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ISP GLOBAL LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8487)

SUPPLEMENTAL AND CLARIFICATION ANNOUNCEMENT DISCLOSEABLE TRANSACTION IN RELATION TO THE ACQUISITION OF ENTIRE EQUITY INTEREST IN THE TARGET COMPANY

Reference is made to the announcement of the Company dated 5 February 2021 (the “**Announcement**”) in relation to the acquisition of the entire equity interest in the Target Company. Unless the context otherwise requires, capitalised terms defined in the Announcement have the same meanings when used in this announcement.

The Company would like to supplement and clarify the following in relation to the Announcement:

FURTHER INFORMATION OF THE TARGET COMPANY

The Company would like to clarify that there were inadvertent clerical errors in the paragraph headed “**INFORMATION OF THE TARGET COMPANY**” in the Announcement, the financial information of the Target Company which should be read as follows:

	For the year ended 31 December 2019 (audited) (RMB)	For the ten months ended 31 October 2020 (unaudited) (RMB)
Profit (loss) before taxation	360,607	(224,508)
Profit (loss) after taxation	345,080	(224,508)
Net assets	2,394,854	2,169,891

The Target Company is a one-stop supply-chain solutions service provider to small to medium size overseas suppliers who would seek to enter into the PRC market, especially through e-commerce. Once the Target Company has been mandated by any overseas suppliers, the Target Company will procure from such particular overseas supplier and will then market the merchandises of such particular overseas supplier on one or more e-commerce platforms operating in the PRC. Any receipt from the sale of the merchandises from the overseas suppliers to the e-commerce store operators for their resell on the e-commerce platforms operating in the PRC (including but not limited to Tmall, JD.com and Taobao) will be recognised as the revenue of the Target Company.

The overseas suppliers may opt for the services provided by the Target Company including but not limited to the marketing researches, goods imports and customs clearances and logistics solution, inventory management, development and management of distribution system, branding and public relation management, respectively (collectively, the “**Supply-Chain Management Services**”). Meanwhile, the Target Company shall also offer after-sales services (the “**After-Sales Services**”), on behalf of its mandated overseas suppliers, for a certain period of time subject to the terms and conditions of specified overseas suppliers when applicable.

The Target Company is led by Mr. Han Bing (“**Mr. Han**”), who will continue his position in the management of the Target Company. Mr. Han graduated from the Southeast University with a bachelor’s degree in communication engineering and international business. Mr. Han has over 25 years experience in global economic supply chain industry. During 2002 to 2006, Mr. Han was the Asian region project manager for the B&Q Widget project in Kingfisher Plc who was responsible for the establishment of supply chain and retail business model in order to enhance productivity with costs saving. During 2006 to 2018, Mr. Han served at IKEA in Shanghai, Sweden headquarter and Southeast Asia, respectively, with his main responsibilities in the formulation and implementation of global supply chain strategy for over US\$1 billion procurement amount annually.

The major suppliers of the Target Company for the year ended 31 December 2019 and the ten months ended 31 October 2020 include an innovative household appliance manufacturer and a bedding product manufacturer. The major customers of the Target Company for the year ended 31 December 2019 and the ten months ended 31 October 2020 include two independent third party e-commerce store operators (which resell the products to the customers in the PRC) and an innovative household appliance manufacturer (which had subscribed to the Supply-Chain Management Services and the After-Sales Services provided by the Target Company). The major compositions of the existing merchandise portfolio of the Target Company includes but not limited to a line of air purification products and latex bedding products. The Target Company is considering to expand its supplier’s chain network from the rest of Europe and Pan Pacific in the future. For instance, as at the date of this announcement, the Target Company is negotiating with a Swedish home cleaning product manufacturer and a Norwegian children furniture and accessory manufacturer.

The revenue of the Target Company are usually generated from (1) the sales of the merchandises procured from the mandated overseas suppliers sold in the PRC on several e-commerce platforms and as such earn the trading margin, (2) the service charges on the mandated overseas suppliers for provision of Supply-Chain Management Services for entering into the PRC market, and (3) the service charges on the mandated overseas suppliers for provision of the After-Sales Services.

Set out below is the breakdown of revenue by sales of merchandises and other services for the year ended 31 December 2019 and the ten months ended 31 October 2020 of the Target Company:

	For year ended 31 December 2019 RMB	For the ten months ended 31 October 2020 RMB
Sales of merchandises	2,834,833	1,563,974
Supply-Chain Management Services	604,958	203,250
After sales services	120,000	56,000
Total	<u>3,559,791</u>	<u>1,823,224</u>

The loss for the ten months ended 31 October 2020 of the Target Company was mainly due to (i) an abrupt suspension of normal supply in worldwide caused by COVID-19 in the first quarter of 2020 which had caused extra air freight costs by the Target Company in order to ensure the timely delivery of committed merchandises; (ii) the second quarter and the third quarter of a year are traditionally quiet seasons for existing merchandise portfolio of the Target Company; and (iii) COVID-19 has significantly impacted the Target Company's merchandise developments plan for a key PRC e-commerce shopping festive event in the second quarter of 2020.

FURTHER INFORMATION OF THE CONSIDERATION

As disclosed in the paragraph headed “CONSIDERATION” in the Announcement, the Consideration for the Proposed Acquisition was determined after arm’s length negotiations between the Vendors and the Purchaser on normal commercial terms with reference to the appraised value of 100% equity interest in the Target Company as at 31 October 2020 of RMB2,400,000, which was conducted by Hong Kong Appraisal Advisory Limited (the “**Valuer**”) and was developed through the application of market approach with cross checking with asset based approach.

Having made all reasonable enquiries with the best knowledge, information and belief available to the Directors, the Directors confirm that, save for the Valuer’s professional engagement with the Company to conduct an appraisal of the market value of the Target Company, the Valuer does not have any other relationships with the Company, its connected persons and their respective associates.

The Board has assessed the basis of methodology by considering three generally accepted valuation approaches, namely Income Approach, Market Approach and Asset-Based Approach as outlined in the valuation report of the Target Company dated 31 October 2020 (the “**Valuation Report**”). Given the unique characteristics of the business nature of the Target Company and there are substantial limitations for adoption of Income Approach to appraise the underlying business of the Target Company, the Directors concur with the Valuer’s view for appraising the equity interest in the Target Company through the application of the Market Approach, with cross checking with the Asset-based Approach is fair and reasonable.

With the adoption of the Market approach, the Directors noted the Valuation Report has a number of key assumptions adopted as: (i) the stock or share interests of similar interests to the Target Companies are good proxy of the market value of the Target Company (ii) criteria of guideline publicly-traded companies; (iii) selection of P/E multiples as yardstick; and (iv) discount for lack of marketability, accordingly.

In view of the above key assumptions, the Directors noted and were informed by the Valuer that they were employed in accordance with International Valuation Standards. Having discussed with the above key assumptions and the respective basis set out in the Valuation Report with Valuer, the Directors considered the key assumptions adopted are fair and reasonable to be used as a reference upper boundary of the purchase price for negotiations with the Vendors for the Consideration.

The Consideration was arrived between the Purchaser and the Vendors after the arm’s length negotiation, which was at par to the unaudited net asset value of RMB2,169,891 of the Target Company as at 31 October 2020. In addition, the Board also considered the strategic value of the Target Company, including but not limited to (1) the experienced team led by Mr. Han, and (2) built-up extensive network in e-commerce supply chain industry; and (3) the established business model and market recognition in the e-commerce supply chain industry brought from the Proposed Acquisition will enhance the Group newly established e-commerce business of the Group to capture the fast growing e-commerce business opportunities in the PRC.

Taking into account both the net asset value and the strategic value of the Target Company, the Board considered the Consideration is fair and reasonable and the Proposed Acquisition is in the best interest of the Company and Shareholders as a whole.

FURTHER INFORMATION OF REASONS FOR AND BENEFITS OF THE PROPOSED ACQUISITION

Since the year ended 30 June 2019, the Group has experienced increased competition in the sound and communication service solutions industry in Singapore. Coupled with the Singapore government's strict responses to the global pandemic caused by the COVID-19 since early 2020, the Group's business in Singapore had been adversely affected by in sales and projects delays. The Group has been recording continuous declines in revenue and profitability for financial year ended 30 June 2020 and the six months period ended 31 December 2020. To combat the deteriorating Singapore market of the Group's sound and communication and alert alarm systems products and services, the Group has formulated strategies to promote its products and services to have its market expansions to be available in the PRC market through a business-to-customer e-commerce business model. In order to capture the growth opportunities in the e-commerce industry in the PRC, the Group has been venturing into the PRC e-commerce market and deploying resources into developing in the e-commerce industry through (1) establishing new teams to operate in the relevant businesses and (2) acquisition of suitable candidates which compliments with the Group's development in the e-commerce business.

Before the Proposed Acquisition, the Group's e-commerce business segment has been managed by Mr. Jiang Lei ("**Mr. Jiang**"), who received a Master of Business Administration from Peking University in 2005 and a bachelor's degree in Management Science and Engineering from Shandong University (formerly known as Shandong Industrial University) in 1997. Mr. Jiang has over 10 years experience in e-commerce industry. For the six months ended 31 December 2020, the unaudited consolidated revenue for the Group's e-commerce segment (mainly consists of sales of the liquor and wine) was SGD2,187,452, which attributes to approximately 47.7% of the total revenue for same period.

The Board recognises the Proposed Acquisition will not only acquire the businesses but also the strategic value of the Target Company, including but not limited to (1) the human resources capital which will collaborate with the existing e-commerce team in the Group for future business development in the e-commerce industry, (2) network capital from upper stream suppliers to the Group's e-commerce services, (3) potential vertical integration into the Group's e-commerce, bought alongside the Proposed Acquisition. This will also help the Group to quickly identify possible expansion opportunities. The Directors consider the Proposed Acquisition would complement with the Group's market-entry strategy in the PRC's e-commerce market, which was implemented in the last quarter of 2020 with encouraging results.

Upon the completion of the Proposed Acquisition, the Group plans to integrate the management team and business in the e-commerce segment of the Group with Target Company and will continue to expand its business operations team and cooperate with the integrated portfolio of customers and brand owners. The Group planned to leverage on the connections of the Target Company to introduce further international brands to the Group's e-commerce business.

Up to the date of this announcement, save for the abovementioned expansion plan into the e-commerce industry, the Company does not have any plan to downsize its existing businesses or acquire specific targets in the next 12 months.

This supplemental and clarification announcement is supplemental to and should be read in conjunction with the Announcement. Save as disclosed above, all other information in the Announcement shall remain unchanged.

By order of the Board
ISP Global Limited
Mong Kean Yeow
Chairman and executive Director

Hong Kong, 10 March 2021

As at the date of this announcement, the executive Directors are Mr. Mong Kean Yeow, Ms. Choon Shew Lang and Mr. Yuan Jianzhong, the non-executive Director is Mr. Cao Chunmeng and the independent non-executive Directors are Mr. Tang Chi Wai, Dr. Cai Rongxin, Mr. Yan Xiaotian, and Mr. Yuan Shuangshun.

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

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