Sponsor”) and Cantor Fitzgerald & Co. (“Cantor”), generating gross proceeds of \$6,000,000, which is described in Note 4.

Following the closing of the Initial Public Offering on October 10, 2018, an amount of \$200,000,000 (\$10.00 per Unit) from the net proceeds of the sale of the Units in the Initial Public Offering and the sale of the Placement Units was placed in a trust account (“Trust Account”) which was invested in U.S. government securities, within the meaning set forth in Section 2(a)(16) of the Investment Company Act of 1940, as amended (the “Investment Company Act”), with a maturity of 180 days or less or in any openended investment company that holds itself out as a money market fund selected by the Company meeting the conditions of Rule 2a-7 of the Investment Company Act, as determined by the Company, until the earlier of: (i) the completion of a Business Combination and (ii) the distribution of the Trust Account, as described below.

On October 25, 2018, in connection with the underwriters’ election to partially exercise their over-allotment option, the Company sold an additional 2,000,000 Units at \$10.00 per Unit and sold an additional 40,000 Placement Units at \$10.00 per Placement Unit, generating total gross proceeds of \$20,400,000. Following such closing, an additional \$20,000,000 of net proceeds (\$10.00 per Unit) was deposited in the Trust Account, resulting in \$220,000,000 (\$10.00 per Unit) held in the Trust Account.

Transaction costs amounted to \$12,821,311, consisting of \$4,400,000 of underwriting fees, \$7,700,000 of deferred underwriting fees and \$721,311 of legal and other costs. In addition, as of June 30, 2019, \$659,543 of cash was held outside of the Trust Account and is available for working capital purposes.

The Company's management has broad discretion with respect to the specific application of the net proceeds of the Initial Public Offering and the sale of Placement Units, although substantially all of the net proceeds are intended to be applied generally toward consummating a Business Combination. There is no assurance that the Company will be able to complete a Business Combination successfully. The Company must complete one or more initial Business Combinations having an aggregate fair market value of at least 80% of the assets held in the Trust Account (excluding the deferred underwriting commissions and taxes payable on interest earned on the Trust Account) at the time of the agreement to enter into the initial Business Combination. However, the Company will only complete a Business Combination if the post-transaction company owns or acquires 50% or more of the outstanding voting securities of the target or otherwise acquires a controlling interest in the target sufficient for it not to be required to register as an investment company under the Investment Company Act 1940, as amended (the "Investment Company Act").

The Company will provide its holders of the outstanding Public Shares (the "Public Stockholders") with the opportunity to redeem all or a portion of their Public Shares upon the completion of a Business Combination either (i) in connection with a stockholder meeting called to approve the Business Combination or (ii) by means of a tender offer. The decision as to whether the Company will seek stockholder approval of a Business Combination or conduct a tender offer will be made by the Company, solely in its discretion. The Public Stockholders will be entitled to redeem their Public Shares for a pro rata portion of the amount then in the Trust Account (\$10.00 per Public Share, plus any pro rata interest earned on the funds held in the Trust Account and not previously released to the Company to pay its franchise and income tax obligations). The per-share amount to be distributed to Public Stockholders who redeem their Public Shares will not be reduced by the deferred underwriting commissions the Company will pay to the underwriters (as discussed in Note 6). There will be no redemption rights upon the completion of a Business Combination with respect to the Company's warrants. The Company will proceed with a Business Combination if the Company has net tangible assets of at least \$5,000,001 upon such consummation of a Business Combination and, if the Company seeks stockholder approval, a majority of the shares voted are voted in favor of the Business Combination. If a stockholder vote is not required by law and the Company does not decide to hold a stockholder vote for business or other legal reasons, the Company will, pursuant to its Amended and Restated Certificate of Incorporation (the "Amended and Restated Certificate of Incorporation"), conduct the redemptions pursuant to the tender offer rules of the U.S. Securities and Exchange Commission ("SEC") and file tender offer documents with the SEC prior to completing a Business Combination. If, however, stockholder approval of the transactions is required by law, or the Company decides to obtain stockholder approval for business or legal reasons, the Company will offer to redeem shares in conjunction with a proxy solicitation pursuant to the proxy rules and not pursuant to the tender offer rules. If the Company seeks stockholder approval in connection with a Business Combination, the Company's Sponsor has agreed to vote its Founder Shares (as defined in Note 5), Placement Shares (as defined in Note 4) and any Public Shares purchased during or after the Initial Public Offering in favor of approving a Business Combination. Additionally, each Public Stockholder may elect to redeem their Public Shares irrespective of whether they vote for or against the proposed transaction.

If the Company seeks stockholder approval of a Business Combination and it does not conduct redemptions pursuant to the tender offer rules, the Amended and Restated Certificate of Incorporation provides that a Public Stockholder, together with any affiliate of such stockholder or any other person with whom such stockholder is acting in concert or as a "group" (as defined under Section 13 of the Securities Exchange Act of 1934, as amended (the "Exchange Act")), will be restricted from redeeming its shares with respect to more than an aggregate of 15% or more of the Public Shares, without the prior consent of the Company.

The Sponsor has agreed (a) to waive its redemption rights with respect to its Founder Shares, Placement Shares and Public Shares held by it in connection with the completion of a Business Combination and (b) not to propose an amendment to the Amended and Restated Certificate of Incorporation (i) that would affect the substance or timing of the Company's obligation to redeem 100% of its Public Shares if the Company does not complete a Business Combination or (ii) with respect to any other provision relating to stockholders' rights or pre-business combination activity, unless the Company provides the Public Stockholders with the opportunity to redeem their Public Shares in conjunction with any such amendment.

The Company has until April 9, 2020 to consummate a Business Combination (the “Combination Period”). If the Company is unable to complete a Business Combination by the Combination Period, the Company will (i) cease all operations except for the purpose of winding up, (ii) as promptly as reasonably possible but not more than ten business days thereafter, redeem the Public Shares, at a per-share price, payable in cash, equal to the aggregate amount then on deposit in the Trust Account including interest earned on the funds held in the Trust Account and not previously released to the Company to pay franchise and income taxes (less up to \$100,000 of interest to pay dissolution expenses), divided by the number of then outstanding Public Shares, which redemption will completely extinguish Public Stockholders’ rights as stockholders (including the right to receive further liquidating distributions, if any), subject to applicable law, and (iii) as promptly as reasonably possible following such redemption, subject to the approval of the Company’s remaining stockholders and the Company’s board of directors, dissolve and liquidate, subject in each case to the Company’s obligations under Delaware law to provide for claims of creditors and the requirements of other applicable law. There will be no redemption rights or liquidating distributions with respect to the Company’s warrants, which will expire worthless if the Company fails to complete a Business Combination within the Combination Period.

The Sponsor has agreed to waive its liquidation rights with respect to the Founder Shares and Placement Shares if the Company fails to complete a Business Combination within the Combination Period. However, if the Sponsor acquires Public Shares in or after the Initial Public Offering, such Public Shares will be entitled to liquidating distributions from the Trust Account if the Company fails to complete a Business Combination within the Combination Period. The underwriters have agreed to waive their rights to their deferred underwriting commission (see Note 6) held in the Trust Account in the event the Company does not complete a Business Combination within the Combination Period and, in such event, such amounts will be included with the other funds held in the Trust Account that will be available to fund the redemption of the Public Shares. In the event of such distribution, it is possible that the per share value of the assets remaining available for distribution will be less than \$10.00 per share.

In order to protect the amounts held in the Trust Account, the Sponsor has agreed to be liable to the Company if and to the extent any claims by a third party for services rendered or products sold to the Company, or a prospective target business with which the Company has discussed entering into a transaction agreement, reduce the amount of funds in the Trust Account to below (i) \$10.00 per share or (ii) the actual amount per Public Share held in the Trust Account as of the date of the liquidation of the Trust Account, if less than \$10.00 per share due to reductions in the value of the trust assets. This liability will not apply with respect to any claims by a third party who executed a waiver of any right, title, interest or claim of any kind in or to any monies held in the Trust Account or to any claims under the Company’s indemnity of the underwriters of the Initial Public Offering against certain liabilities, including liabilities under the Securities Act of 1933, as amended (the “Securities Act”). Moreover, in the event that an executed waiver is deemed to be unenforceable against a third party, the Sponsor will not be responsible to the extent of any liability for such thirdparty claims. The Company will seek to reduce the possibility that the Sponsor will have to indemnify the Trust Account due to claims of creditors by endeavoring to have all vendors, service providers (except for the Company’s independent registered public accounting firm), prospective target businesses or other entities with which the Company does business, execute agreements with the Company waiving any right, title, interest or claim of any kind in or to monies held in the Trust Account.

#### **Going Concern**

In connection with the Company’s assessment of going concern considerations in accordance with Financial Accounting Standard Board’s Accounting Standards Update (“ASU”) 2014-15, “Disclosures of Uncertainties about an Entity’s Ability to Continue as a Going Concern,” management has determined that the mandatory liquidation and subsequent dissolution raises substantial doubt about the Company’s ability to continue as a going concern. No adjustments have been made to the carrying amounts of assets or liabilities should the Company be required to liquidate after April 9, 2020.

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****Basis of Presentation**

The accompanying unaudited condensed financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information and in accordance with the instructions to Form 10-Q and Article 8 of Regulation S-X of the SEC. Certain information or footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted, pursuant to the rules and regulations of the SEC for interim financial reporting. Accordingly, they do not include all the information and footnotes necessary for a complete presentation of financial position, results of operations, or cash flows. In the opinion of management, the accompanying unaudited condensed financial statements include all adjustments, consisting of a normal recurring nature, which are necessary for a fair presentation of the financial position, operating results and cash flows for the periods presented.

The accompanying unaudited condensed financial statements should be read in conjunction with the Company’s Annual Report on Form 10-K for the year ended December 31, 2018 as filed with the SEC on March 20, 2019, which contains the audited financial statements and notes thereto. The interim results for the three and six months ended June 30, 2019 are not necessarily indicative of the results to be expected for the year ending December 31, 2019 or for any future interim periods.

**Emerging Growth Company**

The Company is an “emerging growth company,” as defined in Section 2(a) of the Securities Act, as modified by the Jumpstart our Business Startups Act of 2012 (the “JOBS Act”), and it may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies including, but not limited to, not being required to comply with the independent registered public accounting firm attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in its periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved.

Further, Section 102(b)(1) of the JOBS Act exempts emerging growth companies from being required to comply with new or revised financial accounting standards until private companies (that is, those that have not had a Securities Act registration statement declared effective or do not have a class of securities registered under the Exchange Act) are required to comply with the new or revised financial accounting standards. The JOBS Act provides that a company can elect to opt out of the extended transition period and comply with the requirements that apply to non-emerging growth companies but any such election to opt out is irrevocable. The Company has elected not to opt out of such extended transition period which means that when a standard is issued or revised and it has different application dates for public or private companies, the Company, as an emerging growth company, can adopt the new or revised standard at the time private companies adopt the new or revised standard. This may make comparison of the Company’s financial statements with another public company which is neither an emerging growth company nor an emerging growth company which has opted out of using the extended transition period difficult or impossible because of the potential differences in accounting standards used.

**Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Making estimates requires management to exercise significant judgment. It is at least reasonably possible that the estimate of the effect of a condition, situation or set of circumstances that existed at the date of the financial statements, which management considered in formulating its estimate, could change in the near term due to one or more future events. Accordingly, the actual results could differ significantly from the Company's estimates.

#### **Cash and Cash Equivalents**

The Company considers all short-term investments with an original maturity of three months or less when purchased to be cash equivalents. The Company did not have any cash equivalents as of June 30, 2019 and December 31, 2018.

#### **Common Stock Subject to Possible Redemption**

The Company accounts for its common stock subject to possible redemption in accordance with the guidance in Accounting Standards Codification ("ASC") Topic 480 "Distinguishing Liabilities from Equity." Common stock subject to mandatory redemption is classified as a liability instrument and is measured at fair value. Conditionally redeemable common stock (including common stock that features redemption rights that are either within the control of the holder or subject to redemption upon the occurrence of uncertain events not solely within the Company's control) is classified as temporary equity. At all other times, common stock is classified as stockholders' equity. The Company's common stock, sold in the Public Offering, features certain redemption rights that are considered to be outside of the Company's control and subject to occurrence of uncertain future events. The shares of common stock sold in the private placements do not contain these rights. Accordingly, at June 30, 2019 and December 31, 2018, 21,071,299 and 20,921,905 shares of common stock subject to possible redemption, respectively, are presented as temporary equity, outside of the stockholders' equity section of the Company's condensed balance sheets.

#### **Offering Costs**

Offering costs consist of legal, accounting, underwriting fees and other costs incurred through the balance sheet date that are directly related to the Initial Public Offering. Offering costs amounting to \$12,821,311 were charged to stockholders' equity upon the completion of the Initial Public Offering.

#### **Income Taxes**

The Company follows the asset and liability method of accounting for income taxes under ASC 740, "Income Taxes." Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statements carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that included the enactment date. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized.

ASC 740 prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more likely than not to be sustained upon examination by taxing authorities. The Company recognizes accrued interest and penalties related to unrecognized tax benefits as income tax expense. There were no unrecognized tax benefits and no amounts accrued for interest and penalties as of June 30, 2019 and December 31, 2018. The Company is currently not aware of any issues under review that could result in significant payments, accruals or material deviation from its position. The Company is subject to income tax examinations by major taxing authorities since inception.

**Net Income (Loss) Per Common Share**

Net income (loss) per common share is computed by dividing net income (loss) by the weighted average number of common shares outstanding for the period. The Company has not considered the effect of warrants sold in the Initial Public Offering and private placement to purchase 11,320,000 shares of Class A common stock in the calculation of diluted income (loss) per share, since the exercise of the warrants are contingent upon the occurrence of future events and the inclusion of such warrants would be antidilutive.

The Company's condensed statement of operations includes a presentation of income (loss) per share for common shares subject to redemption in a manner similar to the two-class method of income per share. Net income per common share, basic and diluted for Class A redeemable common stock is calculated by dividing the interest income earned on the Trust Account, net of applicable franchise and income taxes of approximately \$312,000, by the weighted average number of Class A redeemable common stock outstanding during the period. Net loss per common share, basic and diluted for Class A and Class B non-redeemable common stock is calculated by dividing the net income (loss), less income attributable to Class A redeemable common stock, by the weighted average number of Class A and Class B non-redeemable common stock outstanding for the period. Class A and Class B nonredeemable common stock includes the Founder Shares and the Placement Units as these shares do not have any redemption features and do not participate in the income earned on the Trust Account.

**Concentration of Credit Risk**

Financial instruments that potentially subject the Company to concentration of credit risk consist of a cash account in a financial institution which, at times may exceed the Federal Depository Insurance Coverage of \$250,000. At June 30, 2019 and December 31, 2018, the Company has not experienced losses on this account and management believes the Company is not exposed to significant risks on such account.

**Financial Instruments**

The fair value of the Company's assets and liabilities, which qualify as financial instruments under ASC Topic 820, "Fair Value Measurements and Disclosures," approximates the carrying amounts represented in the accompanying condensed balance sheets, primarily due to their short-term nature.

**Recent Accounting Pronouncements**

Management does not believe that any recently issued, but not yet effective, accounting pronouncements, if currently adopted, would have a material effect on the Company's condensed financial statements.

**NOTE 3. PUBLIC OFFERING**

Pursuant to the Initial Public Offering, the Company sold 22,000,000 Units at a price of \$10.00 per Unit, inclusive of 2,000,000 Units sold to the underwriters on October 25, 2018 upon the underwriters' election to partially exercise their over-allotment option. Each Unit consists of one share of Class A common stock and one-half of one redeemable warrant ("Public Warrant"). Each whole Public Warrant entitles the holder to purchase one share of Class A common stock at a price of \$11.50 per share, subject to adjustment (see Note 7).

**NOTE 4. PRIVATE PLACEMENT**

Simultaneously with the closing of the Initial Public Offering, the Sponsor and Cantor purchased an aggregate of 600,000 Placement Units at a price of \$10.00 per Placement Unit, for an aggregate purchase price of \$6,000,000, of which the Sponsor purchased 500,000 Placement Units and the underwriters purchased 100,000 Placement Units. On October 25, 2018, in connection with the underwriters' election to partially exercise their over-allotment option, the Company sold an additional 30,000 Placement Units to the Sponsor and 10,000 Placement Units to the underwriters, at a price of \$10.00 per Placement Unit, generating gross proceeds of \$400,000. Each Placement Unit consists of one share of Class A common stock ("Placement Share") and one-half of one redeemable warrant (each, a "Placement Warrant"). Each whole Placement Warrant is exercisable to purchase one share of Class A common stock at a price of \$11.50 per share. The proceeds from the Placement Units were added to the proceeds from the Initial Public Offering held in the Trust Account. If the Company does not complete a Business Combination within the Combination Period, the proceeds from the sale of the Placement Units will be used to fund the redemption of the Public Shares (subject to the requirements of applicable law), and the Placement Units and all underlying securities will expire worthless.

**NOTE 5. RELATED PARTY TRANSACTIONS****Founder Shares**

On May 30, 2018, the Sponsor purchased 5,750,000 shares (the "Founder Shares") of the Company's Class B common stock for an aggregate price of \$25,000. The Founder Shares included an aggregate of up to 750,000 shares subject to forfeiture to the extent that the underwriters' over-allotment option was not exercised in full or in part, so that the Sponsor would own, on an as-converted basis, 20% of the Company's issued and outstanding shares after the Initial Public Offering (assuming the Sponsor did not purchase any Public Shares in the Initial Public Offering and excluding the Placement Units). As a result of the underwriters' election to partially exercise their over-allotment option, 250,000 Founder Shares were forfeited and 500,000 Founder Shares are no longer subject to forfeiture.

The Founder Shares will automatically convert into Class A common stock upon consummation of a Business Combination on a one-for-one basis, subject to certain adjustments, as described in Note 7.

The Sponsor has agreed, subject to limited exceptions, not to transfer, assign or sell any of its Founder Shares until the earlier to occur of: (A) one year after the completion of a Business Combination or (B) subsequent to a Business Combination, (x) if the last sale price of the Class A common stock equals or exceeds \$12.00 per share (as adjusted for stock splits, stock dividends, reorganizations, recapitalizations and the like) for any 20 trading days within any 30-trading day period commencing at least 150 days after a Business Combination, or (y) the date on which the Company completes a liquidation, merger, capital stock exchange or other similar transaction that results in all of the Company's stockholders having the right to exchange their shares of common stock for cash, securities or other property.

**Related Party Loans**

On May 23, 2018, the Company issued a promissory note to the Sponsor, pursuant to which the Company borrowed an aggregate of \$300,000 to cover expenses related to the Initial Public Offering (the "Promissory Note"). The Promissory Note was non-interest bearing and payable on the earlier of March 31, 2019 or the completion of the Initial Public Offering. The Promissory Note was repaid upon the consummation of the Initial Public Offering on October 10, 2018.

In addition, in order to finance transaction costs in connection with a Business Combination, the Sponsor or an affiliate of the Sponsor, or certain of the Company's officers and directors may, but are not obligated to, loan the Company funds as may be required ("Working Capital Loans"). If the Company completes a Business Combination, the Company would repay the Working Capital Loans out of the proceeds of the Trust Account released to the Company. Otherwise, the Working Capital Loans would be repaid only out of funds held outside the Trust Account. In the event that a Business Combination does not close, the Company may use a portion of proceeds held outside the Trust Account to repay the Working Capital Loans but no proceeds held in the Trust Account would be used to repay



the Working Capital Loans. Except for the foregoing, the terms of such Working Capital Loans, if any, have not been determined and no written agreements exist with respect to such loans. The Working Capital Loans would either be repaid upon consummation of a Business Combination, without interest, or, at the lender's discretion, up to \$1,500,000 of such Working Capital Loans may be convertible into units of the post Business Combination entity at a price of \$10.00 per unit. The units would be identical to the Placement Units.

#### **Administrative Support Agreement**

The Company entered into an agreement whereby, commencing on October 10, 2018 through the earlier of the Company's consummation of a Business Combination and its liquidation, to pay an affiliate of the Sponsor a total of \$15,000 per month for office space, utilities and secretarial and administrative support. For the three and six months ended June 30, 2019, the Company incurred \$45,000 and \$90,000 in fees for these services. At June 30, 2019 and December 31, 2018, \$120,000 and \$30,000, respectively, of such fees is included in accounts payable and accrued expenses in the accompanying condensed balance sheets.

#### **NOTE 6. COMMITMENTS**

##### **Registration Rights**

Pursuant to a registration rights agreement entered into on October 4, 2018, the holders of the Founder Shares, Placement Units (including securities contained therein) and securities that may be issued upon conversion of Working Capital Loans (and any shares of Class A common stock issuable upon the exercise of the Placement Warrants and warrants that may be issued upon conversion of working capital loans and upon conversion of the Founder Shares) will be entitled to registration rights requiring the Company to register such securities for resale (in the case of the Founder Shares, only after conversion to Class A common stock). The holders of the majority of these securities are entitled to make up to three demands, excluding short form demands, that the Company register such securities. In addition, the holders have certain "piggy-back" registration rights with respect to registration statements filed subsequent to the completion of a Business Combination and rights to require the Company to register for resale such securities pursuant to Rule 415 under the Securities Act. Notwithstanding the foregoing, the underwriters may not exercise their demand and "piggyback" registration rights after five (5) and seven (7) years after the effective date of the registration statement and may not exercise their demand rights on more than one occasion. The Company will bear the expenses incurred in connection with the filing of any such registration statements.

##### **Underwriting Agreement**

The Company granted the underwriters a 45-day option to purchase up to 3,000,000 additional Units to cover over-allotments at the Initial Public Offering price less the underwriting discounts and commissions. On October 25, 2018, the underwriters elected to partially exercise their over-allotment option to purchase 2,000,000 Units at a purchase price of \$10.00 per Unit.

In connection with the closing of the Initial Public Offering and the over-allotment option, the underwriters were paid a cash underwriting discount \$4,400,000. In addition, the underwriters are entitled to a deferred fee of \$0.35 per Unit, or \$7,700,000 in the aggregate. The deferred fee will become payable to the underwriters from the amounts held in the Trust Account solely in the event that the Company completes a Business Combination, subject to the terms of the underwriting agreement.

#### **NOTE 7. STOCKHOLDERS' EQUITY**

**Preferred Stock** — The Company is authorized to issue 1,000,000 shares of preferred stock with a par value of \$0.0001 per share with such designations, voting and other rights and preferences as may be determined from time to time by the Company's board of directors. At June 30, 2019 and December 31, 2018, there were no shares of preferred stock issued or outstanding.



**Common Stock**

**Class A Common Stock** — The Company is authorized to issue 100,000,000 shares of Class A common stock with a par value of \$0.0001 per share. Holders of Class A common stock are entitled to one vote for each share. At June 30, 2019 and December 31, 2018, there were 1,568,701 and 1,718,095 shares of Class A common stock issued or outstanding, excluding 21,071,299 and 20,921,905 shares of Class A common stock subject to possible redemption, respectively.

**Class B Common Stock** — The Company is authorized to issue 10,000,000 shares of Class B common stock with a par value of \$0.0001 per share. Holders of Class B common stock are entitled to one vote for each share. At June 30, 2019 and December 31, 2018, there were 5,500,000 shares of Class B common stock issued and outstanding.

Holders of Class A common stock and Class B common stock will vote together as a single class on all other matters submitted to a vote of stockholders except as required by law.

The shares of Class B common stock will automatically convert into shares of Class A common stock at the time of a Business Combination on a one-for-one basis, subject to adjustment. In the case that additional shares of Class A common stock, or equitylinked securities, are issued or deemed issued in excess of the amounts offered in the Initial Public Offering and related to the closing of a Business Combination, the ratio at which shares of Class B common stock shall convert into shares of Class A common stock will be adjusted (unless the holders of a majority of the outstanding shares of Class B common stock agree to waive such adjustment with respect to any such issuance or deemed issuance) so that the number of shares of Class A common stock issuable upon conversion of all shares of Class B common stock will equal, in the aggregate, on an as-converted basis, 20% of the sum of the total number of all shares of common stock outstanding upon the completion of the Initial Public Offering (not including the shares of Class A common stock underlying the Placement Units) plus all shares of Class A common stock and equity-linked securities issued or deemed issued in connection with a Business Combination (excluding any shares or equity-linked securities issued, or to be issued, to any seller in a Business Combination, any private placement-equivalent warrants issued, or to be issued, to any seller in a Business Combination, any private placement equivalent securities issued to the Sponsor or its affiliates upon conversion of loans made to the Company). Holders of Founder Shares may also elect to convert their shares of Class B common stock into an equal number of shares of Class A common stock, subject to adjustment as provided above, at any time.

**Warrants** — Public Warrants may only be exercised for a whole number of shares. No fractional warrants will be issued upon separation of the Units and only whole warrants will trade. The Public Warrants will become exercisable on the later of (a) 30 days after the completion of a Business Combination or (b) 12 months from the closing of the Initial Public Offering; provided in each case that the Company has an effective registration statement under the Securities Act covering the shares of common stock issuable upon exercise of the Public Warrants and a current prospectus relating to them is available. The Company has agreed that as soon as practicable, but in no event later than 15 business days after the closing of a Business Combination, the Company will use its best efforts to file with the SEC a registration statement for the registration, under the Securities Act, of the shares of Class A common stock issuable upon exercise of the Public Warrants. The Company will use its best efforts to cause the same to become effective and to maintain a current prospectus relating to those shares of Class A common stock until the Public Warrants expire or are redeemed, as specified in the warrant agreement. If a registration statement covering the shares of Class A common stock issuable upon exercise of the Public Warrants is not effective by the 60th business day after the closing of a Business Combination, warrant holders may, until such time as there is an effective registration statement and during any period when the Company shall have failed to maintain an effective registration statement, exercise warrants on a cashless basis in accordance with Section 3(a)(9) of the Securities Act or another exemption. Notwithstanding the above, if the Class A common stock is at the time of any exercise of a warrant not listed on a national securities exchange such that it satisfies the definition of a “covered security” under Section 18(b)(1) of the Securities Act, the Company may, at its option, require holders of Public Warrants who exercise their warrants to do so on a “cashless basis” in accordance with Section 3(a)(9) of the Securities Act and, in the event the Company so elects, the Company will not be required to file or maintain in effect a registration statement, and in the event the Company does not so elect, the Company will use its best efforts to register or qualify the shares under applicable blue sky laws to the extent an exemption is not available. If that exemption, or another exemption, is not available, holders will not be able to exercise their warrants on a cashless basis. The Public Warrants will expire five years after the completion of a Business Combination or earlier upon redemption or liquidation.

Once the warrants become exercisable, the Company may redeem the Public Warrants:

- in whole and not in part;
- at a price of \$0.01 per warrant;
- upon not less than 30 days' prior written notice of redemption; and
- if, and only if, the reported last sale price of the Company's Class A common stock equals or exceeds \$18.00 per share for any 20 trading days within a 30-trading day period ending three business days before the Company sends the notice of redemption to the warrant holders.
- If, and only if, there is a current registration statement in effect with respect to the shares of Class A common stock underlying such warrants.

The Placement Warrants are identical to the Public Warrants underlying the Units sold in the Initial Public Offering, except that the Placement Warrants and the Class A common stock issuable upon the exercise of the Placement Warrants will not be transferable, assignable or salable until 30 days after the completion of a Business Combination, subject to certain limited exceptions. Additionally, the Placement Warrants will be exercisable on a cashless basis and be non-redeemable so long as they are held by the initial purchasers or their permitted transferees. If the Placement Warrants are held by someone other than the initial purchasers or their permitted transferees, the Placement Warrants will be redeemable by the Company and exercisable by such holders on the same basis as the Public Warrants.

If the Company calls the Public Warrants for redemption, management will have the option to require all holders that wish to exercise the Public Warrants to do so on a "cashless basis," as described in the warrant agreement. The exercise price and number of shares of Class A common stock issuable upon exercise of the warrants may be adjusted in certain circumstances including in the event of a stock dividend, or recapitalization, reorganization, merger or consolidation. However, the warrants will not be adjusted for issuance of Class A common stock at a price below its exercise price. Additionally, in no event will the Company be required to net cash settle the warrants. If the Company is unable to complete a Business Combination within the Combination Period and the Company liquidates the funds held in the Trust Account, holders of warrants will not receive any of such funds with respect to their warrants, nor will they receive any distribution from the Company's assets held outside of the Trust Account with the respect to such warrants. Accordingly, the warrants may expire worthless.

#### **NOTE 8. FAIR VALUE MEASUREMENTS**

The Company classifies its U. S. Treasury and equivalent securities as held-to-maturity in accordance with ASC 320 "Investments - Debt and Equity Securities." Held-to-maturity securities are those securities which the Company has the ability and intent to hold until maturity. Held-to-maturity treasury securities are recorded at amortized cost on the accompanying condensed balance sheets and adjusted for the amortization or accretion of premiums or discounts.

At June 30, 2019, assets held in the Trust Account were comprised of \$2,899 in cash, \$110,821 in money market funds and \$222,880,135 in U.S. Treasury Bills. At December 31, 2018, assets held in the Trust Account were comprised of \$24,616 in cash and \$221,133,851 in U.S. Treasury Bills. During the six months ended June 30, 2019, the Company withdrew \$782,403 of interest income from the Trust account to pay its franchise and income taxes.

The gross holding losses and fair value of held-to-maturity securities at June 30, 2019 and December 31, 2018 are as follows:

	<u>Held-To-Maturity</u>	<u>Amortized Cost</u>	<u>Gross Holding Gains (Losses)</u>	<u>Fair Value</u>
June 30, 2019	U.S. Treasury Securities (Mature on 7/9/2019)	<u>\$111,140,684</u>	<u>\$11,500</u>	<u>\$111,152,184</u>
June 30, 2019	U.S. Treasury Securities (Mature on 7/23/2019)	<u>\$111,739,451</u>	<u>\$2,576</u>	<u>\$111,742,027</u>
December 31, 2018	U.S. Treasury Securities (Mature on 4/11/2019)	<u>\$110,548,511</u>	<u>\$(11,025)</u>	<u>\$110,537,486</u>
December 31, 2018	U.S. Treasury Securities (Mature on 4/4/2019)	<u>\$110,585,340</u>	<u>\$(6,208)</u>	<u>\$110,579,132</u>

The fair value of the Company's financial assets and liabilities reflects management's estimate of amounts that the Company would have received in connection with the sale of the assets or paid in connection with the transfer of the liabilities in an orderly transaction between market participants at the measurement date. In connection with measuring the fair value of its assets and liabilities, the Company seeks to maximize the use of observable inputs (market data obtained from independent sources) and to minimize the use of unobservable inputs (internal assumptions about how market participants would price assets and liabilities). The following fair value hierarchy is used to classify assets and liabilities based on the observable inputs and unobservable inputs used in order to value the assets and liabilities:

- Level 1: Quoted prices in active markets for identical assets or liabilities. An active market for an asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2: Observable inputs other than Level 1 inputs. Examples of Level 2 inputs include quoted prices in active markets for similar assets or liabilities and quoted prices for identical assets or liabilities in markets that are not active.
- Level 3: Unobservable inputs based on our assessment of the assumptions that market participants would use in pricing the asset or liability.

#### NOTE 9. SUBSEQUENT EVENTS

The Company evaluates subsequent events and transactions that occur after the balance sheet date up to the date that the condensed financial statements were issued. Based upon this review, the Company did not identify subsequent events that would have required adjustment or disclosure in the condensed financial statements.

**B. REPORTS FROM THE INDEPENDENT AUDITOR ON THE PUBLISHED FINANCIAL INFORMATION OF CHASERG OF THE PERIOD FROM 21ST MAY 2018 (DATE OF INCORPORATION) TO THE YEAR ENDED 31 DECEMBER 2018 AND THE SIX MONTHS ENDED 30TH JUNE 2019**

1. The following is the text of the report from WithumSmith+Brown, PC, independent registered public accounting firm in the United States in respect of the audited financial statements of ChaSerg for the period from 21st May 2018 (date of incorporation) to 31st December 2018, issued on 20th March 2019.

This report is an extract from Form 10-K of ChaSerg issued on 20th March 2019.

[https://www.sec.gov/Archives/edgar/data/1743725/000121390019004549/f10k2018\\_chasergtech.htm](https://www.sec.gov/Archives/edgar/data/1743725/000121390019004549/f10k2018_chasergtech.htm)

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Stockholders and the Board of Directors of  
ChaSerg Technology Acquisition Corp.

**Opinion on the Financial Statement**

We have audited the accompanying balance sheet of ChaSerg Technology Acquisition Corp. (the “Company”) as of December 31, 2018, the related statements of operations, changes in stockholders’ equity and cash flows for the period from May 21, 2018 (inception) through December 31, 2018, and the related notes (collectively referred to as the “financial statement”). In our opinion, the financial statement presents fairly, in all material respects, the financial position of the Company as of December 31, 2018 and the results of its operations and its cash flows for the period from May 21, 2018 (inception) through December 31, 2018, in conformity with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

This financial statement is the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statement based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the financial statement, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statement. We believe that our audit provides a reasonable basis for our opinion.

/s/ WithumSmith+Brown, PC

We have served as the Company's auditor since 2018.

New York, New York

March 20, 2019

2. The following is the text of the review report from WithumSmith+Brown, PC, independent registered public accounting firm in the United States in respect of the financial statements of ChaSerg as of and for the period ended 30 June 2019, issued on 12 August 2019.

#### **REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors of  
ChaSerg Technology Acquisition Corp.

#### **Results of Review of Interim Financial Statements**

We have reviewed the condensed balance sheet of ChaSerg Technology Acquisition Corp. (the “Company”) as of June 30, 2019, and the related condensed statements of operations, changes in stockholders’ equity and cash flows for the three and six month periods ended June 30, 2019 and for the period from May 21, 2018 (inception) through June 30, 2018, and the related notes (collectively referred to as the “interim financial statements”). Based on our reviews, we are not aware of any material modifications that should be made to the condensed financial statements referred to above for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the balance sheet of the Company as of December 31, 2018, and the related statements of income, changes in stockholders’ equity, and cash flows for the period from May 21, 2018 (inception) through December 31, 2018 (not presented herein); and in our report dated March 20, 2019, we expressed an unqualified opinion on those financial statements. In our opinion, the information set forth in the accompanying condensed balance sheet as of December 31, 2018, is fairly stated, in all material respects, in relation to the balance sheet from which it has been derived.

#### **Basis for Review Results**

These interim financial statements are the responsibility of the Company’s management. We conducted our reviews in accordance with the standards of the PCAOB. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the PCAOB, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

#### **Going Concern**

As indicated in Note 1, if the Company is unable to complete a business combination by April 9, 2020, then the Company will cease all operations except for the purpose of liquidating. The accompanying interim financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ WithumSmith+Brown, PC

August 12, 2019

## C. RECONCILIATION

1. The following is a line-by-line reconciliation of the balance sheet and statement of operations of ChaSerg (for the period from May 21, 2018 (date of incorporation) through December 31, 2018) to address the differences in ChaSerg's financial information had it been prepared in accordance with the Company's accounting policies.

The process applied in preparation of this reconciliation is set out in the "Basis of Presentation" and "Reconciliation Process" sections below.

## (a)(i) Line-by-line reconciliation as at December 31, 2018

	Unadjusted Financial Information of ChaSerg US\$	Reclassifications US\$	Note	Adjusted Financial Information of ChaSerg under the Company's Policies US\$
<b>ASSETS</b>				
Current Assets				
Cash	1,011,224	—		1,011,224
Prepaid expenses and other current assets	194,482	—		194,482
Total Current Assets	1,205,706	—		1,205,706
Cash and marketable securities held in Trust Account	221,158,467	—		221,158,467
<b>Total Assets</b>	<b>222,364,173</b>	<b>—</b>		<b>222,364,173</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>				
Current Liabilities				
Accounts payable and accrued expenses	216,493	—		216,493
Accrued offering costs	11,250	—		11,250
Common stock subject to possible redemption	—	209,219,050	(i)	209,219,050
Income taxes payable	217,377	—		217,377
Total Current Liabilities	445,120	209,219,050		209,664,170
Deferred underwriting fee payable	7,700,000	—		7,700,000
<b>Total Liabilities</b>	<b>8,145,120</b>	<b>209,219,050</b>		<b>217,364,170</b>
<b>Commitments</b>				
Common stock subject to possible redemption	209,219,050	(209,219,050)	(i)	—
<b>Stockholders' Equity</b>				
Preferred stock	—	—		—
Class A common stock	172	6	(ii)	178
Class B common stock	550	—		550
Additional paid-in capital	4,383,917	617,364	(ii)	5,001,281
Retained earnings/(Accumulated deficit)	615,364	(617,370)	(ii)	(2,006)
<b>Total Stockholders' Equity</b>	<b>5,000,003</b>	<b>—</b>		<b>5,000,003</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>222,364,173</b>	<b>—</b>		<b>222,364,173</b>

## (a)(ii) Line-by-line reconciliation for the period from May 21, 2018 (date of incorporation) through December 31, 2018

	Unadjusted Financial Information of ChaSerg	Reclassifications	Note	Adjusted Financial Information of ChaSerg under the Company's Policies
	<u>US\$</u>	<u>US\$</u>		<u>US\$</u>
General and administrative expenses	325,726	—		325,726
<b>Loss from operations</b>	<b>(325,726)</b>	<b>—</b>		<b>(325,726)</b>
Other income:				
Interest earned on marketable securities held in Trust Account	1,158,467	—		1,158,467
Change in fair value of common stock subject to possible redemption	—	(617,370)	(ii)	(617,370)
Income before provision for income taxes	832,741	(617,370)		215,371
Provision for income taxes	(217,377)	—		(217,377)
<b>Net income (loss)</b>	<b>615,364</b>	<b>(617,370)</b>		<b>(2,006)</b>

*Note:* The following reclassifications and adjustments are to align the classifications of the respective amounts of the relevant financial line items shown in the balance sheet and statement of operations of ChaSerg to those of the statement of financial position and statement of profit or loss of the Group:

- (i) Reclassifications from temporary equity of ChaSerg to financial liabilities of the Group for “Common stock subject to possible redemption” of ChaSerg; and
- (ii) Adjustments of change in fair value of common stock subject to possible redemption from recognition directly in equity of ChaSerg to recognition through profit or loss of the Group.

Other than the reclassifications and adjustments set out in the Reconciliation above, there are no material differences between the balance sheet of ChaSerg as at December 31, 2018 and statement of operations of ChaSerg for the period from May 21, 2018 (date of incorporation) through December 31, 2018, compared to such financial statements had they been prepared applying the accounting policies presently adopted by the Company.



Your attention is drawn to the fact that the work carried out in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” issued by the HKICPA (“HKSAE 3000 (Revised)”) is different in scope from an audit or a review conducted in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements issued by the HKICPA and consequently, HLB Hodgson Impey Cheng Limited (“HLB HIC”) did not express an audit opinion nor a review conclusion on the Reconciliation.

**(b) Basis of Presentation**

The Reconciliation above for the period from May 21, 2018 (date of incorporation) through December 31, 2018 was prepared by restating the “Unadjusted Financial Information of ChaSerg” as if it had been prepared in accordance with the accounting policies presently adopted by the Company, if any.

**(c) Reconciliation Process**

The Reconciliation above has been prepared by the Directors by comparing the differences between the accounting policies adopted by ChaSerg for the period from May 21, 2018 (date of incorporation) through December 31, 2018 on the one hand, and the accounting policies presently adopted by the Company on the other hand and in accordance with the basis of preparation in respect of the period from May 21, 2018 (date of incorporation) through December 31, 2018, as appropriate, and quantifying the relevant material financial effects of such differences, if any. Your attention is drawn to the fact that the Reconciliation above has not been subject to an independent audit.

Accordingly, no opinion is expressed by an auditor on whether it presents a true and fair view of ChaSerg’s financial position as at December 31, 2018, nor its results for the period from May 21, 2018 (date of incorporation) through December 31, 2018 under the accounting policies presently adopted by the Company.

The financial statements of ChaSerg for the period from May 21, 2018 (date of incorporation) through December 31, 2018 were prepared in accordance with generally accepted accounting principles in the United States and were audited by WithumSmith+Brown, PC (a member of HLB International). HLB HIC (a firm of certified public accountants, Hong Kong and a member of HLB International) was engaged by the Company to conduct work in accordance with the HKSAE 3000 (Revised) on the Reconciliation above. The work consisted primarily of:

- (i) comparing the “Unadjusted Financial Information of ChaSerg” as set out in the Reconciliation above with the audited financial statements of ChaSerg for the period from May 21, 2018 (date of incorporation) through December 31, 2018, as appropriate;
- (ii) considering the reclassifications and adjustments made and evidence supporting the reclassifications and adjustments made in arriving at the “Adjusted Financial Information of ChaSerg under the Company’s Policies” as set out above in the Reconciliation, which included examining the differences between ChaSerg’s accounting policies and the Company’s accounting policies; and

- (iii) checking the arithmetic accuracy of the computation of the “Adjusted Financial Information of ChaSerg under the Company’s Policies” in the Reconciliation above. HLB HIC’s engagement did not involve independent examination of any of the underlying financial information. The work carried out in accordance with HKSAE 3000 (Revised) is different in scope from an audit or a review conducted in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements issued by the HKICPA and consequently, HLB HIC did not express an audit opinion nor a review conclusion on the Reconciliation.

HLB HIC’s engagement was intended solely for the use of the Directors in connection with this Circular and may not be suitable for another purpose. Based on the work performed, HLB HIC has concluded that:

- (i) the “Unadjusted Financial Information of ChaSerg” as set out in the Reconciliation above is in agreement with the audited financial statements of ChaSerg for the period from May 21, 2018 (date of incorporation) through December 31, 2018;
- (ii) the reclassifications and adjustments reflect, in all material respects, the differences between ChaSerg’s accounting policies and the Company’s accounting policies; and
- (iii) the computation of the “Adjusted Financial Information of ChaSerg under the Company’s Policies” in the Reconciliation above is arithmetically accurate.

2. The following is a line-by-line reconciliation of the balance sheet and statement of operations of ChaSerg (for the six months ended June 30, 2019) to address the differences in ChaSerg's financial information had it been prepared in accordance with the Company's accounting policies.

The process applied in preparation of this reconciliation is set out in the "Basis of Presentation" and "Reconciliation Process" sections below.

**(a)(i) Line-by-line reconciliation as at June 30, 2019**

	Unadjusted Financial Information of ChaSerg US\$	Reclassifications US\$	Note	Adjusted Financial Information of ChaSerg under the Company's Policies US\$
<b>ASSETS</b>				
Current Assets				
Cash	659,543	—		659,543
Prepaid expenses and other current assets	175,201	—		175,201
Total Current Assets	834,744	—		834,744
Cash and marketable securities held in Trust Account	222,993,855	—		222,993,855
<b>Total Assets</b>	<b>223,828,599</b>	<b>—</b>		<b>223,828,599</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>				
Current Liabilities				
Accounts payable and accrued expenses	165,361	—		165,361
Accrued offering costs	11,250	—		11,250
Common stock subject to possible redemption	—	210,712,990	(i)	210,712,990
Income taxes payable	238,996	—		238,996
Total Current Liabilities	415,607	210,712,990		211,128,597
Deferred underwriting fee payable	7,700,000	—		7,700,000
<b>Total Liabilities</b>	<b>8,115,607</b>	<b>210,712,990</b>		<b>218,828,597</b>
<b>Commitments</b>				
Common stock subject to possible redemption	210,712,990	(210,712,990)	(i)	—
<b>Stockholders' Equity</b>				
Preferred stock	—	—		—
Class A common stock	157	21	(ii)	178
Class B common stock	550	—		550
Additional paid-in capital	2,889,992	2,111,288	(ii)	5,001,280
Retained earnings/(Accumulated deficit)	2,109,303	(2,111,309)	(ii)	(2,006)
<b>Total Stockholders' Equity</b>	<b>5,000,002</b>	<b>—</b>		<b>5,000,002</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>223,828,599</b>	<b>—</b>		<b>223,828,599</b>

## (a)(ii) Line-by-line reconciliation for the six months ended June 30, 2019

	Unadjusted Financial Information of ChaSerg	Reclassifications	Note	Adjusted Financial Information of ChaSerg under the Company's Policies
	US\$	US\$		US\$
General and administrative expenses	595,223	—		595,223
<b>Loss from operations</b>	<b>(595,223)</b>	<b>—</b>		<b>(595,223)</b>
Other income:				
Interest earned on marketable securities held in Trust Account	2,617,791	—		2,617,791
Change in fair value of common stock subject to possible redemption	—	(1,493,939)	(ii)	(1,493,939)
Income (loss) before provision for income taxes	2,022,568	(1,493,939)		(528,629)
Provision for income taxes	(528,629)	—		(528,629)
<b>Net income (loss)</b>	<b>1,493,939</b>	<b>(1,493,939)</b>		<b>—</b>

*Note:* The following reclassifications and adjustments are to align the classifications of the respective amounts of the relevant financial line items shown in the balance sheet and statement of operations of ChaSerg to those of the statement of financial position and statement of profit or loss of the Group:

- (i) Reclassifications from temporary equity of ChaSerg to financial liabilities of the Group for “Common stock subject to possible redemption” of ChaSerg; and
- (ii) Adjustments of change in fair value of common stock subject to possible redemption from recognition directly in equity of ChaSerg to recognition through profit or loss of the Group.

Other than the reclassifications and adjustments set out in the Reconciliation above, there are no material differences between the balance sheet of ChaSerg as at June 30, 2019 and statement of operations of ChaSerg for the six months ended June 30, 2019, compared to such financial statements had they been prepared applying the accounting policies presently adopted by the Company.

Your attention is drawn to the fact that the work carried out in accordance with the HKSAE 3000 (Revised) is different in scope from an audit or a review conducted in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements issued by the HKICPA and consequently, HLB HIC did not express an audit opinion nor a review conclusion on the Reconciliation.

**(b) Basis of Presentation**

The Reconciliation above for the six months ended June 30, 2019 was prepared by restating the “Unadjusted Financial Information of ChaSerg” as if it had been prepared in accordance with the accounting policies presently adopted by the Company, if any.

**(c) Reconciliation Process**

The Reconciliation above has been prepared by the Directors by comparing the differences between the accounting policies adopted by ChaSerg for the six months ended June 30, 2019 on the one hand, and the accounting policies presently adopted by the Company on the other hand and in accordance with the basis of preparation in respect of the six months ended June 30, 2019, as appropriate, and quantifying the relevant material financial effects of such differences, if any. Your attention is drawn to the fact that the Reconciliation above has not been subject to an independent audit.

Accordingly, no opinion is expressed by an auditor on whether it presents a true and fair view of ChaSerg’s financial position as at June 30, 2019, nor its results for the six months ended June 30, 2019 under the accounting policies presently adopted by the Company.

The financial statements of ChaSerg for the six months ended June 30, 2019 were prepared in accordance with generally accepted accounting principles in the United States and were reviewed by WithumSmith+Brown, PC (a member of HLB International). HLB HIC (a firm of certified public accountants, Hong Kong and a member of HLB International) was engaged by the Company to conduct work in accordance with the HKSAE 3000 (Revised) on the Reconciliation above. The work consisted primarily of:

- (i) comparing the “Unadjusted Financial Information of ChaSerg” as set out in the Reconciliation above with the financial statements of ChaSerg, for the six months ended June 30, 2019, as appropriate;
- (ii) considering the reclassifications and adjustments made and evidence supporting the reclassifications and adjustments made in arriving at the “Adjusted Financial Information of ChaSerg under the Company’s Policies” as set out above in the Reconciliation, which included examining the differences between ChaSerg’s accounting policies and the Company’s accounting policies; and

- (iii) checking the arithmetic accuracy of the computation of the “Adjusted Financial Information of ChaSerg under the Company’s Policies” in the Reconciliation above. HLB HIC’s engagement did not involve independent examination of any of the underlying financial information. The work carried out in accordance with HKSAE 3000 (Revised) is different in scope from an audit or a review conducted in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements issued by the HKICPA and consequently, HLB HIC did not express an audit opinion nor a review conclusion on the Reconciliation.

HLB HIC’s engagement was intended solely for the use of the Directors in connection with this Circular and may not be suitable for another purpose. Based on the work performed, HLB HIC has concluded that:

- (i) the “Unadjusted Financial Information of ChaSerg” as set out in the Reconciliation above is in agreement with the financial statements of ChaSerg for the six months ended June 30, 2019;
- (ii) the reclassifications and adjustments reflect, in all material respects, the differences between ChaSerg’s accounting policies and the Company’s accounting policies; and
- (iii) the computation of the “Adjusted Financial Information of ChaSerg under the Company’s Policies” in the Reconciliation above is arithmetically accurate.

**D. MANAGEMENT DISCUSSION AND ANALYSIS OF CHASERG**

1. The following is an extract of “Management’s Discussion and Analysis of Financial Condition and Results of Operations” of ChaSerg for the period from 21st May 2018 (date of incorporation) to 31st December 2018, which were prepared in accordance with accounting principles generally accepted in the United States of America (‘US GAAP’), from the 2018 annual report on Form 10-K of ChaSerg issued on 20th March 2019.

The 2018 annual report on Form 10-K have been published on the website of the U.S. Securities and Exchange Commission ([www.sec.gov](http://www.sec.gov)) and can be accessed at the website address below:

[https://www.sec.gov/Archives/edgar/data/1743725/000121390019004549/f10k2018\\_chasergtech.htm](https://www.sec.gov/Archives/edgar/data/1743725/000121390019004549/f10k2018_chasergtech.htm)

**Management’s Discussion and Analysis of Financial Condition and Results of Operations for the period from 21st May 2018 (date of incorporation) to 31st December 2018**

The following discussion should be read in conjunction with our Financial Statements and footnotes thereto contained in this report.

**Forward Looking Statements**

All statements other than statements of historical fact included in this Form 10-K including, without limitation, statements under “Management’s Discussion and Analysis of Financial Condition and Results of Operations” regarding our financial position, business strategy and the plans and objectives of management for future operations, are forward looking statements. When used in this Form 10-K, words such “may,” “should,” “could,” “would,” “expect,” “plan,” “anticipate,” “believe,” “estimate,” “continue,” or the negative of such terms or other similar expressions, as they relate to us or our management, identify forward looking statements. Factors that might cause or contribute to such a discrepancy include, but are not limited to, those described in our other Securities and Exchange Commission (“SEC”) filings. References to “we”, “us”, “our” or the “Company” are to ChaSerg Technology Acquisition Corp., except where the context requires otherwise. Such forward looking statements are based on the beliefs of management, as well as assumptions made by, and information currently available to, our management. No assurance can be given that results in any forward-looking statement will be achieved and actual results could be affected by one or more factors, which could cause them to differ materially. The cautionary statements made in this Annual Report on Form 10-K should be read as being applicable to all forward-looking statements whenever they appear in this Annual Report. For these statements, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act. Actual results could differ materially from those contemplated by the forward looking statements as a result of certain factors detailed in our filings with the Securities and Exchange Commission. All subsequent written or oral forward looking statements attributable to us or persons acting on our behalf are qualified in their entirety by this paragraph.

### Overview

We are a blank check company formed under the laws of the State of Delaware on May 21, 2018 for the purpose of effecting a merger, capital stock exchange, asset acquisition, stock purchase, reorganization or similar Business Combination with one or more target businesses. We intend to effectuate our Business Combination using cash from the proceeds of our Initial Public Offering and the sale of the Placement Units that occurred simultaneously with the completion of our Initial Public Offering, our capital stock, debt or a combination of cash, stock and debt.

The issuance of additional shares in connection with an initial business combination to the owners of the target or other investors:

- may significantly dilute the equity interest of investors, which dilution would increase if the anti-dilution provisions in the Class B common stock resulted in the issuance of Class A common stock on a greater than one-to-one basis upon conversion of the Class B common stock;
- may subordinate the rights of holders of our common stock if preferred stock is issued with rights senior to those afforded our common stock;
- could cause a change in control if a substantial number of shares of our common stock is issued, which may affect, among other things, our ability to use our net operating loss carry forwards, if any, and could result in the resignation or removal of our present officers and directors;
- may have the effect of delaying or preventing a change of control of us by diluting the stock ownership or voting rights of a person seeking to obtain control of us; and
- may adversely affect prevailing market prices for our Class A common stock and/or warrants.

Similarly, if we issue debt securities or otherwise incur significant debt to bank or other lenders or the owners of a target, it could result in:

- default and foreclosure on our assets if our operating revenues after an initial business combination are insufficient to repay our debt obligations;
- acceleration of our obligations to repay the indebtedness even if we make all principal and interest payments when due if we breach certain covenants that require the maintenance of certain financial ratios or reserves without a waiver or renegotiation of that covenant;
- our immediate payment of all principal and accrued interest, if any, if the debt security is payable on demand;



- our inability to obtain necessary additional financing if the debt security contains covenants restricting our ability to obtain such financing while the debt security is outstanding;
- our inability to pay dividends on our common stock;
- using a substantial portion of our cash flow to pay principal and interest on our debt, which will reduce the funds available for dividends on our common stock if declared, our ability to pay expenses, make capital expenditures and acquisitions, and fund other general corporate purposes;
- limitations on our flexibility in planning for and reacting to changes in our business and in the industry in which we operate;
- increased vulnerability to adverse changes in general economic, industry and competitive conditions and adverse changes in government regulation;
- limitations on our ability to borrow additional amounts for expenses, capital expenditures, acquisitions, debt service requirements, and execution of our strategy; and
- other purposes and other disadvantages compared to our competitors who have less debt.

We expect to continue to incur significant costs in the pursuit of our acquisition plans. We cannot assure you that our plans to complete a Business Combination will be successful.

### **Results of Operations**

We have neither engaged in any operations nor generated any revenues to date. Our only activities from inception to December 31, 2018 were organizational activities, those necessary to prepare for the Initial Public Offering, described below, and identifying a target company for a Business Combination. We do not expect to generate any operating revenues until after the completion of our Business Combination. We generate non-operating income in the form of interest income on marketable securities held in the Trust Account. We incur expenses as a result of being a public company (for legal, financial reporting, accounting and auditing compliance), as well as for due diligence expenses in connection with completing a Business Combination.

For the period from May 21, 2018 (inception) through December 31, 2018, we had a net income of \$615,364, which consists of interest income on marketable securities held in the Trust Account of \$1,158,467, offset by operating costs of \$325,726 and a provision for income taxes of \$217,377.

### Liquidity and Capital Resources

As of December 31, 2018, we had cash of \$1,011,224. Until the consummation of the Initial Public Offering, the Company's only source of liquidity was an initial purchase of common stock by the Sponsor and loans from our Sponsor.

On October 10, 2018, we consummated the Initial Public Offering of 20,000,000 Units at a price of \$10.00 per Unit, generating gross proceeds of \$200,000,000. Simultaneously with the closing of the Initial Public Offering, we consummated the sale of 600,000 Placement Units to the Sponsor and the underwriters at a price of \$10.00 per unit, generating gross proceeds of \$6,000,000.

On October 25, 2018, in connection with the underwriters' election to partially exercise of their over-allotment option, we consummated the sale of an additional 2,000,000 Units and the sale of an additional 40,000 Placement Units, generating total gross proceeds of \$20,400,000.

Following the Initial Public Offering, the exercise of the over-allotment option and the sale of the Placement Units, a total of \$220,000,000 was placed in the Trust Account and we had \$1,354,817 of cash held outside of the Trust Account, after payment of costs related to the Initial Public Offering, and available for working capital purposes. We incurred \$12,821,311 in transaction costs, including \$4,400,000 of underwriting fees, \$7,700,000 of deferred underwriting fees and \$721,311 of other costs.

We intend to use substantially all of the funds held in the Trust Account, including any amounts representing interest earned on the Trust Account (less deferred underwriting commissions) to complete our Business Combination. To the extent that our capital stock or debt is used, in whole or in part, as consideration to complete our Business Combination, the remaining proceeds held in the Trust Account will be used as working capital to finance the operations of the target business or businesses, make other acquisitions and pursue our growth strategies.

We intend to use the funds held outside the Trust Account primarily to identify and evaluate target businesses, perform business due diligence on prospective target businesses, travel to and from the offices, plants or similar locations of prospective target businesses or their representatives or owners, review corporate documents and material agreements of prospective target businesses, and structure, negotiate and complete a Business Combination.

In order to fund working capital deficiencies or finance transaction costs in connection with a Business Combination, our Sponsor or an affiliate of our Sponsor or certain of our officers and directors may, but are not obligated to, loan us funds as may be required. If we complete a Business Combination, we would repay such loaned amounts. In the event that a Business Combination does not close, we may use a portion of the working capital held outside the Trust Account to repay such loaned amounts but no proceeds from our Trust Account would be used for such repayment. Up to \$1,500,000 of such loans may be convertible into units identical to the Placement Units, at a price of \$10.00 per unit at the option of the lender.

We do not believe we will need to raise additional funds in order to meet the expenditures required for operating our business. However, if our estimate of the costs of identifying a target business, undertaking in-depth due diligence and negotiating a Business Combination are less than the actual amount necessary to do so, we may have insufficient funds available to operate our business prior to our Business Combination. Moreover, we may need to obtain additional financing either to complete our Business Combination or because we become obligated to redeem a significant number of our public shares upon consummation of our Business Combination, in which case we may issue additional securities or incur debt in connection with such Business Combination. Subject to compliance with applicable securities laws, we would only complete such financing simultaneously with the completion of our Business Combination. If we are unable to complete our Business Combination because we do not have sufficient funds available to us, we will be forced to cease operations and liquidate the Trust Account. In addition, following our Business Combination, if cash on hand is insufficient, we may need to obtain additional financing in order to meet our obligations.

#### **Off-balance sheet financing arrangements**

We have no obligations, assets or liabilities, which would be considered off-balance sheet arrangements as of December 31, 2018. We do not participate in transactions that create relationships with unconsolidated entities or financial partnerships, often referred to as variable interest entities, which would have been established for the purpose of facilitating off-balance sheet arrangements. We have not entered into any off-balance sheet financing arrangements, established any special purpose entities, guaranteed any debt or commitments of other entities, or purchased any non-financial assets.

#### **Contractual obligations**

We do not have any long-term debt, capital lease obligations, operating lease obligations or long-term liabilities, other than an agreement to pay an affiliate of the Sponsor a monthly fee of \$15,000 for office space, utilities and secretarial and administrative support to the Company. We began incurring these fees on October 10, 2018 and will continue to incur these fees monthly until the earlier of the completion of the Business Combination and the Company's liquidation.

#### **Critical Accounting Policies**

The preparation of financial statements and related disclosures in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and income and expenses during the periods reported. Actual results could materially differ from those estimates. We have not identified any critical accounting policies.

***Recent accounting pronouncements***

In August 2018, the SEC adopted the final rule under SEC Release No. 33-10532, “Disclosure Update and Simplification,” amending certain disclosure requirements that were redundant, duplicative, overlapping, outdated or superseded. In addition, the amendments expanded the disclosure requirements on the analysis of stockholders’ equity for interim financial statements. Under the amendments, an analysis of changes in each caption of stockholders’ equity presented in the balance sheet must be provided in a note or separate statement. The analysis should present a reconciliation of the beginning balance to the ending balance of each period for which a statement of comprehensive income is required to be filed. This final rule is effective on November 5, 2018. We anticipate our first presentation of the revised disclosures on the changes in stockholders’ equity will be included in our Form 10-Q for the quarter ended March 31, 2019.

Management does not believe that any other recently issued, but not yet effective, accounting standards, if currently adopted, would have a material effect on our financial statements.

**Quantitative and Qualitative Disclosures about Market Risk**

The net proceeds of our initial public offering and the sale of the placement units held in the trust account are invested in money market funds meeting certain conditions under Rule 2a-7 under the Investment Company Act which invest only in direct U.S. government treasury obligations. Due to the short-term nature of these investments, we believe there will be no associated material exposure to interest rate risk.

2. The following is an extract of “Management’s Discussion and Analysis of Financial Condition and Results of Operations” of ChaSerg for the period ended 30th June 2019, which were prepared in accordance with accounting principles generally accepted in the United States of America (“US GAAP”), from quarterly report on Form 10-Q of ChaSerg issued on 13th August 2019.

The 2019 quarterly report on Form 10-Q have been published on the website of the U.S. Securities and Exchange Commission ([www.sec.gov](http://www.sec.gov)) and can be accessed at the website address below:

[https://www.sec.gov/Archives/edgar/data/1743725/000121390019023007/f10q0919\\_chasergtechno.htm](https://www.sec.gov/Archives/edgar/data/1743725/000121390019023007/f10q0919_chasergtechno.htm)

### **Management’s Discussion and Analysis of Financial Condition and Results of Operations for the quarter ended 30th June 2019**

References in this report (the “Quarterly Report”) to “we,” “us” or the “Company” refer to ChaSerg Technology Acquisition Corp. References to our “management” or our “management team” refer to our officers and directors, references to the “Sponsor” refer to ChaSerg Technology Sponsor LLC. The following discussion and analysis of the Company’s financial condition and results of operations should be read in conjunction with the financial statements and the notes thereto contained elsewhere in this Quarterly Report. Certain information contained in the discussion and analysis set forth below includes forward-looking statements that involve risks and uncertainties.

### **Special Note Regarding Forward-Looking Statements**

This Quarterly Report includes “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Exchange Act that are not historical facts, and involve risks and uncertainties that could cause actual results to differ materially from those expected and projected. All statements, other than statements of historical fact included in this Form 10-Q including, without limitation, statements in this “Management’s Discussion and Analysis of Financial Condition and Results of Operations” regarding the Company’s financial position, business strategy and the plans and objectives of management for future operations, are forward-looking statements. Words such as “expect,” “believe,” “anticipate,” “intend,” “estimate,” “seek” and variations and similar words and expressions are intended to identify such forward-looking statements. Such forward-looking statements relate to future events or future performance, but reflect management’s current beliefs, based on information currently available. A number of factors could cause actual events, performance or results to differ materially from the events, performance and results discussed in the forward-looking statements. For information identifying important factors that could cause actual results to differ materially from those anticipated in the forward-looking statements, please refer to the Risk Factors section of the Company’s Annual Report on Form 10-K for the period ended December 31, 2018 filed with the U.S. Securities and Exchange Commission (the “SEC”). The Company’s securities filings can be accessed on the EDGAR section of the SEC’s website at [www.sec.gov](http://www.sec.gov). Except as expressly required by applicable securities law, the Company disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise.

### Overview

We are a blank check company formed under the laws of the State of Delaware on May 21, 2018 for the purpose of effecting a merger, capital stock exchange, asset acquisition, stock purchase, reorganization or similar Business Combination with one or more target businesses. We intend to effectuate our Business Combination using cash from the proceeds of our Initial Public Offering and the sale of the Placement Units that occurred simultaneously with the completion of our Initial Public Offering, our capital stock, debt or a combination of cash, stock and debt.

The issuance of additional shares in connection with an initial business combination to the owners of the target or other investors:

- may significantly dilute the equity interest of investors, which dilution would increase if the anti-dilution provisions in the Class B common stock resulted in the issuance of Class A common stock on a greater than one-to-one basis upon conversion of the Class B common stock;
- may subordinate the rights of holders of our common stock if preferred stock is issued with rights senior to those afforded our common stock;
- could cause a change in control if a substantial number of shares of our common stock is issued, which may affect, among other things, our ability to use our net operating loss carry forwards, if any, and could result in the resignation or removal of our present officers and directors;
- may have the effect of delaying or preventing a change of control of us by diluting the stock ownership or voting rights of a person seeking to obtain control of us; and
- may adversely affect prevailing market prices for our Class A common stock and/or warrants.

Similarly, if we issue debt securities or otherwise incur significant debt to bank or other lenders or the owners of a target, it could result in:

- default and foreclosure on our assets if our operating revenues after an initial business combination are insufficient to repay our debt obligations;
- acceleration of our obligations to repay the indebtedness even if we make all principal and interest payments when due if we breach certain covenants that require the maintenance of certain financial ratios or reserves without a waiver or renegotiation of that covenant;
- our immediate payment of all principal and accrued interest, if any, if the debt security is payable on demand;

- our inability to obtain necessary additional financing if the debt security contains covenants restricting our ability to obtain such financing while the debt security is outstanding;
- our inability to pay dividends on our common stock;
- using a substantial portion of our cash flow to pay principal and interest on our debt, which will reduce the funds available for dividends on our common stock if declared, our ability to pay expenses, make capital expenditures and acquisitions, and fund other general corporate purposes;
- limitations on our flexibility in planning for and reacting to changes in our business and in the industry in which we operate;
- increased vulnerability to adverse changes in general economic, industry and competitive conditions and adverse changes in government regulation;
- limitations on our ability to borrow additional amounts for expenses, capital expenditures, acquisitions, debt service requirements, and execution of our strategy; and
- other purposes and other disadvantages compared to our competitors who have less debt.

We expect to continue to incur significant costs in the pursuit of our acquisition plans. We cannot assure you that our plans to complete a Business Combination will be successful.

### **Results of Operations**

We have neither engaged in any operations nor generated any revenues to date. Our only activities from inception to June 30, 2019 were organizational activities, those necessary to prepare for the Initial Public Offering, described below, and identifying a target company for a Business Combination. We do not expect to generate any operating revenues until after the completion of our Business Combination. We generate non-operating income in the form of interest income on marketable securities held in the Trust Account. We incur expenses as a result of being a public company (for legal, financial reporting, accounting and auditing compliance), as well as for due diligence expenses in connection with completing a Business Combination.

For the three months ended June 30, 2019, we had a net income of \$773,705, which consists of interest income on marketable securities held in the Trust Account of \$1,317,860, offset by operating costs of \$278,012 and a provision for income taxes of \$266,143.

For the six months ended June 30, 2019, we had a net income of \$1,493,939, which consists of interest income on marketable securities held in the Trust Account of \$2,617,791, offset by operating costs of \$595,223 and a provision for income taxes of \$528,629.

For the period from May 21, 2018 (inception) through June 30, 2018, we had a net loss of \$1,575, which consists of operating costs of \$1,575.

### Liquidity and Capital Resources

As of June 30, 2019, we had cash of \$659,543 held outside of the Trust Account. Until the consummation of the Initial Public Offering, the Company's only source of liquidity was an initial purchase of Class B common stock by the Sponsor and loans from our Sponsor.

On October 10, 2018, we consummated the Initial Public Offering of 20,000,000 Units at a price of \$10.00 per Unit, generating gross proceeds of \$200,000,000. Simultaneously with the closing of the Initial Public Offering, we consummated the sale of 600,000 Placement Units to the Sponsor and the underwriters at a price of \$10.00 per unit, generating gross proceeds of \$6,000,000.

On October 25, 2018, in connection with the underwriters' election to partially exercise of their over-allotment option, we consummated the sale of an additional 2,000,000 Units and the sale of an additional 40,000 Placement Units, generating total gross proceeds of \$20,400,000.

Following the Initial Public Offering, the exercise of the over-allotment option and the sale of the Placement Units, a total of \$220,000,000 was placed in the Trust Account. We incurred \$12,821,311 in transaction costs, including \$4,400,000 of underwriting fees, \$7,700,000 of deferred underwriting fees and \$721,311 of other costs.

We intend to use substantially all of the funds held in the Trust Account, including any amounts representing interest earned on the Trust Account (less deferred underwriting commissions) to complete our Business Combination. To the extent that our capital stock or debt is used, in whole or in part, as consideration to complete our Business Combination, the remaining proceeds held in the Trust Account will be used as working capital to finance the operations of the target business or businesses, make other acquisitions and pursue our growth strategies.

We intend to use the funds held outside the Trust Account primarily to identify and evaluate target businesses, perform business due diligence on prospective target businesses, travel to and from the offices, plants or similar locations of prospective target businesses or their representatives or owners, review corporate documents and material agreements of prospective target businesses, and structure, negotiate and complete a Business Combination.

In order to fund working capital deficiencies or finance transaction costs in connection with a Business Combination, our Sponsor or an affiliate of our Sponsor or certain of our officers and directors may, but are not obligated to, loan us funds as may be required. If we complete a Business Combination, we would repay such loaned amounts. In the event that a Business Combination does not close, we may use a portion of the working capital held outside the Trust Account to repay such loaned amounts but no proceeds from our Trust Account would be used for such repayment. Up to \$1,500,000 of such loans may be convertible into units identical to the Placement Units, at a price of \$10.00 per unit at the option of the lender.



We do not believe we will need to raise additional funds in order to meet the expenditures required for operating our business. However, if our estimate of the costs of identifying a target business, undertaking in-depth due diligence and negotiating a Business Combination are less than the actual amount necessary to do so, we may have insufficient funds available to operate our business prior to our Business Combination. Moreover, we may need to obtain additional financing either to complete our Business Combination or because we become obligated to redeem a significant number of our public shares upon consummation of our Business Combination, in which case we may issue additional securities or incur debt in connection with such Business Combination. Subject to compliance with applicable securities laws, we would only complete such financing simultaneously with the completion of our Business Combination. If we are unable to complete our Business Combination because we do not have sufficient funds available to us, we will be forced to cease operations and liquidate the Trust Account. In addition, following our Business Combination, if cash on hand is insufficient, we may need to obtain additional financing in order to meet our obligations.

#### **Off-balance sheet financing arrangements**

We have no obligations, assets or liabilities, which would be considered off-balance sheet arrangements as of June 30, 2019. We do not participate in transactions that create relationships with unconsolidated entities or financial partnerships, often referred to as variable interest entities, which would have been established for the purpose of facilitating off-balance sheet arrangements. We have not entered into any off-balance sheet financing arrangements, established any special purpose entities, guaranteed any debt or commitments of other entities, or purchased any non-financial assets.

#### **Contractual obligations**

We do not have any long-term debt, capital lease obligations, operating lease obligations or long-term liabilities, other than an agreement to pay an affiliate of the Sponsor a monthly fee of \$15,000 for office space, utilities and secretarial and administrative support to the Company. We began incurring these fees on October 10, 2018 and will continue to incur these fees monthly until the earlier of the completion of the Business Combination and the Company's liquidation.

#### **Critical Accounting Policies**

The preparation of financial statements and related disclosures in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and income and expenses during the periods reported. Actual results could materially differ from those estimates. We have not identified any critical accounting policies.

#### ***Recent accounting pronouncements***

Management does not believe that any recently issued, but not yet effective, accounting standards, if currently adopted, would have a material effect on our condensed financial statements.

**Quantitative and Qualitative Disclosures about Market Risk**

Following the consummation of our Initial Public Offering, the net proceeds of our Initial Public Offering, including amounts in the Trust Account, may be invested in U.S. government treasury bills, notes or bonds with a maturity of 180 days or less or in certain money market funds that invest solely in US treasuries. Due to the short-term nature of these investments, we believe there will be no associated material exposure to interest rate risk.

**A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP****(i) Introduction to the Unaudited Pro Forma Financial Information**

The following unaudited pro forma condensed consolidated statement of financial position, unaudited pro forma condensed consolidated statement of profit or loss, unaudited pro forma condensed consolidated statement of other comprehensive income and the unaudited pro forma condensed consolidated statement of cash flows (collectively referred to as the “Unaudited Pro Forma Financial Information”) of the Remaining Group, has been prepared on the basis as stated in the notes set out below for the purpose of illustrating the effect of the (i) proposed very substantial disposal (the “Disposal”) and very substantial acquisition (the “Acquisition”) in relation to the Mergers (as defined in the Circular) and (ii) proposed spin-off and separate listing of Grid Dynamics International, Inc. (the “Spin-Off”) (collectively the “Proposed Transactions”) as if the Proposed Transactions was completed on 30th June 2019 for the unaudited pro forma condensed consolidated statement of financial position, and as if the Proposed Transactions was completed on 1st January 2019 for the unaudited pro forma condensed consolidated statement of profit or loss, the unaudited pro forma condensed consolidated statement of other comprehensive income and the unaudited pro forma condensed consolidated statement of cash flows.

This Unaudited Pro Forma Financial Information of the Remaining Group has been prepared by the Directors in accordance with paragraph 4.29 of the Listing Rules for illustrative purposes only, based on their judgments, estimations and assumptions, and because of its hypothetical nature, it may not give a true picture of the financial position of the Remaining Group as at 30th June 2019 or at any future dates or the results and cash flows of the Remaining Group for the six months ended 30th June 2019 or for any future periods.

The Unaudited Pro Forma Financial Information is prepared based on the unaudited condensed consolidated statement of financial position of the Group as at 30th June 2019, the unaudited condensed consolidated statement of profit or loss, the unaudited condensed consolidated statement of comprehensive income and the unaudited condensed consolidated statement of cash flows of the Group for the six months ended 30th June 2019 as extracted from the Group’s unaudited condensed consolidated financial statements for the six months ended 30th June 2019 as set out in its interim report, on which a review report has been published.

The Unaudited Pro Forma Financial Information of the Remaining Group should be read in conjunction with the historical financial information of the Group as set out in Appendix I to this circular and other financial information included elsewhere in this circular.

## (ii) Unaudited pro forma condensed consolidated statement of financial position of the Remaining Group as at 30th June 2019

	The Group as at 30th June 2019	Pro forma adjustments							The Remaining Group as at 30th June 2019
		HK\$'000 (Unaudited) Note 1	HK\$'000 (Unaudited) Note 2(a)	HK\$'000 (Unaudited) Note 2(b)	HK\$'000 (Unaudited) Note 2(c)	HK\$'000 (Unaudited) Note 2(d)	HK\$'000 (Unaudited) Note 3	HK\$'000 (Unaudited) Note 4	
<b>NON-CURRENT ASSETS</b>									
Property, plant and equipment	307,414	(17,761)	—	—	—	—	—	—	289,653
Investment properties	54,000	—	—	—	—	—	—	—	54,000
Intangible assets	115,338	(11,918)	(103,420)	—	—	—	—	—	—
Goodwill	769,376	(1,256)	(768,120)	—	—	—	—	—	—
Interests in associates	21,797	—	—	—	—	1,461,751	—	—	1,483,548
Equity investment	598	—	—	—	—	—	—	—	598
Finance lease receivables	973	—	—	—	—	—	—	—	973
Deferred income tax assets	5,232	(5,117)	—	—	—	—	—	—	115
	<u>1,274,728</u>	<u>(36,052)</u>	<u>(871,540)</u>	<u>—</u>	<u>—</u>	<u>1,461,751</u>	<u>—</u>	<u>—</u>	<u>1,828,887</u>
<b>CURRENT ASSETS</b>									
Inventories	189,630	—	—	—	—	—	—	—	189,630
Trade receivables	222,439	(79,669)	—	—	—	—	—	—	142,770
Finance lease receivables	2,798	—	—	—	—	—	—	—	2,798
Other receivables, deposits and prepayments	47,448	(17,995)	—	—	—	—	—	—	29,453
Contract assets	286,859	(55,786)	—	—	—	—	—	—	231,073
Tax recoverable	4,734	(4,532)	—	—	—	—	—	—	202
Restricted bank deposits	756	—	—	—	—	—	—	—	756
Bank balances and cash	504,928	(320,369)	—	—	—	730,629	(190,663)	—	724,525
	<u>1,259,592</u>	<u>(478,351)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>730,629</u>	<u>(190,663)</u>	<u>—</u>	<u>1,321,207</u>
<b>CURRENT LIABILITIES</b>									
Trade payables	227,573	—	—	—	—	—	—	—	227,573
Other payables and accruals	137,115	(60,668)	—	—	—	—	—	—	76,447
Amount due to the Remaining Group	—	(1,037)	—	—	1,037	—	—	—	—
Receipts in advance	166,096	(11,716)	—	—	—	—	—	—	154,380
Current income tax liabilities	19,227	(4,118)	—	—	—	—	—	—	15,109
Bank borrowings	477,272	—	—	—	—	—	—	—	477,272
Financial liabilities at fair value through profit or loss	72,565	(60,645)	—	—	(11,474)	—	—	—	446
Lease liabilities	3,766	(538)	—	—	—	—	—	—	3,228
	<u>1,103,614</u>	<u>(138,722)</u>	<u>—</u>	<u>—</u>	<u>(10,437)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>954,455</u>
<b>Net current assets</b>	<u>155,978</u>	<u>(339,629)</u>	<u>—</u>	<u>—</u>	<u>10,437</u>	<u>730,629</u>	<u>(190,663)</u>	<u>—</u>	<u>366,752</u>
<b>Total assets less current liabilities</b>	<u>1,430,706</u>	<u>(375,681)</u>	<u>(871,540)</u>	<u>—</u>	<u>10,437</u>	<u>2,192,380</u>	<u>(190,663)</u>	<u>—</u>	<u>2,195,639</u>
<b>Non-current liabilities</b>									
Deferred income tax liabilities	76,213	(1,287)	(22,193)	—	—	—	—	—	52,733
Lease liabilities	3,176	(819)	—	—	—	—	—	—	2,357
<b>Total non-current liabilities</b>	<u>79,389</u>	<u>(2,106)</u>	<u>(22,193)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>55,090</u>
<b>Net assets</b>	<u>1,351,317</u>	<u>(373,575)</u>	<u>(849,347)</u>	<u>—</u>	<u>10,437</u>	<u>2,192,380</u>	<u>(190,663)</u>	<u>—</u>	<u>2,140,549</u>
<b>EQUITY</b>									
Share capital	80,522	—	—	—	—	—	—	—	80,522
Share premium	377,146	—	—	—	—	—	—	—	377,146
Reserves	851,000	—	—	945	—	—	—	830,936	1,682,881
<b>Equity attributable to equity holders of the Company</b>	<u>1,308,668</u>	<u>—</u>	<u>—</u>	<u>945</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>830,936</u>	<u>2,140,549</u>
<b>Non-controlling interest</b>	<u>42,649</u>	<u>—</u>	<u>—</u>	<u>(42,649)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
<b>Total equity</b>	<u>1,351,317</u>	<u>—</u>	<u>—</u>	<u>(41,704)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>830,936</u>	<u>2,140,549</u>

## (iii) Unaudited pro forma condensed consolidated statement of profit or loss of the Remaining Group for the six months ended 30th June 2019

	The Group						The
	for the						Remaining
	six months						Group
	ended						for the
	30th June						six months
	2019						ended
	Pro forma adjustments						30th June
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	Note 1	Note 6(a)	Note 6(b)	Note 6(c)	Note 7	Note 8	
<b>Revenue</b>	1,353,047	(428,243)	—	—	—	—	924,804
Cost of goods sold	(442,859)	—	—	—	—	—	(442,859)
Cost of services rendered	(639,440)	260,933	4,537	—	—	—	(373,970)
Other income	3,656	(569)	—	—	—	—	3,087
Other (loss)/gain, net	(4,883)	468	921	—	1,062,363	—	1,058,869
Selling expenses	(75,326)	36,153	—	—	—	—	(39,173)
Administrative expenses	(111,688)	81,939	—	—	(10,755)	—	(40,504)
Finance income	87	—	—	—	—	—	87
Finance costs	(13,867)	31	—	—	—	—	(13,836)
Share of results of associates	(6,185)	—	—	—	—	11,591	5,406
<b>Profit before income tax</b>	62,542	(49,288)	5,458	—	1,051,608	11,591	1,081,911
Income tax expense	(18,964)	11,614	(953)	—	(179,908)	—	(188,211)
<b>Profit for the period</b>	43,578	(37,674)	4,505	—	871,700	11,591	893,700
<b>Profit for the period attributable to:</b>							
Equity holders of the Company	41,398	(37,674)	4,505	2,180	871,700	11,591	893,700
Non-controlling interests	2,180	—	—	(2,180)	—	—	—
<b>Profit for the period</b>	43,578	(37,674)	4,505	—	871,700	11,591	893,700

## (iv) Unaudited pro forma condensed consolidated statement of comprehensive income of the Remaining Group for the six months ended 30th June 2019

	The Group						The
	for the						Remaining
	six months						Group
	ended						for the
	30th June						six months
	2019						ended
	Pro forma adjustments						30th June
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	Note 1	Note 6(a)	Note 6(b)	Note 6(c)	Note 7	Note 8	
<b>Profit for the period</b>	43,578	(37,674)	4,505	—	871,700	11,591	893,700
<b>Other comprehensive income that may be reclassified subsequently to profit or loss:</b>							
Exchange differences on translation of overseas operations	1,487	—	—	—	—	—	1,487
Share of other comprehensive income of associates	96	—	—	—	—	—	96
<b>Total comprehensive income for the period</b>	<b>45,161</b>	<b>(37,674)</b>	<b>4,505</b>	<b>—</b>	<b>871,700</b>	<b>11,591</b>	<b>895,283</b>
<b>Total comprehensive income attributable to:</b>							
Equity holders of the Company	42,805	(37,674)	4,505	2,356	871,700	11,591	895,283
Non-controlling interests	2,356	—	—	(2,356)	—	—	—
<b>Total comprehensive income for the period</b>	<b>45,161</b>	<b>(37,674)</b>	<b>4,505</b>	<b>—</b>	<b>871,700</b>	<b>11,591</b>	<b>895,283</b>

## (v) Unaudited pro forma condensed consolidated statement of cash flows of the Remaining Group for the six months ended 30th June 2019

	The Group for the six months ended 30th June 2019					The Remaining Group for the six months ended 30th June 2019	
	HK\$'000 (Unaudited) Note 1	Pro forma adjustments					HK\$'000 (Unaudited)
		HK\$'000 (Unaudited) Note 6(a)	HK\$'000 (Unaudited) Note 6(d)	HK\$'000 (Unaudited) Note 4	HK\$'000 (Unaudited) Note 7		
<b>Operations activities</b>							
Cash generated from operations	170,155	(86,423)	—	—	—	83,732	
Hong Kong profits tax paid	(2,026)	—	—	—	—	(2,026)	
Overseas tax paid	(8,957)	8,899	—	(179,908)	—	(179,966)	
<b>Net cash from/(used in) operating activities</b>	<b>159,172</b>	<b>(77,524)</b>	<b>—</b>	<b>(179,908)</b>	<b>—</b>	<b>(98,260)</b>	
<b>Investing activities</b>							
Cash outflow in respect of acquisition of subsidiaries	(70,623)	—	—	—	—	(70,623)	
Proceeds from the Disposal, net of transaction cost	—	—	—	—	580,551	580,551	
Purchase of property, plant and equipment	(8,330)	5,304	—	—	—	(3,026)	
Additions to intangible assets	(5,026)	5,008	—	—	—	(18)	
Proceeds from disposal of property, plant and equipment	1	—	—	—	—	1	
Interest received	851	(554)	—	—	—	297	
<b>Net cash (used in)/from investing activities</b>	<b>(83,127)</b>	<b>9,758</b>	<b>—</b>	<b>—</b>	<b>580,551</b>	<b>507,182</b>	
<b>Financing activities</b>							
Dividend paid by Disposal Group	—	15,600	—	—	—	15,600	
Repayment of bank borrowings	(11,250)	—	—	—	—	(11,250)	
Principal portion of lease payments	(2,189)	280	—	—	—	(1,909)	
Proceed from issuance of financial liabilities at fair value through profit or loss	72,565	(60,645)	—	—	—	11,920	
Capital contribution from an intermediate holding company	—	(11,474)	—	—	—	(11,474)	
Proceed from disposal of partial interest in a subsidiary	81,344	(57,072)	(24,272)	—	—	—	
Interest paid	(7,003)	31	—	—	—	(6,972)	
<b>Net cash from/(used in) financing activities</b>	<b>133,467</b>	<b>(113,280)</b>	<b>(24,272)</b>	<b>—</b>	<b>—</b>	<b>(4,085)</b>	
Net increase/(decrease) in cash and cash equivalents	209,512	(181,046)	(24,272)	(179,908)	580,551	404,837	
Cash and cash equivalents at the beginning of the period	292,183	(139,323)	—	—	139,323	292,183	
Effect of foreign exchange rate changes	3,233	—	—	—	—	3,233	
Cash and cash equivalents at the end of the period	<b>504,928</b>	<b>(320,369)</b>	<b>(24,272)</b>	<b>(179,908)</b>	<b>719,874</b>	<b>700,253</b>	

*Notes:*

1. The unaudited condensed consolidated statement of financial position of the Group as at 30th June 2019, the unaudited condensed consolidated statement of profit or loss, unaudited condensed consolidated statement of comprehensive income and the unaudited condensed consolidated statement of cash flows were extracted from the Group's unaudited condensed consolidated financial statements for the six months ended 30th June 2019 in the Group's published interim report.
2. The following pro forma adjustments have been made to the unaudited pro forma condensed consolidated statement of financial position, assuming the Proposed Transactions had been taken place on 30th June 2019:
  - (a) The adjustment reflects the exclusion of the assets and liabilities of the Disposal Group as if the Proposed Transactions had been completed on 30th June 2019. The assets and liabilities of the Disposal Group as at 30th June 2019 are based on the unaudited condensed consolidated statement of financial position of the Disposal Group as at 30th June 2019 as set out in Appendix II to this circular and translated into HK\$ using the exchange rate of US\$1:HK\$7.8.
  - (b) The adjustment reflects the exclusion of the carrying amounts of intangible assets including technical know-how of HK\$162,000 and customer relationship of HK\$103,258,000 and the corresponding deferred tax liabilities of HK\$22,193,000 and goodwill of HK\$768,120,000 as at 30th June 2019 arising from the acquisition of the entire equity interests of the Disposal Group by the Group in 2017 (the "2017 Acquisition").
  - (c) The adjustment reflects the exclusion of the non-controlling interests of HK\$42,649,000 as at 30th June 2019 arising from the partial disposal of equity interests in the Disposal Group by the Group and the release of translation reserves of the Disposal Group of HK\$945,000 as at 30th June 2019.
  - (d) The adjustment represents the waiver of intercompany balances of HK\$1,037,000 and de-recognition of the put option on Common shares and Convertible Preferred Shares of HK\$11,474,000 as the Convertible Preferred Shares are assumed to be converted into common stock in the Disposal Group. The balances due to the Remaining Group by the Disposal Group represents the US tax benefit of Remaining Group enjoyed by Disposal Group when filing the 2017 & 2018 US consolidated tax returns. The tax liabilities of Disposal Group were reduced by the tax benefit received from the US consolidated tax filing; the Disposal Group recorded such tax benefit as payable to the Remaining Group. Upon closing, the US consolidated tax filing arrangement will be terminated, the Remaining Group will not request the Disposal Group to repay the tax benefit enjoyed in the 2017 & 2018 US consolidated tax filing. The actual level of working capital of Disposal Group as at closing date will be increased by the waiver. The difference between the target and actual level of working capital, excluding cash and marketable securities, is one of Consideration Share Adjustments.
3. The consideration for the Mergers (the "Consideration") is satisfied by a combination of cash and Class A common stock in ChaSerg Technology Acquisition Corp. ("ChaSerg"). The adjustment represents the estimated cash consideration of HK\$730,629,000 ("Cash Consideration") and 18,390,967 Class A common stock in ChaSerg ("Share Consideration") amounted to HK\$1,461,751,000 based on the closing price of Class A common stock in ChaSerg as at 12th November 2019, the date immediately preceding the date of the merger agreement.

The estimated Consideration is based on the Group's estimated pro-rata ownership in the Disposal Group immediately prior to Completion of approximately 72%, which is determined based on a fully diluted number of common stock in the Disposal Group (being the aggregate number of issued common stock in the Disposal Group as of the date of the announcement of the Company dated 13th November 2019, taking into account the preferred shares in the Disposal Group on an as-converted basis and the outstanding vested stock options of the Disposal Group are exercised in full.)



The Share Consideration represents approximately 34% of the estimated share structure of ChaSerg upon Completion, which is determined based on the aggregate number of issued Class A common stock in ChaSerg as of the date of the announcement of the Company dated 13th November 2019 and assuming that (i) there is no redemption of funds by ChaSerg shareholders, (ii) full exercise of all outstanding and vested stock options of the Disposal Group convertible into Class A common stock in ChaSerg and (iii) the outstanding ChaSerg warrants have not been exercised. The Share Consideration is accounted for as interest in an associate by the Group accordingly.

The Consideration illustrated above is based on the estimated ownership structure upon Completion and subject to market price of Class A common stock in ChaSerg upon Completion. The Consideration upon Completion may be different from the amount presented here and the differences may be significant. The adjustment is not expected to have a continuing effect on the Remaining Group.

4. The adjustment represents (i) the estimated transaction costs directly attributable to the Proposed Transactions of HK\$10,755,000 and (ii) the estimated tax effect arising from the Proposed Transactions of HK\$179,908,000 calculated based on the US tax blended rate of 25% comprising the US Federal Tax rate of 21% and US States Tax rate of 4%. The estimated transaction costs and estimated tax effect arising from the Proposed Transactions are assumed to be settled in cash.
5. The calculation of the estimated gain on disposal to be recognised in profit or loss, as if the Proposed Transactions had been taken place on 30th June 2019, is as follows:

	<i>Notes</i>	<i>HK\$'000</i>
Consideration	3	2,192,380
Exclusion of the carrying amount of net assets of the Disposal Group as at 30th June 2019	2(a)	(373,575)
Exclusion of the intangible assets and the corresponding deferred tax and goodwill	2(b)	(849,347)
Release of translation reserve of the Disposal Group	2(c)	(945)
Exclusion of the carrying amount of non-controlling interests in the Disposal Group as at 30th June 2019	2(c)	42,649
Waiver of intercompany balances from Disposal Group	2(d)	(1,037)
De-recognition of the put option on Common shares and Convertible Preferred Shares granted to Disposal Group	2(d)	11,474
Estimated transaction costs directly attributable to the Proposed Transactions	4	<u>(10,755)</u>
Estimated gain on disposal before tax as if the Proposed Transactions had been completed on 30th June 2019		1,010,844
Estimated tax provision arising from the Proposed Transactions	4	<u>(179,908)</u>
Estimated gain on disposal as if the Proposed Transactions had been completed on 30th June 2019		<u><u>830,936</u></u>

6. The following pro forma adjustments have been made to the unaudited pro forma condensed consolidated statement of profit or loss, the unaudited pro forma condensed consolidated statement of other comprehensive income and the unaudited pro forma condensed consolidated statement of cash flows, assuming the Proposed Transactions had been taken place on 1st January 2019:
- (a) The adjustment reflects the exclusion of the results and cash flows of the Disposal Group for the six months ended 30th June 2019. The results and cash flows of the Disposal Group are based on the unaudited condensed consolidated statement of profit or loss, the unaudited condensed consolidated statement of other comprehensive income and the unaudited condensed consolidated statement of cash flows for the six months ended 30th June 2019 as set out in Appendix II to this circular and translated into HK\$ using the exchange rate of US\$1:HK\$7.8.
  - (b) The adjustment reflects the exclusion of the amortisation of technical know-how of HK\$400,000 and customer relationship of HK\$4,137,000, the corresponding deferred tax income of HK\$953,000 and the changes in fair value on contingent consideration payable of HK\$921,000 during the six months ended 30th June 2019 arising from the 2017 Acquisition.
  - (c) The adjustment reflects the de-recognition of the share of results and other comprehensive income by non-controlling interests arising from the partial disposal of equity interests in the Disposal Group by the Group, issuance of common stock by the Disposal Group and the exercise of share options of the Disposal Group during the six months ended 30th June 2019.
  - (d) The adjustment reflects the derecognition of proceed from disposal of partial interests in the Disposal Group by the Group during the six-months ended 30th June 2019.
7. The calculation of the estimated gain on disposal to be recognised in profit or loss, as if the Proposed Transactions had been taken place on 1st January 2019, is as follows:

	<i>Notes</i>	<i>HK\$'000</i>
Consideration	3	2,192,380
Exclusion of the carrying amount of net assets of the Disposal Group as at 1st January 2019	(i)	(256,414)
Exclusion of the intangible assets and the corresponding deferred tax liabilities and goodwill	(ii)	(854,866)
Release of translation reserve of the Disposal Group	(iii)	242
Waiver of intercompany balances from Disposal Group	(iv)	(18,979)
Estimated transaction costs directly attributable to the Proposed Transactions	4	<u>(10,755)</u>
Estimated gain on disposal before tax as if the Proposed Transactions had been completed on 1st January 2019		1,051,608
Estimated tax provision arising from the Proposed Transactions	4	<u>(179,908)</u>
Estimated gain on disposal as if the Proposed Transactions had been completed on 1st January 2019		<u><u>871,700</u></u>

An analysis of the net cash inflow from the Proposed Transactions is as follows:

	<i>HK\$'000</i>
Cash Consideration	730,629
Cash and cash equivalents disposed of	(139,323)
Estimated transaction cost	<u>(10,755)</u>
Net cash and cash equivalents inflow in respect of the Proposed Transactions	<u><u>580,551</u></u>

- (i) The adjustment reflects the exclusion of the assets and liabilities of the Disposal Group as if the Proposed Transactions had been completed on 1st January 2019. The assets and liabilities of the Disposal Group as at 1st January 2019 are based on the unaudited condensed consolidated statement of financial position of the Disposal Group as at 31st December 2018 as set out in Appendix II to this circular and translated into HK\$ using the exchange rate of US\$1:HK\$7.8.
- (ii) The adjustment reflects the exclusion of the carrying amount of technical know-how of HK\$563,000 and customer relationship of HK\$107,586,000 and the corresponding deferred tax liabilities of HK\$23,192,000 and goodwill of HK\$769,909,000 as at 31st December 2018 arising from the 2017 Acquisition.
- (iii) The adjustment reflects the release of translation reserves of the Disposal Group of HK\$242,000 as at 31st December 2018.
- (iv) The adjustment represents the waiver of intercompany balances of HK\$18,979,000 as at 31st December 2018. The balances due to or from the Remaining Group by the Disposal Group will be waived upon Completion.
8. As disclosed in note 3 above, the Share Consideration represents 34% of the estimated share structure of ChaSerg upon Completion and accounted for as interest in an associate by the Group. The adjustment refers to the share of profit of ChaSerg for the six months ended 30th June 2019 of HK\$11,591,000.
9. Save as set out in the notes above, no other adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 1st January 2019 for the purpose of preparation of the unaudited condensed pro forma consolidated statement of profit or loss, the unaudited condensed pro forma consolidated statement of other comprehensive income and the unaudited condensed pro forma consolidated statement of cash flows.
10. Save as set out in the notes above, for the purpose of Unaudited Pro Forma Financial Information, all amounts denominated in US\$ have been translated into HK\$ using the exchange rate of US\$1:HK\$7.8.
11. Since the net assets value of the Disposal Group upon Completion may be different from the amounts in the Unaudited Pro Forma Financial Information, the final amounts of the net assets value of the Disposal Group and the estimated gain on disposal may be different from the amounts presented above.

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

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

**TO THE DIRECTORS OF AUTOMATED SYSTEMS HOLDINGS LIMITED**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Automated Systems Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 30th June 2019, the unaudited pro forma consolidated statement of profit or loss, the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows for the period ended 30th June 2019 and related notes as set on pages 149 to 157 in Appendix IV to the circular issued by the Company dated 31 December 2019 (the "Circular"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages 149 to 157 in Appendix IV to the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of (i) very substantial disposal (the "Disposal") and the very substantial acquisition (the "Acquisition") in relation to the Mergers (as defined in the Circular) and (ii) proposed spin-off and separate listing of Grid Dynamics International, Inc. (the "Spin-Off") (collectively the "Proposed Transactions") on the Group's financial position as at 30th June 2019 and the Group's financial performance and cash flows for the six months ended 30th June 2019 as if the Proposed Transactions had taken place on 30th June 2019 and 1st January 2019, 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 unaudited condensed consolidated financial statements for the six months ended 30th June 2019 as set out in its interim report, on which a review report has been published.

**DIRECTORS' RESPONSIBILITY FOR THE UNAUDITED PRO FORMA FINANCIAL INFORMATION**

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

**OUR INDEPENDENCE AND QUALITY CONTROL**

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

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

**REPORTING ACCOUNTANTS' RESPONSIBILITIES**

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

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

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

The purpose of unaudited pro forma financial information included in the Circular is solely to illustrate the impact of the Proposed Transactions on unadjusted financial information of the Group as if the Proposed Transactions has been undertaken at an earlier dates selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Proposed Transactions at 30th June 2019 and 1st January 2019 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 Proposed Transactions, and to obtain sufficient appropriate evidence about whether:

- the related unaudited 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 Group, the Proposed Transactions 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 on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

**Grant Thornton Hong Kong Limited**

*Certified Public Accountants*

Level 12

28 Hennessy Road

Wanchai

Hong Kong

31 December 2019

Lam Yau Hing

Practising Certificate Number: P06622

For further financial information of the Disposal Group and the Remaining Group, please refer to the section headed “Management Discussion and Analysis” set out on pages 32 to 36 of the interim report of the Group for the six months ended 30 June 2019 (available from the hyperlink: <https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0925/2019092500397.pdf>), pages 12 to 19 of the annual report of the Remaining Group for the year ended 31 December 2018 (available from the hyperlink: <https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0416/ltn20190416298.pdf>), pages 8 to 14 of the annual report of the Remaining Group for the year ended 31 December 2017 (available from the hyperlink: <https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0412/ltn20180412491.pdf>), and pages 8 to 13 of the annual report of the Remaining Group for the year ended 31 December 2016 (available from the hyperlink: <https://www1.hkexnews.hk/listedco/listconews/sehk/2017/0411/ltn20170411325.pdf>) respectively, which have been published on both the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company (<http://www1.asl.com.hk>).

## **PART I — MANAGEMENT DISCUSSION AND ANALYSIS OF THE DISPOSAL GROUP**

### **FOR THE PERIOD ENDED 30 JUNE 2019**

#### **A. Business Overview**

During the period, the Disposal Group showed a robust growth, its revenue and gross profit recorded a remarkable increase of 31.6% and 27.6% respectively when compared to the period of last year. With its professional competency and good reputation, the Disposal Group continued to uphold its leading position in the industry during the period, and further expanded its customer base in its well-established financial, retail and technology industries. It continues to serve the Fortune 500 customers, including Google and Apple. Revenue from certain customers reaches HK\$100 million approximately. An overall increase of over 50% of orders newly secured led to a significant increase in the overall revenue.

In 2019, the Disposal Group was named a Leader among midsize agile software development service providers by Forrester Wave (Nasdaq: FORR)<sup>TM</sup>, one of the world’s most influential research and consultancy firms. The recognition is attributed to the share option scheme, an incentive measure thereby encouraging employees’ further contribution to the Remaining Group, and also to the R&D investment amounted to over HK\$25.5 million for boosting service and technical capabilities.

#### **B. Financial Overview**

##### ***Financial Result***

The revenue of the Disposal Group amounted to approximately US\$54.9 million for the period ended 30th June 2019. The revenue was mainly contributed from (i) the growth within the Disposal Group’s existing client base; and (ii) the addition of new clients.

The net profit after taxes of the Disposal Group for the period ended 30th June 2019 amounted to approximately US\$4.8 million. The net profit margin for the period ended 30th June 2019 was 8.8%.



***Financial Resources and Liquidity***

Cash and cash equivalents amounted to approximately US\$41.1 million as at 30th June 2019. Current assets were amounted to approximately US\$61.3 million as at 30th June 2019. Working capital was approximately US\$43.5 million as at 30th June 2019.

The Disposal Group had total liabilities of approximately US\$18.1 million as at 30th June 2019. The Disposal Group did not have any borrowings as at 30th June 2019. As at 30th June 2019, the Disposal Group's gearing ratio (total borrowings over total equity) was nil%.

***Contingent Liabilities***

As at 30th June 2019, the Disposal Group did not have any material contingent liabilities.

***Capital commitment***

As at 30th June 2019, the Disposal Group had no capital commitment.

***Prospects and future plans***

For the period ended 30th June 2019, orders newly secured by the Disposal Group amounted to approximately US\$54.6 million. As at 30th June 2019, the order book balance of the Disposal Group was approximately US\$25.1 million.

The Disposal Group expected to generate future revenue from existing customers and new customers. New business came from existing customers in retail, technology and financial services. Besides, the Disposal Group will continue to inject both internal resources and external investments to facilitate the research and development of cutting-edge technology in areas including artificial intelligence and machine learning, the transformation of commercial application capabilities, as well as the cross-sector and cross-border expansion of its business.

There was no specific plan for material investments and acquisition of material capital assets as at 30th June 2019.

***Foreign Exchange Risk***

During the period ended 30th June 2019, the revenues of the Disposal Group were denominated in US dollars while the expenses of the subsidiaries of the Disposal Group had limited expense exposure to local currencies. The Disposal Group did not adopt any foreign exchange hedging policy. However, the management monitored its foreign exchange risks and would take protective approaches when necessary.

*Treasury Policies*

The Disposal Group generally financed its operations with internally generated resources and credit facilities provided by banks. Bank facilities available for the Disposal Group include credit cards and overdrafts. The interest rates of most of them are fixed by reference to the respective countries' Interbank Offer Rate. The bank deposits are mainly denominated in United States dollars ("USD").

**C. Other information***Material investments*

Save as the Merger in this circular, the Disposal Group did not have any material investment for the six months ended 30th June 2019.

*Material acquisitions and disposals*

Save as the Merger in this circular, the Disposal Group did not have any material acquisitions and disposals for the six months ended 30th June 2019.

*Employees and remuneration policies*

As of 30th June 2019, the Disposal Group had 1,236 employees. Remuneration packages were structured with reference to market conditions and individual qualifications and experience and subject to review on a regular basis. Share options may also be granted to the directors and employees of the Disposal Group to attract, retain and incentivize them to work and make contribution towards the long-term growth and development of the Disposal Group.

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

The Disposal Group adopted a share option scheme (the “The Disposal Group Option Scheme”) on 21st December 2018. The Disposal Group Share Option Scheme will be expired on 20th December 2028.

The following table discloses movements in the share options under the Disposal Group Share Option Scheme during the period ended 30th June 2019:

Participants	Date of grant	Adjusted Exercise Price HK\$	Number of Shares to be issued upon exercise of share options						Adjusted during the year	At 30th June 2019
			At 1st January 2019	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year			
<b>Director of the Remaining Group</b>										
Wang Yueou	21.12.2018	7.54	90,000	—	—	—	—	—	90,000	
<b>Excess Single Participant Limit</b>										
Leonard Livschitz	21.12.2018	7.54	937,500	—	—	—	—	—	937,500	
Victoria Livschitz	21.12.2018	7.54	300,000	—	(150,000)	—	—	—	150,000	
Yury Gryzlov	21.12.2018	7.54	150,000	—	—	—	—	—	150,000	
<b>Others</b>	21.12.2018	7.54	772,500	—	(60,000)	—	—	—	712,500	
	22.5.2019	7.54	—	20,000	—	—	—	—	20,000	
<b>Total</b>			<b>2,250,000</b>	<b>20,000</b>	<b>(210,000)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>2,060,000</b>	

## FOR THE YEAR ENDED 31 DECEMBER 2018

### A. Business Overview

As for the overseas business, the Disposal Group recorded robust growth during the year. Its revenue and gross profit recorded remarkable increase of 30.0% and 25.8% respectively when compared to last year. The revenue derived from existing customers grew progressively, among which the business scale reached ten million US dollars within customers from renowned multinational technology corporations. Meanwhile, during the year, the Remaining Group also adopted the new equity incentive plan of the Disposal Group so as to encourage its employees to strive to enhance the value of the Disposal Group and to maintain its momentum of sustainable development. In order to further cope with the business expansions, the Disposal Group opened its 6th research and development centre in Serbia and set up a new office in Texas, the US during the year, so as to further strengthen the Remaining Group’s support in different regions and its global delivery capabilities to meet different customer needs in various regions.

**B. Financial Overview*****Financial Result***

The revenue of the Disposal Group amounted to approximately US\$91.9 million for the year ended 31st December 2018, representing an increase of approximately 30.0% compared to the revenue for the year ended 31st December 2017 of approximately US\$70.7 million. The revenue was mainly contributed from (i) the growth within the Disposal Group's existing client base; and (ii) the addition of 3 new clients.

The net profit after taxes of the Disposal Group for the year ended 31st December 2018 amounted to approximately US\$8.2 million, compared to net profit after taxes of approximately US\$13.1 million for the year ended 31st December 2017, representing a decrease of 37.4%. The net profit margin for the year ended 31st December 2018 decreased to 9.0% from 18.6% for the year ended 31st December 2017. The decrease of net profit after taxes margin was mainly due to approximately of US\$ 1.4 million equity-settled share-based payment expenses incurred for the grant of share options of Disposal Group during the year ended 31st December 2018.

***Financial Resources and Liquidity***

Cash and cash equivalents amounted to approximately US\$17.9 million as at 31st December 2018, representing an increase of 72.5% from approximately US\$10.4 million as at 31st December 2017.

Current assets were amounted to approximately US\$37.3 million as at 31st December 2018, representing an increase of 28.9% from approximately US\$29.0 million as at 31st December 2017.

Working capital was approximately US\$28.9 million as at 31st December 2018, representing an increase of 31.0% from approximately US\$22.0 million as at 31st December 2017.

The Disposal Group had total liabilities of approximately US\$8.6 million as at 31st December 2018, representing an increase of 22.1% from approximately US\$7.0 million as at 31st December 2017. The Disposal Group did not have any borrowings as at 31 December 2018. As at 31 December 2018, the Disposal Group's gearing ratio (total borrowings over total equity) was nil%.

***Contingent Liabilities***

As at 31 December 2018, the Disposal Group did not have any material contingent liabilities.

***Capital commitment***

As at 31 December 2018, the Disposal Group had no capital commitment.

*Prospects and future plans*

For the year ended 31st December 2018, orders newly secured by the Disposal Group amounted to approximately US\$86.2 million. As at 31st December 2018, the order book balance of the Disposal Group was approximately US\$25.4 million.

The Disposal Group expected to generate future revenue from existing customers and new customers. New business came from existing customers in retail, technology and financial services. The Disposal Group decided to inject a total of more than US\$6 million in 2018 and 2019 to facilitate the research and development of leading-edge technology in areas of artificial intelligence and machine learning, the transformation of commercial application capabilities, as well as the cross-sector cross-border expansion of its business territory.

There was no specific plan for material investments and acquisition of material capital assets as at 31st December 2018.

*Foreign Exchange Risk*

During the year ended 31st December 2018, the revenues of the Disposal Group were denominated in US dollars while the expenses of the subsidiaries of the Disposal Group had limited expense exposure to local currencies. The Disposal Group did not adopt any foreign exchange hedging policy. However, the management monitored its foreign exchange risks and would take protective approaches when necessary.

*Treasury Policies*

The Disposal Group generally financed its operations with internally generated resources and credit facilities provided by banks. Bank facilities available for the Disposal Group include credit cards and overdrafts. The interest rates of most of them are fixed by reference to the respective countries' Interbank Offer Rate. The bank deposits are mainly denominated in United States dollars ("USD").

**C. Other information***Material investments*

The Disposal Group did not have any material investment in 2018.

*Material acquisitions and disposals*

The Disposal Group did not have any material acquisitions and disposals in 2018.

*Employees and remuneration policies*

As of 31st December 2018, the Disposal Group had 1,144 employees. Remuneration packages were structured with reference to market conditions and individual qualifications and experience and subject to review on a regular basis. Share options may also be granted to the directors and employees of the Disposal Group to attract, retain and incentivize them to work and make contribution towards the long-term growth and development of the Disposal Group.

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

The Disposal Group adopted a share option scheme (the “The Disposal Group Option Scheme”) on 21st December 2018. The Disposal Group Share Option Scheme will be expired on 20th December 2028.

The following table discloses movements in the share options under the Disposal Group Share Option Scheme during the year ended 31st December 2018:

Participants	Date of grant	Exercise Price US\$	Number of GDI Shares to be issued upon exercise of share options						At 31st December 2018
			At 1st January 2018	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Adjusted during the year	
<b>Director of the Company</b>									
Wang Yueou	21.12.2018	7.54	—	90,000	—	—	—	—	90,000
<b>Excess Single Participant Limit</b>									
Leonard Livschitz	21.12.2018	7.54	—	937,500	—	—	—	—	937,500
Victoria Livschitz	21.12.2018	7.54	—	300,000	—	—	—	—	300,000
Yury Gryzlov	21.12.2018	7.54	—	150,000	—	—	—	—	150,000
Others	21.12.2018	7.54	—	772,500	—	—	—	—	772,500
Total			—	2,250,000	—	—	—	—	2,250,000

## FOR THE YEAR ENDED 31 DECEMBER 2017

**A. Business Overview**

The Disposal Group was a wholly-owned subsidiary of the Remaining Group, and its revenue, gross profit and profit for the period from 7th April 2017 to 31st December 2017 were consolidated into the consolidated financial statements of the Remaining Group for the year ended 31st December 2017.

**B. Financial Overview***Financial Result*

The revenue of the Disposal Group amounted to approximately US\$70.7 million for the year ended 31st December 2017, representing an increase of approximately 30.0% compared to the revenue for the year ended 31st December 2016 of approximately US\$54.4 million. The revenue was mainly contributed from (i) the growth within the Disposal Group's existing client base; and (ii) the addition of 5 new clients.

The net profit after taxes of the Disposal Group for the year ended 31st December 2017 amounted to approximately US\$13.1 million, compared to net profit after taxes of approximately US\$1.8 million for the year ended 31st December 2016, representing an increase of 646.5%. The net profit margin for the year ended 31st December 2017 increased to 18.6% from 3.2% for the year ended 31st December 2016. The increase of net profit after taxes margin was mainly due to increase in revenue and effect of change in US tax rate following the enactment of the US Tax Cuts and Jobs Act on 22nd December 2017.

*Financial Resources and Liquidity*

Cash and cash equivalents amounted to approximately US\$10.4 million as at 31st December 2017.

Current assets were amounted to approximately US\$29.0 million as at 31st December 2017, representing an increase of 46.1% from approximately US\$19.8 million as at 31st December 2016.

Working capital was approximately US\$22.0 million as at 31st December 2017, representing an increase of 90.4% from approximately US\$11.6 million as at 31st December 2016.

The Disposal Group had total liabilities of approximately US\$7.0 million as at 31st December 2017, representing an decrease of 16.0% from approximately US\$8.4 million as at 31st December 2016. The Disposal Group did not have any borrowings as at 31 December 2017. As at 31 December 2017, the Disposal Group's gearing ratio (total borrowings over total equity) was nil%.

*Contingent Liabilities*

As at 31 December 2017, the Disposal Group did not have any material contingent liabilities.

*Capital commitment*

As at 31 December 2017, the Disposal Group had no capital commitment.

*Prospects and future plans*

For the year ended 31st December 2017, orders newly secured by the Disposal Group amounted to approximately US\$70.7 million. As at 31st December 2017, the order book balance of the Disposal Group was approximately US\$28.0 million.

The Disposal Group expected to generate future revenue from existing customers and new customers. New business came from existing customers in retail, technology and financial services. Benefiting from customers' demand for third platform technologies such as cloud computing and big data analytics, the Disposal Group expanded its business rapidly. In coming year, the Disposal Group will plan to open its sixth research and development center in Serbia, Europe, which provides a highly skilled talent pool and high-quality communications network, to further strengthen the local support and global delivery capabilities to meet different customer needs in various regions.

There was no specific plan for material investments and acquisition of material capital assets as at 31st December 2017.

*Foreign Exchange Risk*

During the year ended 31st December 2017, the revenues of the Disposal Group were denominated in US dollars while the expenses of the subsidiaries of the Disposal Group had limited expense exposure to local currencies. The Disposal Group did not adopt any foreign exchange hedging policy. However, the management monitored its foreign exchange risks and would take protective approaches when necessary.

*Treasury Policies*

The Disposal Group generally financed its operations with internally generated resources and credit facilities provided by banks. Bank facilities available for the Disposal Group include credit cards and overdrafts. The interest rates of most of them are fixed by reference to the respective countries' Interbank Offer Rate. The bank deposits are mainly denominated in United States dollars ("USD").

**C. Other information***Material investments*

The Disposal Group did not have any material in 2017.

*Material acquisitions and disposals*

The Disposal Group did not have any material acquisitions and disposals in 2017.



*Employees and remuneration policies*

As of 31st December 2017, the Disposal Group had 813 employees. Remuneration packages were structured with reference to market conditions and individual qualifications and experience and subject to review on a regular basis. Share options may also be granted to the directors and employees of the Disposal Group to attract, retain and incentivize them to work and make contribution towards the long-term growth and development of the Disposal Group.

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

**FOR THE YEAR ENDED 31 DECEMBER 2016****A. Business Overview**

In 2016, the Remaining Group proposed the acquisition of the Disposal Group. The Disposal Group is a provider of open, scalable, next-generation e-commerce technology solutions in the areas of omni-channel digital platforms, cloud enablement, big data analytics and continuous delivery. Founded in 2006, the Disposal Group is headquartered in Menlo Park, California with offshore resources in Eastern Europe. The Disposal Group has a track record of success and is well-known in providing transformative, cloud solutions for enterprises customers in retail, finance, media and technology sectors, including omni-channel e-Commerce, search engine services, big data analytics, continuous performance testing and environment-as-a-Services.

**B. Financial Overview***Financial Result*

The revenue of the Disposal Group amounted to approximately US\$54.4 million for the year ended 31st December 2016. The revenue was mainly contributed from (i) the growth within the Disposal Group's existing client base; and (ii) the addition of five new blue-chip clients.

The net profit after taxes of the Disposal Group for the year ended 31st December 2016 amounted to approximately US\$1.8 million. The net profit margin for the year ended 31st December 2016 was 3.2%. The net profit after taxes margin was impacted by the Disposal group's gross margin of 44.8% for the year ended 31st December 2016.

***Financial Resources and Liquidity***

Cash and cash equivalents amounted to approximately US\$10.6 million as at 31st December 2016. Current assets were amounted to approximately US\$19.8 million as at 31st December 2016. Working capital was approximately US\$11.6 million as at 31st December 2016.

The Disposal Group had total liabilities of approximately US\$8.4 million as at 31st December 2016. As at 31st December 2016, banks and other borrowings amounted to approximately US\$1.9 million, the borrowings were used to support the Disposal Group growing operations. As at 31 December 2016, the Disposal Group's gearing ratio (total borrowings over total equity) was 14.5%.

***Contingent Liabilities***

As at 31 December 2016, the Disposal Group did not have any material contingent liabilities.

***Capital commitment***

As at 31 December 2016, the Disposal Group had no capital commitment.

***Prospects and future plans***

For the year ended 31st December 2016, orders newly secured by the Disposal Group amounted to approximately US\$54.4 million.

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

There was no specific plan for material investments and acquisition of material capital assets as at 31st December 2016.

***Foreign Exchange Risk***

During the year ended 31st December 2016, the revenues of the Disposal Group were denominated in US dollars while the expenses of the subsidiaries of the Disposal Group had limited expense exposure to local currencies. The Disposal Group did not adopt any foreign exchange hedging policy. However, the management monitored its foreign exchange risks and would take protective approaches when necessary.

***Treasury Policies***

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

**C. Other information***Material investments*

The Disposal Group did not have any material investment in 2016.

*Material acquisitions and disposals*

The Disposal Group did not have any material acquisitions and disposals in 2016.

*Employees and remuneration policies*

As of 31st December 2016, the Disposal Group had 672 employees. Remuneration packages were structured with reference to market conditions and individual qualifications and experience and subject to review on a regular basis. Share options may also be granted to the directors and employees of the Disposal Group to attract, retain and incentivize them to work and make contribution towards the long-term growth and development of the Disposal Group.

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

**PART II — MANAGEMENT DISCUSSION AND ANALYSIS OF THE REMAINING GROUP****FOR THE PERIOD ENDED 30 JUNE 2019****A. Business Overview**

The Remaining Group's core business is composed of local and overseas business. In the first half of 2019, the Remaining Group's local and overseas core businesses achieved satisfactory growth.

With regard to local business, which cover businesses in Hong Kong, Macau, and Asia Pacific, it grew steadily with its revenue recorded an increase of 16.4% when compared to the corresponding period last year, and the gross profit margin was continuously improving, reflecting the fruitful results from the Remaining Group's ongoing implementation of technological upgrade and service transformation. During the review period, the Remaining Group continued to focus on the upgrade and transformation of its three core businesses: (1) Innovative Solutions, (2) Intelligent Cybersecurity and (3) Integrated Managed Services. During the period, the Remaining Group continued to benefit from the business opportunities arising from traditional IT infrastructure demand, digital transformation and Cloud Computing in which it obtained numerous significant orders. Several significant projects were carried out during the review period, including the promotion of Software as a Service (SaaS), the cooperation with Alibaba Cloud, the world's leading digital transformation expert, for launching new services, the launch of the A-Tips, an ASL Threat Intelligence Platform, for service improvement, and developing the one-stop service platform.

**B. Financial overview*****Financial Result***

The revenue of the Remaining Group amounted to approximately HK\$922.8 million for the period ended 30th June 2019, representing an increase of approximately 16.4% compared to the revenue for the period ended 30th June 2018. The revenue comprised product sales and service revenue.

The net profit after taxes of the Remaining Group for the period ended 30th June 2019 amounted to approximately HK\$35.5 million after excluding acquisition-related expenses (mainly include fair value loss on contingent consideration payable, interest expenses on borrowings and professional fee) and share of results of associates. The adjusted net profit margin for the period ended 30th June 2019 was 3.85%.

***Financial Resources and Liquidity***

Cash and cash equivalents amounted to approximately HK\$183.7 million as at 30th June 2019. As at 30th June 2019, the outstanding borrowings amounted to HK\$477.3 million (31st December 2018: HK\$481.7 million), which represent the term loan and convertible bonds in connection with the acquisition of Disposal Group. As at 30th June 2019, the Remaining Group's gearing ratio (total borrowings over total equity) was 49.4%.

As at 30th June 2019, the Remaining Group had an aggregate composite banking facility from banks of approximately HK\$363.3 million (31st December 2018: HK\$388.1 million). The Remaining Group had pledged land and buildings in an aggregate amount of HK\$162.7 million (31st December 2018: HK\$165.6 million), investment properties with a carrying amount of HK\$54.0 million (31st December 2018: HK\$54.0 million) to secure Remaining Group's bank borrowings. The Remaining Group's restricted bank deposit of approximately HK\$0.8 million (31st December 2018: HK\$0.8 million) were pledged to secure the performance bonds of the Remaining Group. The performance bonds issued by the Remaining Group to customers as security of contracts were approximately HK\$81.8 million as at 30th June 2019 (31st December 2018: HK\$68.5 million).

***Contingent Liabilities***

As at 30th June 2019, the Remaining Group had HK\$0.8 million restricted bank deposit held as security for performance bonds (31st December 2018: HK\$0.8 million). As at 30th June 2019, performance bonds of approximately HK\$81.8 million (31st December 2018: HK\$68.5 million) had been issued by the bank on behalf of the Remaining Group to customers as security of contracts.

***Capital Commitments***

As at 30th June 2019, the Remaining Group had contracted capital commitments amounting to approximately HK\$11.3 million (31st December 2018: HK\$11.5 million).

*Prospects and future plans*

For the period ended 30th June 2019, orders newly secured by the Remaining Group amounted to approximately HK\$939.5 million, an increase of 25.3% compared to last period. As at 30th June 2019, the order book balance of the Remaining Group was approximately HK\$923.5 million.

Looking forward, the Remaining Group expects that the trends of digital transformation, Cloud Computing, Internet of Things and 5G will continue to stimulate strong demand of the market for new technologies. In light of the complexity of new technologies, customers may face challenges in mastering relevant technologies or in shortage of manpower. There is thus an increased demand for IT companies that possess IT capabilities in various fields, including the integration of traditional systems, the application of new technologies and the integration of products and platforms of different IT vendors as well. Apart from the above capabilities, in terms of Cloud Computing, the Remaining Group possesses professional consultancy teams as well as outstanding building and management abilities, by which it assists clients in migrating their applications to different types of Cloud platforms from various vendors to cope with relevant market demand, and with the strong support provided to the Remaining Group from numerous strategic IT vendors. It is believed that these are enormous potentials for the Remaining Group's development, especially when further expanding its new technology business and facilitating the remaining group for upgrading and transformation.

There was no specific plan for material investments and acquisition of material capital assets as at 30th June 2019.

*Foreign Exchange Exposure*

The Remaining Group mainly earns revenue and incurs costs in HKD and USD. Foreign exchange exposure to USD of the Remaining Group will continue to be minimal as long as the policy of The Government of the Hong Kong Special Administrative Region to link HKD to USD remains in effect. There was no material exposure to fluctuations in exchange rates and therefore no related hedging financial instrument was applied during the period ended 30th June 2019.

*Treasury Policies*

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

**C. Other information***Material investments*

Save as the Merger in this circular, the Remaining Group did not have any material investment in 2019.

*Material acquisitions and disposals*

Save as the Merger in this circular, the Remaining Group did not have any material acquisitions and disposals in 2019.

*Employee and Remuneration Policies*

As at 30th June 2019, the Remaining Group employed 2,378 permanent and contract staff in Hong Kong, Mainland China, Taiwan, Macau, Thailand, the United States, Russia, Poland, Ukraine and Serbia. The Remaining Group remunerates its employees based on their performance, working experience and the prevailing market conditions. Bonuses are granted on a discretionary basis. Other employee benefits include mandatory provident fund, insurance, medical coverage and share options scheme.

The Remaining Group adopted a share option scheme (the “2002 Share Option Scheme”) on 8th August 2002 for the purpose of providing incentives and rewards to any employee and/or Director of the Remaining Group or any of its subsidiaries. The 2002 Share Option Scheme expired on 7th August 2012. As a result, the Remaining Group can no longer grant any further share options under the 2002 Share Option Scheme. However, all share options granted prior to 7th August 2012 will remain in full force and effect.

The Remaining Group also adopted a new share option scheme (the “2017 Share Option Scheme”) on 13th March 2017 for the purpose of providing incentives or rewards to any eligible employee, executive or officer including directors of the Remaining Group and its subsidiaries for their contribution, to subscribe for ordinary shares of par value HK\$0.10 each of the Remaining Group. The period during which an option may be exercised will be determined by the Directors at its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. The 2017 Share Option Scheme will expire on 12th March 2027.

The following table discloses movements in the Remaining Group’s share options under the 2017 Share Option Scheme during the period ended 30 June 2019:

Participants	Date of grant	Adjusted Exercise Price HK\$	Number of Shares to be issued upon exercise of share options						
			At 1st January 2019	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Adjusted during the year	At 30th June 2019
<b>Directors</b>									
Wang Yueou	31.3.2017	0.970	4,620,000	—	—	—	—	—	4,620,000
Li Wei	31.3.2017	0.970	907,500	—	—	—	—	—	907,500
Cui Yong	31.3.2017	0.970	1,320,000	—	—	—	—	—	1,320,000
<b>Other Employees</b>									
	31.3.2017	0.970	17,014,800	—	—	(356,400)	—	—	16,658,400
	28.4.2017	0.909	7,260,000	—	—	—	—	—	7,260,000
	13.12.2017	0.867	1,665,600	—	—	(158,400)	—	—	1,507,200
Total			32,787,900	—	—	(514,800)	—	—	32,273,100

## FOR THE YEAR ENDED 31 DECEMBER 2018

**A. Business Overview**

In 2018, the Remaining Group's local and overseas core businesses achieved satisfactory growth, and the revenue, gross profit and profit for the year ended 31st December 2018 recorded significant increase of 22.3%, 43.1% and 60.4% respectively when compared to last year. The Remaining Group's core businesses in Hong Kong, Macau and Asia Pacific grew steadily with revenue recorded an increase of 7.9% and gross profit margin was continuously improving, reflecting the fruitful results from the Remaining Group's implementation of structural optimization and upgrade on its business in 2018.

During the year, the Remaining Group focused on customer centricity, the optimization of business structure and the reduction of reliance on traditional reseller business as well as placed emphasis on enhancing the capability of the service business, and these factors led to a growth of 30.0% in the revenue of the service business when compared to last year. During the year, the Remaining Group also focused on the demands of customers from various industries, and successfully deepened its market penetration within the industries by dint of accumulated professional knowledge and experience, among which the banking and finance industry contributed enormously to the commercial sector sales during the year.

During the year, in order to meet the market needs of digital transformation, the Remaining Group reformed its business strategies and focused on three major IT businesses: leading-edge Innovative Solutions, Intelligent Cybersecurity Services and next-generation one-stop IT Integrated Managed Services. These three businesses grew steadily during the year.

**B. Financial overview***Financial Result*

The revenue of the Remaining Group amounted to approximately HK\$1,624.4 million for the year ended 31st December 2018, representing an increase of approximately 7.86% compared to the revenue for the year ended 31st December 2017 of approximately HK\$1,506.0 million. The revenue comprised product sales and service revenue.

The net profit after taxes of the Remaining Group for the year ended 31st December 2018 amounted to approximately HK\$65.7 million after excluding acquisition-related expenses (mainly include fair value loss on contingent consideration payable and interest expenses on borrowings), share of results of associates and impairment loss on interest in associates. The adjusted net profit margin for the year ended 31st December 2018 increased to 4.05% from 2.13% for the year ended 31st December 2017, the increase was mainly due growth in revenue, an increased in IT service segment profit margin and absence of non-recurring expenses of approximately HK\$7.5 million which were incurred in the year ended 31 December 2017 on a one-off basis.



*Financial Resources and Liquidity*

Cash and cash equivalents amounted to approximately HK\$152.3 million as at 31st December 2018, with a working capital ratio of 1.02:1. As at 31st December 2018, the outstanding borrowings amounted to HK\$481.7 million (2017: HK\$493.0 million), which represent the term loan and convertible bonds in connection with the acquisition of Disposal Group. As at 31 December 2018, the Remaining Group's gearing ratio (total borrowings over total equity) was 51.6%.

As at 31st December 2018, the Remaining Group had an aggregate composite banking facility from banks of approximately HK\$388.1 million (2017: HK\$371.0 million). The Remaining Group had pledged land and buildings of HK\$280.7 million (2017: HK\$272.0 million), investment properties of HK\$54.0 million (2017: HK\$52.3 million) and restricted bank deposits HK\$0.8 million (2017: HK\$0.8 million) for banking facility and performance bonds granted to the Remaining Group respectively. The performance bonds issued by the Remaining Group to customers as security of contracts were approximately HK\$68.5 million as at 31st December 2018 (2017: HK\$63.3 million).

*Contingent Liabilities*

As at 31st December 2018, the Group had HK\$0.8 million restricted bank deposits held as security for performance bonds (2017: HK\$0.8 million). As at 31st December 2018, performance bonds of approximately HK\$68.5 million (2017: HK\$63.3 million) had been issued by the bank on behalf of the Group to customers as security of contracts.

*Capital Commitments*

As at 31st December 2018, the Group had contracted capital commitments amounting to approximately HK\$11.5 million (2017: HK\$11.6 million).

*Prospects and future plans*

For the year ended 31st December 2018, orders newly secured by the Remaining Group amounted to approximately HK\$1,701.1 million. As at 31st December 2018, the order book balance of the Remaining Group was approximately HK\$929.2 million.

The Remaining Group has always been aware of the different needs of its customers, hence it kept adding its own infrastructure to attain service improvement. Subsequent to the introduction of artificial intelligence at the Security Operation Center Plus (SOC+) in 2018 to enhance the capability of customer network protection, the Remaining Group is planning to invest resources worth tens of millions of Hong Kong dollars in the coming years on the enhancement of service platforms in omni-channel, aiming to gain potential for sustainable development and to deepen the cooperation with its customers.



Looking forward, the Remaining Group believes that the Belt and Road and the development of the Greater Bay Area will help facilitate the connections between Hong Kong and mainland China, and the Group expects that such development will drive the future demand for IT. The Remaining Group will also leverage on its position as an IT service provider to promote mainland China's advanced technology products to overseas market or to draw international clients into China's market. The Remaining Group will continue to closely cooperate with strategic partners to consolidate its business locations in Greater China and Southeast Asia and to seize global opportunities to accelerate its process of globalization.

“EMPOWER”, “SECURE” and “MANAGE” are the three main core values being brought to customers by the Remaining Group. The Remaining Group will continue to leverage the strengths to assist customers in their frontend-to-backend digital transformation as well as to strive to provide diversified, one-stop innovative IT solutions and services to customers from various industries.

There was no specific plan for material investments and acquisition of material capital assets as at 31st December 2018.

#### *Foreign Exchange Exposure*

The Remaining Group mainly earns revenue and incurs costs in HKD and USD. Foreign exchange exposure to USD of the Remaining Group will continue to be minimal as long as the policy of The Government of the Hong Kong Special Administrative Region to link HKD to USD remains in effect. There was no material exposure to fluctuations in exchange rates and therefore no related hedging financial instrument was applied during the year ended 31st December 2018 (2017: same).

#### *Treasury Policies*

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

### **C. Other information**

#### *Material investments*

The Remaining Group did not have any material investment in 2018.

#### **Material acquisitions and disposals**

The Remaining Group did not have any material acquisitions and disposals in 2018.

*Employee and Remuneration Policies*

As at 31st December 2018, the Remaining Group, excluding its associates, employed 2,297 permanent and contract staff in Hong Kong, Mainland China, Taiwan, Macau, Thailand, the United States, Russia, Poland, Ukraine and Serbia. The Remaining Group remunerates its employees based on their performance, working experience and the prevailing market conditions. Bonuses are granted on a discretionary basis. Other employee benefits include mandatory provident fund, insurance, medical coverage and share option scheme.

The Remaining Group adopted a share option scheme (the “2002 Share Option Scheme”) on 8th August 2002 for the purpose of providing incentives and rewards to any employee and/or Director of the Remaining Group or any of its subsidiaries. The 2002 Share Option Scheme expired on 7th August 2012. As a result, the Remaining Group can no longer grant any further share options under the 2002 Share Option Scheme. However, all share options granted prior to 7th August 2012 will remain in full force and effect.

The Remaining Group also adopted a new share option scheme (the “2017 Share Option Scheme”) on 13th March 2017 for the purpose of providing incentives or rewards to any eligible employee, executive or officer including directors of the Remaining Group and its subsidiaries for their contribution, to subscribe for ordinary shares of par value HK\$0.10 each of the Remaining Group. The period during which an option may be exercised will be determined by the Directors at its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. The 2017 Share Option Scheme will expire on 12th March 2027.

The following table discloses movements in the Remaining Group’s share options under the 2017 Share Option Scheme during the year ended 31st December 2018:

Participants	Date of grant	Exercise Price HK\$	Number of Shares to be issued upon exercise of share options						
			At 1st January 2018	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Adjusted during the year	At 31st December 2018
<b>Directors</b>									
Wang Yueou	31.3.2017	0.970 <sup>1</sup>	3,850,000	—	—	—	—	770,000 <sup>1</sup>	4,620,000
Li Wei	31.3.2017	0.970 <sup>1</sup>	1,100,000	—	(412,500)	—	—	220,000 <sup>1</sup>	907,500
Cui Yong	31.3.2017	0.970 <sup>1</sup>	1,100,000	—	—	—	—	220,000 <sup>1</sup>	1,320,000
<b>Other Employees</b>									
	31.3.2017	0.970 <sup>1</sup>	14,784,000	—	(132,000)	(522,500)	—	2,885,300 <sup>1</sup>	17,014,800
	28.4.2017	0.909 <sup>1</sup>	6,050,000	—	—	—	—	1,210,000 <sup>1</sup>	7,260,000
	13.12.2017	0.867 <sup>1</sup>	1,388,000	—	—	—	—	277,600 <sup>1</sup>	1,665,600
<b>Total</b>			<b>28,272,000</b>	<b>—</b>	<b>(544,500)</b>	<b>(522,500)</b>	<b>—</b>	<b>5,582,900</b>	<b>32,787,900</b>

## FOR THE YEAR ENDED 31 DECEMBER 2017

**A. Business Overview**

In 2017, the Remaining Group's local core business grew stably and expanded its business to Europe and the United States.

With regard to local business and in the terms of public sector sales, the Group ranked among the top in the industry in terms of total contract amount received from IT projects under the Standing Offer Agreement for Quality Professional Services 3 and is eligible for bidding 4 categories of IT services related to "Standing Offer Agreement for Quality Professional Services 4". In addition, the Remaining Group adopted a new delivery model DevOps in various government projects in the second half of 2017 to enhance the flexibility and effectiveness of delivery services. In respect of the commercial sector sales, the sales of professional services during the year increased significantly. Meanwhile, it won a number of big data and analytics projects from different industries and continued to leverage its managed services' advantages. In addition, it successfully launched the Security Operation Center Plus (SOC+) of its own managed security services together with managed services and service desk services to the market.

During the year, the Remaining Group opened up its overseas business by completing the acquisition of the Disposal Group, a company located at Silicon Valley, California, the United States, on 7th April 2017 at a total consideration of US\$118.0 million (equivalent to approximately HK\$916.8 million) plus certain adjustments.

As a result, the Remaining Group becomes Hong Kong's first local IT company which grows beyond Asia and expands its business to global markets.

**B. Financial Overview***Financial Result*

The revenue of the Remaining Group amounted to approximately HK\$1,506.0 million for the year ended 31st December 2017. The revenue comprised product sales and service revenue.

The net profit after taxes of the Remaining Group for the year ended 31st December 2017 amounted to approximately HK\$32.0 million after excluding acquisition-related expenses (mainly include fair value loss on contingent consideration payable, interest expenses on borrowings and professional fees) and share of results of associates. The adjusted net profit margin for the year ended 31st December 2017 was 2.13%.

*Financial Resources and Liquidity*

Cash and cash equivalents amounted to approximately HK\$205.8 million as at 31st December 2017, with a working capital ratio of 1.01:1. As at 31st December 2017, the outstanding borrowings amounted to HK\$493.0 million, which represent the term loan and convertible bonds in connection with the acquisition of Disposal Group. As at 31 December 2017, the Remaining Group's gearing ratio (total borrowings over total equity) was 55.4%.

As at 31st December 2017, the Remaining Group had an aggregate composite banking facility from banks of approximately HK\$371.0 million (2016: HK\$170.0 million). The Remaining Group had pledged land and buildings of HK\$272.0 million (2016: HK\$107.3 million), investment properties of HK\$52.3 million (2016: Nil) and restricted bank deposits HK\$0.8 million (2016: HK\$0.5 million) for banking facility and performance bonds granted to the Group respectively. The performance bonds issued by the Remaining Group to customers as security of contracts were approximately HK\$63.3 million as at 31st December 2017 (2016: HK\$62.6 million).

#### *Contingent Liabilities*

As at 31st December 2017, the Remaining Group had HK\$0.8 million restricted bank deposits held as security for performance bonds (2016: HK\$0.5 million). As at 31st December 2017, performance bonds of approximately HK\$63.3 million (2016: HK\$62.6 million) had been issued by the bank on behalf of the Remaining Group to customers as security of contracts.

#### *Capital Commitments*

As at 31st December 2017, the Group had contracted capital commitments amounting to approximately HK\$11.6 million (2016: HK\$0.1 million).

#### *Prospects and future plans*

For the year ended 31st December 2017, orders newly secured by the Remaining Group amounted to approximately HK\$1,571.6 million. As at 31st December 2017, the order book balance of the Remaining Group was approximately HK\$901.7 million.

In respect of the next-generation one-stop Integrated Managed Services, the Remaining Group will continue to ensure the quality of IT services through service level agreement (SLA) and upgrade service platform (i.e. to connect customers with our SOC+ through our well-equipped and advanced service centre, a service hub, by utilising omni-channels including phones, emails, websites, instant messages, on-site services, applications on smart phones, etc. and to launch one-stop IT services which better meet customers' needs with innovative Online to Offline (O2O) model and integrated conceptual model) while achieving efficient synergy of management processes to enhance customer's IT operation and management level and capability and thus drives business growth and, through provision of high quality customer experience, strengthens the Remaining Group's position as a next-generation one-stop ITSM provider.

In respect of Innovative Solutions, the world is entering a new era of cloud, big data analytics and mobile internet. Technological changes will bring about major changes in the industry model and competition pattern. Industry vertical integration and convergence of IT products and services are increasingly noticeable. Therefore, it is particularly important for professional service providers to capitalize on their exceptional skills and accumulated experience in their specialized areas. Focusing on industries with competitive edges (namely government, banking and finance, public healthcare, transportation, real estate and education), the Group further strengthens its innovative ability with regard to Innovative Solutions. With considerable insight into the changes in customers' needs in various industries, the Remaining Group provides leading and high value-added solutions based on the integration and reconstruction of their business procedures and by using technologies that meet the core business needs of customers.

In respect of Intimate Tech Hub, the Remaining Group will focus on strengthening the integration of industry-specific knowledge, comprehensive skills and cross-platform technologies in the industry, and deepen cooperation with strategic partners on the new technologies such as artificial intelligence, robotics, machine learning, smart city and grasp business opportunities brought by related application trends. The Remaining Group will also provide one-stop innovative IT solutions and services to customers in Hong Kong and in the Asia Pacific Region through active cooperation with tier-one providers with technology advantages or industry-leading suppliers.

Looking forward, the Remaining Group will continue to seek opportunities in Hong Kong and the Mainland China arising from Belt and Road to provide leading IT services with higher value for our global customers, so as to speed up the globalization of the Group and consolidate the Group's position as a professional and reliable IT service partner in the Asia-Pacific region.

There was no specific plan for material investments and acquisition of material capital assets as at 31st December 2017.

#### ***Foreign Exchange Exposure***

The Remaining Group mainly earns revenue and incurs costs in HKD and USD. Foreign exchange exposure to USD of the Remaining Group will continue to be minimal as long as the policy of The Government of the Hong Kong Special Administrative Region to link HKD to USD remains in effect. There was no material exposure to fluctuations in exchange rates and therefore no related hedging financial instrument was applied during the year ended 31st December 2017 (2016: same).

#### ***Treasury Policies***

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

**C. Other information***Material investments*

Save as the Merger in this circular, the Remaining Group did not have any material investment in 2017.

*Material acquisitions and disposals*

Reference is made to the announcements of the Remaining Group dated 19th December 2016 and 7th April 2017 and the circular of the Remaining Group dated 6th March 2017, respectively, in relation to, among other matters, the acquisition of GDI. On 19th December 2016, the Board announced that the Remaining Group and GDI entered into an agreement and plan of merger. The Remaining Group agreed to acquire GDI with a total cash consideration of up to approximately US\$118.0 million (equivalent to approximately HK\$916.8 million) plus certain adjustments, by the way of merger, which is subject to the terms and conditions set out in the abovesaid agreement. On 7th April 2017, all the conditions to the closing of the acquisition as set out in the abovesaid agreement had been fulfilled and the closing took place on the same date. Upon the closing, GDI has become an indirect wholly-owned subsidiary of the Remaining Group and the financial results, assets and liabilities of GDI and its subsidiaries are consolidated into the consolidated financial statements of the Remaining Group with effect from 7th April 2017.

*Employee and Remuneration Policies*

As at 31st December 2017, the Remaining Group, excluding its associates, employed 2,056 permanent and contract staff in Hong Kong, Mainland China, Taiwan, Macau, Thailand, the United States, Russia, Poland and Ukraine. The Remaining Group remunerates its employees based on their performance, working experience and the prevailing market conditions. Bonuses are granted on a discretionary basis. Other employee benefits include mandatory provident fund, insurance, medical coverage and share option scheme.

The Remaining Group adopted a share option scheme (the “2002 Share Option Scheme”) on 8th August 2002 for the purpose of providing incentives and rewards to any employee and/or Director of the Remaining Group or any of its subsidiaries. The 2002 Share Option Scheme expired on 7th August 2012. As a result, the Remaining Group can no longer grant any further share options under the 2002 Share Option Scheme. However, all share options granted prior to 7th August 2012 will remain in full force and effect.

The Remaining Group also adopted a new share option scheme (the “2017 Share Option Scheme”) on 13th March 2017 for the purpose of providing incentives or rewards to any eligible employee, executive or officer including directors of the Remaining Group and its subsidiaries for their contribution, to subscribe for ordinary shares of par value HK\$0.10 each of the Remaining Group. The period during which an option may be exercised will be determined by the Directors at its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. The 2017 Share Option Scheme will expire on 12th March 2027.

The following table discloses movements in the Remaining Group's share options under the 2017 Share Option Scheme during the year ended 31st December 2017:

Participants	Date of grant	Exercise Price HK\$	Number of Shares to be issued upon exercise of share options						
			At 1st January 2017	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Adjusted during the year	At 31st December 2017
<b>Directors</b>									
Wang Yueou	31.3.2017	1.164	—	3,500,000	—	—	—	350,000	3,850,000
Li Wei	31.3.2017	1.164	—	1,000,000	—	—	—	100,000	1,100,000
Cui Yong	31.3.2017	1.164	—	1,000,000	—	—	—	100,000	1,100,000
<b>Other Employees</b>									
	31.3.2017	1.164	—	13,640,000	—	(220,000)	—	1,364,000	14,784,000
	28.4.2017	1.091	—	5,500,000	—	—	—	550,000	6,050,000
	13.12.2017	1.040	—	1,388,000	—	—	—	—	1,388,000
Total			—	26,028,000	—	(220,000)	—	2,464,000	28,272,000

## FOR THE YEAR ENDED 31 DECEMBER 2016

### A. Business Overview

The Remaining Group, continuously focusing on five key solutions and services pillars (i.e. Infrastructure, Security, Data Intelligence, Mobile and Cloud) in 2016, has been consistent in its development strategy and has made remarkable progress during the year. In the managed service business, the result was impressive. The Remaining Group has successfully introduced a “customer-oriented” concept to various locally-based enterprises through providing long-term IT managed services. In addition, the Remaining Group performed well in commercial sector projects and implemented multiple data center upgrade projects. In the security solutions business, the Remaining Group achieved satisfactory progress and successfully helped many enterprises in preventing their IT systems from damaging by new types of network attacks.

### B. Financial Overview

#### *Financial Result*

The revenue of the Remaining Group amounted to approximately HK\$1,522.0 million for the year ended 31st December 2016. The revenue comprised product sales and service revenue.

The net profit after taxes of the Remaining Group for the year ended 31st December 2016 amounted to approximately HK\$37.2 million after excluding acquisition-related professional fees, share of results of associates and gain on deemed disposal of partial interest in associate. The adjusted net profit margin for the year ended 31st December 2016 was 2.44%.



*Financial Resources and Liquidity*

Cash and cash equivalents amounted to approximately HK\$237.8 million as at 31st December 2016, with a working capital ratio of 1.94:1. As at 31st December 2016, the Remaining Group had outstanding borrowings amounted to HK\$10.0 million. As at 31 December 2016, the Remaining Group's gearing ratio (total borrowings over total equity) was 1.4%.

As at 31st December 2016, the Remaining Group had an aggregate composite banking facility from banks of approximately HK\$170.0 million. The Remaining Group had pledged land and buildings of HK\$107.3 million and restricted bank deposits HK\$0.5 million for banking facility and performance bonds granted to the Remaining Group respectively. The performance bonds issued by the Remaining Group to customers as security of contracts were approximately HK\$62.6 million as at 31st December 2016.

*Contingent Liabilities*

As at 31st December 2016, the Remaining Group had HK\$0.5 million restricted bank deposits held as security for performance bonds. As at 31st December 2016, performance bonds of approximately HK\$62.6 million had been issued by the bank on behalf of the Remaining Group to customers as security of contracts.

The Remaining Group is involved in disputes arising in the ordinary course of business. In accordance with the Remaining Group's policies, the Remaining Group will make a provision for a liability when it has a present obligation as a result of a past event, it is probable that an outflow of resources will be required from the Group to settle the obligation and the amount can be reasonably estimated. Having reviewed outstanding claims of the Group, a provision for customers' claim of HK\$9.6 million was consequently recognised in profit or loss within other (loss)/gain, net. The Directors are of the opinion that adequate provisions have been made in the consolidated financial statement for the year ended 31st December 2016.

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

*Capital Commitments*

As at 31st December 2016, the Group had contracted capital commitments amounting to approximately HK\$0.1 million.



*Prospects and future plans*

For the year ended 31st December 2016, orders newly secured by the Remaining Group amounted to approximately HK\$1,602.5 million. As at 31st December 2016, the order book balance of the Remaining Group was approximately HK\$963.4 million.

With the popularity and rapid development of the third platform technologies, the Remaining Group anticipates that more and more customers will take the service-oriented architecture approach as a priority when purchasing hardware and software. Meanwhile, enterprises are expected to further widely use cloud platforms and cloud services as their primary infrastructure and corporate application services respectively, which will drive the development of their cloud-related business and cloud services outsourcing. In addition, enterprises will also place great importance to data and network security (in the areas including IT infrastructure covering on premise, virtual and cloud environments) in the course of their cloud deployment. All of these are the opportunities and challenges which we have to seize and face.

With the development of new technologies and change of consumer behaviour pattern, the Remaining Group also expected that there would be more and more enterprises requiring faster service deliveries to meet the ever-changing needs of their customers. In view of this, the Remaining Group conducted internal trainings on DevOps (the combination of a new superior IT service delivery and agile application development methodologies) to increase the efficiency of the Remaining Group's application development, improve its quality and reduce risks by enhancing technical expertise and automating the application deployment, so as to capture business opportunities. On the other hand, the Remaining Group adopted agile development to speed up the overall service delivery process and enable customers of the Remaining Group to meet market needs promptly.

In response to the new business ecosystem in the IT industry, the Remaining Group is of the view that IT service providers should make appropriate transformation and change according to changes of demand. The Remaining Group must have the ability to provide a comprehensive service, which includes integrating the cloud, mobile, analytics and security services into a flexible, people-oriented and innovative service, to ensure the smooth digital transformation of customers. In addition, as enterprises currently still have certain demands on the traditional infrastructure and related services, the Remaining Group will continue to leverage its core competitiveness (including rich experience on systems integration and a strong professional team) on the second platform, and through a series of initiatives on the uplift of technical competency and services quality so as to flexibly cater the needs of digital transformation of the customers and safeguard their data security. In the long run, the Remaining Group anticipates to quickly become a major IT service provider on third platform technologies in the Greater China region through the Acquisition. Looking forward, the Remaining Group will strenuously consolidate its leading position in the IT industry and leverage its competitiveness through the development of innovative technologies and grasping new opportunities (including omni-channel digital platforms, e-commerce and Fintech, etc.).

On 19th December 2016, the Board announced that the Remaining Group entered into an agreement and plan of merger. The Remaining Group agreed to acquire Disposal Group with a total cash consideration of up to approximately US\$118.0 million (equivalent to approximately HK\$916.8 million) plus certain adjustments, by the way of merger, which is subject to the terms and conditions set out in the abovesaid agreement. The merger was subsequently completed on 7th April 2017.

#### *Foreign Exchange Exposure*

The Remaining Group mainly earns revenue and incurs costs in HKD and USD. Foreign exchange exposure to USD of the Remaining Group will continue to be minimal as long as the policy of The Government of the Hong Kong Special Administrative Region to link HKD to USD remains in effect. There was no material exposure to fluctuations in exchange rates and therefore no related hedging financial instrument was applied during the year ended 31st December 2016.

#### *Treasury Policies*

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

### **C. Other information**

#### *Material investments*

The Remaining Group did not have any material investment in 2016.

#### *Material acquisitions and disposals*

The Remaining Group did not have any material acquisitions and disposals in 2016.

#### *Employee and Remuneration Policies*

As at 31st December 2016, the Remaining Group, excluding its associates, employed 1,269 permanent and contract staff in Hong Kong, Mainland China, Taiwan, Macau and Thailand. The Remaining Group remunerates its employees based on their performance, working experience and the prevailing market conditions. Bonuses are granted on a discretionary basis. Other employee benefits include mandatory provident fund, insurance, medical coverage and share option scheme.

The Remaining Group adopted a share option scheme (the "2002 Share Option Scheme") on 8th August 2002 for the purpose of providing incentives and rewards to any employee and/or Director of the Remaining Group or any of its subsidiaries. The 2002 Share Option Scheme expired on 7th August 2012. As a result, the Remaining Group can no longer grant any further share options under the 2002 Share Option Scheme. However, all share options granted prior to 7th August 2012 will remain in full force and effect.

## 1. RESPONSIBILITY STATEMENT

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

## 2. DISCLOSURE OF INTERESTS

### (a) Directors and Chief Executives

As at the Latest Practicable Date, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were recorded in the register required to be kept by the Company under section 352 of the SFO; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”), to be notified to the Company and the Stock Exchange (“Directors’ Interests in Shares and Underlying Shares”), were as follows:

#### (a) Shares

Name of company	Director	Personal interests	Family interests	Corporate interests	Other	Approximate percentage	
						Total of shareholding	
The Company	Li Wei	412,500	—	—	—	412,500	0.05%
Teamsun, the ultimate holding of the Company	Wang Weihang	92,069,358	—	—	41,170,975 <sup>1</sup>	133,240,333	12.08%
	Li Wei	602,520	—	—	—	602,520	0.05%
	Cui Yong	640,000	—	—	—	640,000	0.06%

*(b) Underlying shares*

Name of company	Director	Personal interests	Family interests	Corporate interests	Other	Approximate percentage	
						Total of shareholding	
The Company	Wang Yueou	4,620,000 <sup>2</sup>	—	—	—	4,620,000	0.57%
	Li Wei	907,500 <sup>2</sup>	—	—	—	907,500	0.11%
	Cui Yong	1,320,000 <sup>2</sup>	—	—	—	1,320,000	0.16%
Teamsun	Li Wei	250,000 <sup>3</sup>	—	—	—	250,000	0.02%
	Cui Yong	500,000 <sup>3</sup>	—	—	—	500,000	0.05%
GDI	Wang Yueou	90,000 <sup>4</sup>	—	—	—	90,000	0.67%

*Notes:*

- 41,170,975 shares of Teamsun were directly held by a trust scheme, of which a company with 51% equity interest holding by Mr. Wang Weihang, Beijing Jianzheng Investment Limited\* (北京健正投資有限公司), is one of the founders, which has 100% voting rights of the shares of Teamsun held by the trust scheme. For the purpose of the SFO, Mr. Wang Weihang, being a beneficiary of the trust scheme, is deemed to be interested in 41,170,975 shares of Teamsun.
- Share options to acquire ordinary shares of the Company under a share option scheme adopted on 13th March 2017.
- Restricted shares of Teamsun may be unlocked and traded on the Shanghai Stock Exchange after unlocking conditions are met pursuant to Teamsun's second phase of equity incentive plan and Teamsun's 2017 restricted share incentive scheme. Details of Teamsun's second phase of equity incentive plan were disclosed in Teamsun's announcements dated 27th May 2015, 14th July 2015 and 7th August 2018; and details of Teamsun's 2017 restricted share incentive scheme were disclosed in Teamsun's announcements dated 14th October 2017, 23rd November 2017, 15th December 2017 and 8th December 2018.
- Share options to subscribe for shares of common stock of GDI under a share option scheme of GDI adopted on 21st December 2018.

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

**(b) Substantial Shareholders' Interests in the Company**

As at the Latest Practicable Date, so far as is known to the Directors and chief executives of the Company, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or were recorded in the register of interests required to be kept by the Company under section 336 of the SFO:

**(a) Shares**

Name of shareholder	Capacity	Nature	Number of ordinary shares of the Company held	Percentage of issued share capital
Teamsun Hong Kong	Beneficial owner	Long Position	455,268,915	55.03%
Teamsun	Interest of controlled corporation	Long Position	455,268,915 <sup>1</sup>	55.03%
Beijing International Trust Co., Ltd. ("Beijing Trust")	Trustee	Long Position	107,841,742 <sup>2</sup>	13.04%
China Construction Bank Corporation ("CCBC")	Interest of controlled corporation	Long Position	21,978,022	2.66%

**(b) Underlying shares**

Name	Capacity	Nature	Number of underlying shares of the Company held	Percentage of issued share capital
CCBC	Interest of controlled corporation	Long Position	252,747,252 <sup>3</sup>	30.5%
Central Huijin Investment Ltd. ("Central Huijin")	Interest of controlled corporation	Long Position	252,747,252 <sup>4</sup>	30.5%

*Notes:*

1. Teamsun was interested in the entire issued share capital of Teamsun Hong Kong and was therefore deemed to be interested in the 455,268,915 shares in which Teamsun Hong Kong was interested.
2. Beijing Trust held 107,841,742 shares, being the trustee of a unit trust of BOC - BJITIC Overseas Market Financing 016.

3. CCBC was interested in 274,725,274 underlying shares through a controlled corporation, Triple Wise Asset Holdings Ltd. (“Triple Wise”), being underlying shares in respect of the convertible bonds of a principal amount of HK\$250,000,000 issued by the Company on 21st March 2017 at the adjusted conversion price of HK\$0.91 per share and 21,978,022 shares of the Company.
4. Triple Wise was wholly owned by CCB International Overseas (Cayman) Limited (“CCB Cayman”), a company wholly owned by CCB International (Holdings) Limited (“CCB Holdings”). CCB Holdings was wholly owned by CCB Financial Holdings Limited (“CCB Financial”), a company wholly owned by CCB International Group Holdings Limited (“CCB Group”). CCB Group was wholly owned by CCBC, 57.11% of total ordinary shares issued of which was owned by Central Huijin. Therefore, CCB Cayman, CCB Holdings, CCB Financial, CCB Group, CCBC and Central Huijin are deemed to be interested in the 274,725,274 underlying shares of the Company in which Triple Wise was interested.

Save as mentioned above, as at the Latest Practicable Date, to the Directors’ knowledge, there was no other person (other than the Directors or chief executives of the Company) who had interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company or the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, which were recorded in the register of interests required to be kept by the Company under section 336 of the SFO.

### **3. DIRECTORS’ SERVICE CONTRACTS**

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

### **4. DIRECTORS’ INTERESTS IN CONTRACTS OR ARRANGEMENTS**

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

## 5. DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

<b>Name of Director</b>	<b>Name of the entities which were considered to compete or likely to compete with the businesses of the Group</b>	<b>Description of businesses of the entities which were considered to compete or likely to compete with the businesses of the Group</b>	<b>Nature of Director's interest in the entities</b>
Wang Weihang	Teamsun	IT product service, application software development, value-added distribution and system	Chairman and president, director and substantial shareholder
	Teamsun Hong Kong	Window company of Teamsun in Hong Kong and mainly provides administrative support to the clients of Teamsun in the PRC and Hong Kong	Sole director
	Certain subsidiaries of Teamsun	IT related	Director
Wang Yueou	Teamsun	IT product service, application software development, value-added distribution and system	Director
	Carnation Software Ltd. (a subsidiary of Teamsun)	IT related	Director
Li Wei	Teamsun	IT product service, application software development, value-added distribution and system	Director
	Certain subsidiaries and associates of Teamsun	IT related	Director
Cui Yong	Teamsun	IT product service, application software development, value-added distribution and system integration	Director, executive vice president and general manager of the system information product (plate) division
Deng Jianxin	Shanghai 4Smart Technology Co., Ltd.	Cloud computation and cloud services	Chairman

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

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

#### **6. NO MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31st December 2018 (being the date to which the latest published audited consolidated financial statement of the Company were made up).

#### **7. INTEREST IN ASSETS**

As at the Latest Practicable Date, to the best of the knowledge of the Directors, none of the Directors or experts as referred to in this circular had any direct or indirect interest in any asset which had been, since 31st December 2018, being the date to which the latest published audited consolidated financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

#### **8. LITIGATION**

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

#### **9. MATERIAL CONTRACTS**

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by members of the Group within the two years immediately preceding and including the Latest Practicable Date and were or might be material to the Group:

- (i) memorandum of understanding for strategic cooperation (the "MOU") dated 30th April 2018 entered into between Automated Systems (H.K.) Limited, being an indirect wholly-owned subsidiary of the Company, with Alibaba Cloud (Singapore) Private Limited ("Alibaba Cloud") in relation to develop a strategic cooperation whereby to market Alibaba Cloud solution and services in both Hong Kong and Macau;
- (ii) the master agreement entered into between the Company and Teamsun dated 26th October 2018 in relation to the sale and purchase of the products of the Group or Teamsun and its subsidiaries from time to time but excluding Group ("Teamsun Group") (as the case may be) including but not limited to computer hardware, software, peripherals and other similar or associated products between Group and Teamsun Group and the provision or sharing of the relevant services set in the said master agreement;



- (iii) the stock transfer agreement dated 25th January 2019 entered into between GDD and VLSK2019 LLC pursuant to which GDD agreed to transfer to VLSK2019 LLC, and VLSK2019 LLC agreed to receive and hold from GDD, 342,500 GDI Common Stocks at the consideration of US\$2,055,000 (approximately HK\$16,128,668);
- (iv) the common stock and series A preferred stock purchase agreement dated 6th May 2019 entered into between GDI and BGV Opportunity Fund LP, pursuant to which the BGV Opportunity Fund LP agreed to subscribe for up to 622,027 GDI Common Stocks and 622,027 share(s) of Series A preferred stock in GDI at the aggregate consideration of approximately US\$10,000,000 (equivalent to approximately HK\$78,500,000); and
- (v) the Merger Agreement.

## 10. EXPERTS AND CONSENTS

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

<b>Name</b>	<b>Qualification</b>
Grant Thornton Hong Kong Limited	Certified Public Accountants, Hong Kong
BaoQiao Partners Capital Limited	a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
HLB Hodgson Impey Cheng Limited	Certified Public Accountants, Hong Kong

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

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

## 11. GENERAL

- (a) The Company Secretary of the Company is Mr. Ngan Wai Hing who is a certified public accountant of Hong Kong Institute of Certified Public Accountants and a certified practicing accountant of CPA Australia.
- (b) The registered office of the Company is at Canon's Court, Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM10, Bermuda and the head office and principal place of business in Hong Kong is at 15th Floor, Topsail Plaza, 11 On Sum Street, Shatin, New Territories, Hong Kong.

- (c) The Hong Kong branch share registrar and transfer office of the Company is Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (d) The English text of this circular and the proxy form shall prevail over the Chinese text.

## 12. DOCUMENTS AVAILABLE FOR INSPECTION

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

- (a) this circular;
- (b) the memorandum of association of the Company and the Bye-laws;
- (c) the annual report of the Company for each of the three years ended 31st December 2018 and the interim report of the Company for the six months ended 30th June 2019;
- (d) a copy of each of the material contracts referred to in the paragraph headed "9. MATERIAL CONTRACTS" in this appendix;
- (e) the letter from the Independent Board Committee, the text of which is set out on page 37 of this circular;
- (f) the letter from the Independent Financial Adviser, the text of which is set out on pages 38 to 82 of this circular;
- (g) the report on review of the unaudited financial information of the Disposal Group from Grant Thornton Hong Kong Limited, the text of which is set out in Appendix II to this circular;
- (h) the independent reporting accountant's assurance report on the compliance of pro forma financial information of the Remaining Group from Grant Thornton Hong Kong Limited, the text of which is set out in Appendix IV to this circular; and
- (i) the written consents referred to in the section headed "10. EXPERTS AND CONSENTS" in this appendix.

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## NOTICE OF SGM

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### **AUTOMATED SYSTEMS HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 771)**

#### **NOTICE OF SPECIAL GENERAL MEETING**

Notice is hereby given that a special general meeting (the “SGM”) of Automated Systems Holdings Limited (the “Company”) will be held at 15th Floor, Topsail Plaza, 11 On Sum Street, Shatin, New Territories, Hong Kong on Wednesday, 22nd January 2020 at 10:00 a.m. for the purposes of considering and, if thought fit, passing (with or without amendments) the following resolution (the “Resolution”) as an ordinary resolution:

#### **ORDINARY RESOLUTIONS**

1. **“THAT**

- (a) the agreement and plan of merger (the “Merger Agreement”) dated 13th November 2019 entered into between the Company, ChaSerg Technology Acquisition Corp. (the “Purchaser”), CS Merger Sub 1 Inc. (the “Merger Sub I”), CS Merger Sub 2 LLC (the “Merger Sub II”) and Grid Dynamics International, Inc. (“GDI”) in relation to the merger of GDI and the Merger Sub I whereby the Merger Sub I will be merged with and into GDI, followed by the merger between the post-merger GDI and the Merger Sub II whereby the post-merger GDI will be merged with and into the Merger Sub II, resulting in the Merger Sub II as the surviving corporation and wholly-owned by the Purchaser, and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified;
- (b) the proposed spin-off of GDI by way of the mergers pursuant to the terms and conditions of the Merger Agreement, and thereby effecting the separate listing of GDI on Nasdaq (“Proposed Spin-off”) and all relevant documents or agreements in connection therewith or contemplated thereunder be and are hereby approved, confirmed and ratified; and
- (c) any one or more of the directors of the Company be and is/are hereby authorised to do all such acts and things and execute for and on behalf of the Company, including under seal where applicable, all such documents which he/she/they consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the Merger Agreement, the Proposed Spin-off and the transactions contemplated thereunder.”

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## NOTICE OF SGM

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2. **“THAT**

- (a) conditional upon the passing of resolution no. 1, the assured entitlement requirement in respect of the Proposed Spin-off in accordance with Practice Note 15 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited be and is hereby waived (the “Waiver”); and
- (b) any one or more of the directors of the Company be and is/are hereby authorised to do all such acts and things and execute for and on behalf of the Company, including under seal where applicable, all such documents which he/she/they consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the Waiver.”

By Order of the Board  
**Automated Systems Holdings Limited**  
**Ngan Wai Hing**  
*Company Secretary*

Hong Kong, 31st December 2019

*Notes:*

- (a) For determining the entitlement to attend and vote at the SGM or any adjournment thereof, the record date is fixed on Wednesday, 15th January 2020. Shareholders whose names appear on the register of members of the Company at the close of business on the record date will be entitled to attend and vote at the SGM. In order to be entitled to attend and vote at the SGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 15th January 2020.
- (b) Voting on the resolutions will be taken by way of poll. On voting by poll, every Shareholder present in person or by a duly authorised corporate representative or by proxy shall have one vote for every fully paid share of the Company of which such member is the holder.
- (c) A Shareholder entitled to attend and vote at the SGM shall be entitled to appoint another person as his/her proxy to attend and vote instead of him/her, and on a poll, votes may be given either personally or, in the case of a Shareholder being a corporation, by its duly authorised representative or by proxy in accordance with the Bye-laws. A Shareholder who is the holder of two or more Shares may appoint more than one proxy to attend the SGM. A proxy need not be a Shareholder. If more than one proxy is so appointed, the appointment shall specify the number and class of Shares in respect of which each such proxy is so appointed.
- (d) Where there are joint registered holders of any Share, any one of such persons may vote at the SGM, either personally or by proxy, in respect of such Share as if he/she were solely entitled thereto; but if more than one of such joint holders be present at the SGM personally or by proxy, then one of the said persons so present whose name stands first on the Register of Members in respect of such Share shall alone be entitled to vote in respect thereof.

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## NOTICE OF SGM

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- (e) The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than 48 hours before the time fixed for holding the SGM.
- (f) A proxy form for use at the SGM is enclosed with the circular to the Shareholders.
- (g) Completion and return of the proxy form will not preclude a Shareholder from attending and voting in person at the SGM if he/she so wishes.

*As at the date of this notice, the Board comprises Mr. Wang Weihang and Mr. Wang Yueou being Executive Directors; Mr. Li Wei and Mr. Cui Yong being Non-Executive Directors; and Mr. Pan Xinrong, Mr. Deng Jianxin and Ms. Or Siu Ching, Rerina being Independent Non-Executive Directors.*