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EXPERT

EXPERT SYSTEMS HOLDINGS LIMITED

思博系統控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8319)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2020

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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

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

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

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

HIGHLIGHTS

- Revenue for the year ended 31 March 2020 ("**FY2020**") increased to HK$467.3 million by 8.0% from that for the year ended 31 March 2019 ("**FY2019**").

- Gross profit for FY2020 increased to HK$58.4 million by 8.2% from FY2019.

- Profit and total comprehensive income for FY2020 amounted to HK$10.7 million, which is comparable to FY2019.

- Earnings per share maintained at HK1.34 cents for FY2020.

- The Directors proposed a final dividend of HK0.45 cent per ordinary share of the Company, amounting to HK$3,600,000 for FY2020.

ANNUAL RESULTS

The board of Directors (the "**Board**") of Expert Systems Holdings Limited is pleased to announce the consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 March 2020, together with comparative audited figures for the preceding financial year, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2020

	Notes	**2020** *HK\$'000*	2019 *HK\$'000*
Revenue	*5*	**467,293**	432,529
Cost of sales		**(408,910)**	(378,579)
Gross profit		**58,383**	53,950
Other income and gains	*5*	**1,190**	798
Selling expenses		**(35,037)**	(30,478)
Administrative expenses		**(11,248)**	(11,272)
Expected credit loss on financial assets		**(98)**	(296)
Finance cost		**(409)**	–
Profit before income tax expense	*6*	**12,781**	12,702
Income tax expense	*7*	**(2,086)**	(1,949)
Profit and total comprehensive income for the year		**10,695**	10,753
Earnings per share — Basic and diluted	*9*	**HK1.34 cents**	HK1.34 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
Non-current assets			
Property, plant and equipment		**7,999**	1,529
Finance lease receivables		**172**	195
Trade receivables	*10*	**2,893**	5,562
Other receivables	*11*	**2,356**	–
		13,420	7,286
Current assets			
Inventories		**3,658**	3,586
Trade receivables	*10*	**99,299**	93,921
Prepayments, deposits and other receivables	*11*	**8,326**	8,411
Finance lease receivables		**280**	424
Cash and cash equivalents		**95,399**	99,074
		206,962	205,416
Current liabilities			
Trade payables	*12*	**91,588**	100,266
Accruals, deposits received and other payables	*13*	**16,335**	14,629
Amount due to a related company		**477**	210
Lease liabilities		**1,408**	–
Tax payables		**577**	1,331
		110,385	116,436
Net current assets		**96,577**	88,980
Total assets less current liabilities		**109,997**	96,266
Non-current liabilities			
Other payables	*13*	**636**	559
Lease liabilities		**5,849**	–
		6,485	559
Net assets		**103,512**	95,707
EQUITY			
Share capital	*14*	**8,000**	8,000
Reserves		**95,512**	87,707
		103,512	95,707

NOTES

1. GENERAL INFORMATION

Expert Systems Holdings Limited (the "**Company**") was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (2004 revision) Chapter 22 of the Cayman Islands on 18 September 2015. Its shares are listed on the GEM of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 12 April 2016. The address of the Company's registered office is Second Floor, Century Yard, Cricket Square, P.O. Box 902, Grand Cayman, KY1-1103, Cayman Islands and its principal place of business in Hong Kong is 22/F., Yen Sheng Centre, 64 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong.

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the "**Group**") is principally engaged in the provision of IT infrastructure solutions in Hong Kong and Macau.

2. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**"), Hong Kong Accounting Standards ("**HKASs**") issued by the Hong Kong Institute of Certified Public Accountants and Interpretations (hereinafter collectively referred to as the "**HKFRS**") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

(b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis.

(c) Functional and presentation currency

The consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), which is also the functional currency of the Company and its subsidiaries, and all values are rounded to the nearest thousands, except when otherwise indicated.

3. ADOPTION OF HKFRSs

(a) Adoption of new/revised HKFRSs — effective 1 April 2019

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

The impact of the adoption of HKFRS 16 Leases have been summarised in below. The other new or amended HKFRSs that are effective from 1 April 2019 did not have any significant impact on the Group's accounting policies.

A. HKFRS 16 — Leases

(i) Impact of the adoption of HKFRS 16

HKFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces HKAS 17 "Leases" ("**HKAS 17**"), HK(IFRIC)-Int 4 "Determining whether an Arrangement contains a Lease" ("**HK(IFRIC)-Int 4**"), HK(SIC)-Int 15 "Operating Leases-Incentives" and HK(SIC)-Int 27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease". From a lessee's perspective, almost all leases are recognised in the statement of financial position as right-of-use assets and lease liabilities, with the narrow exception to this principle for leases which the underlying assets are of low-value or are determined as short-term leases. From a lessor's perspective, the accounting treatment is substantially unchanged from HKAS 17. For details of HKFRS 16 regarding its new definition of a lease, its impact on the Group's accounting policies and the transition method adopted by the Group as allowed under HKFRS 16, please refer to section (ii) to (v) as below.

The Group has applied HKFRS 16 using the cumulative effect approach and recognised all the cumulative effect of initially applying HKFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application. The comparative information presented in 2019 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The following tables summarised the impact of transition to HKFRS 16 on the statement of financial position as of 31 March 2019 to that of 1 April 2019 as follows increase/ (decrease):

	HK$'000
Statement of financial position as at 1 April 2019:	
Right-of-use assets presented in property, plant and equipment	8,208
Lease liabilities (non-current)	7,257
Lease liabilities (current)	1,339
Accruals, deposit received and other payables	(251)
Retained earnings	(137)

The following reconciliation explains how the operating lease commitments disclosed applying HKAS 17 at the end of 31 March 2019 could be reconciled to the lease liabilities at the date of initial application recognised in the statement of financial position as at 1 April 2019:

	HK$'000
Reconciliation of operating lease commitment to lease liabilities	
Operating lease commitment as of 31 March 2019	5,772
Add: leases included in extension option which the Group considers reasonably certain to exercise	4,124
Less: future interest expenses	(1,300)
Total lease liabilities as of 1 April 2019	8,596

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the statement of financial position as at 1 April 2019 is 5.125%.

(ii) The new definition of a lease

Under HKFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified asset and (b) the right to direct the use of the identified asset.

For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, unless the lessee apply the practical expedient which allows the lessee to elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

(iii) Accounting as a lessee

Under HKAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the statement of financial position of the lessee.

Under HKFRS 16, all leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but HKFRS 16 provides accounting policy choices for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

Right-of-use asset

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

Lease liability

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

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

Subsequent to the commencement date, a lessee shall measure the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

(iv) Accounting as a lessor

The Group has leased out its photocopying machines to a number of customers. As the accounting under HKFRS 16 for a lessor is substantially unchanged from the requirements under HKAS 17, the adoption of HKFRS 16 does not have significant impact on these financial statements.

(v) Transition

As mentioned above, the Group has applied HKFRS 16 using the cumulative effect approach and recognised all the cumulative effect of initially applying HKFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application (1 April 2019). The comparative information presented in 2019 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The Group has recognised the lease liabilities at the date of 1 April 2019 for leases previously classified as operating leases applying HKAS 17 and measured those lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at 1 April 2019.

The Group has elected to recognise all the right-of-use assets at 1 April 2019 for leases previously classified operating leases under HKAS 17 as if HKFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the date of initial application. For all these right-of-use assets, the Group relied on the assurance of whether leases are onerous by applying HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" as an alternative of impairment review.

The Group has also applied the following practical expedients: (i) applied a single discount rate to a portfolio of leases with reasonably similar characteristics; (ii) applied the exemption of not to recognise right-of-use assets and lease liabilities for leases with term that will end within 12 months of the date of initial application (1 April 2019) and accounted for those leases as short-term leases; (iii) exclude the initial direct costs from the measurement of the right-of-use asset at 1 April 2019; and (iv) used hindsight in determining the lease terms if the contracts contain options to extend or terminate the leases.

In addition, the Group has also applied the practical expedients such that: (i) HKFRS 16 is applied to all of the Group's lease contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 and (ii) not to apply HKFRS 16 to contracts that were not previously identified as containing a lease under HKAS 17 and HK(IFRIC)-Int 4.

B. Others

HK(IFRIC)-Int 23 — Uncertainty over Income Tax Treatments

The Interpretation supports the requirements of HKAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes.

Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

Amendments to HKAS 19 — Plan Amendments, Curtailment or Settlement

The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company should use updated actuarial assumptions to determine its current service cost and net interest for the period. Additionally, the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income.

Amendments to HKFRS 9 — Prepayment Features with Negative Compensation

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at fair value through other comprehensive income if specified conditions are met — instead of at fair value through profit or loss.

Amendments to HKAS 28 — Long-term Interests in Associates and Joint Ventures

The amendment clarifies that HKFRS 9 applies to long-term interests ("**LTI**") in associates or joint ventures which form part of the net investment in the associates or joint ventures and stipulates that HKFRS 9 is applied to these LTI before the impairment losses guidance within HKAS 28.

Annual Improvements to HKFRSs 2015–2017 Cycle — Amendments to HKFRS 3, Business Combinations

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 3 which clarifies that when a joint operator of a business obtains control over a joint operation, this is a business combination achieved in stages and the previously held equity interest should therefore be remeasured to its acquisition date fair value.

Annual Improvements to HKFRSs 2015–2017 Cycle — Amendments to HKFRS 11, Joint Arrangements

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 11 which clarify that when a party that participates in, but does not have joint control of, a joint operation which is a business and subsequently obtains joint control of the joint operation, the previously held equity interest should not be remeasured to its acquisition date fair value.

Annual Improvements to HKFRSs 2015–2017 Cycle — Amendments to HKAS 12, Income Taxes

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 12 which clarify that all income tax consequences of dividends are recognised consistently with the transactions that generated the distributable profits, either in profit or loss, other comprehensive income or directly in equity.

Annual Improvements to HKFRSs 2015–2017 Cycle — Amendments to HKAS 23, Borrowing Costs

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 23 which clarifies that a borrowing made specifically to obtain a qualifying asset which remains outstanding after the related qualifying asset is ready for its intended use or sale would become part of the funds an entity borrows generally and therefore included in the general pool.

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Amendments to HKFRS 3	Definition of a Business[1]
Amendments to HKAS 1 and HKAS 8	Definition of Material[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]

1 Effective for annual periods beginning on or after 1 April 2020

2 The amendments were originally intended to be effective for periods beginning on or after 1 April 2018. The effective date has now been deferred/removed. Early application of the amendments continue to be permitted.

Amendments to HKFRS 3 — Definition of a Business

The amendments clarify that a business must include, as a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs, together with providing extensive guidance on what is meant by a "substantive process".

Additionally, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs, whilst narrowing the definition of "outputs" and a "business" to focus on returns from selling goods and services to customers, rather than on cost reductions.

An optional concentration test has also been added that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

Amendments to HKAS 1 and HKAS 8 — Definition of Material

The amendments clarify the definition and explanation of "material", aligning the definition across all HKFRS Standards and the Conceptual Framework, and incorporating supporting requirements in HKAS 1 into the definition.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 — Interest Rate Benchmark Reform

The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainties caused by interest rate benchmark reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

Amendments to HKFRS 10 and HKAS 28 — Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group's accounting policies and financial statements.

4. SEGMENT INFORMATION

The chief operating decision maker is identified as executive directors of the Company. The Group has identified its operating segment based on the regular internal financial information reported to the Company's executive directors for their decisions about resources allocation and review of performance. For the reporting period, the executive directors have considered the only operating segment of the Group to be the provision of IT infrastructure solutions and finance leases income.

Geographical information

The following is an analysis of the Group's revenue by the geographical locations of customers.

	2020	2019
	HK$'000	*HK$'000*
Hong Kong	**460,889**	429,158
Macau	**6,404**	3,371
	467,293	432,529

During the year, all of the Group's non-current assets are located in Hong Kong.

Information about major customers

There is no single customer who contributed to 10% or more revenue to the Group for the reporting year (2019: Nil).

5. REVENUE AND OTHER INCOME AND GAINS

The Group's principal activities are the provision of IT infrastructure solutions and finance leases income.

An analysis of revenue, other income and gains is as follows:

	2020	2019
	HK$'000	*HK$'000*
Revenue:		
Provision of IT infrastructure solutions	**467,105**	432,251
Finance leases income	**188**	278
Total	**467,293**	432,529
Other income and gains:		
Interest income	**747**	573
Write back of other payables	**40**	146
Exchange gain	**109**	–
Sundry income	**294**	79
Total	**1,190**	798

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

	2020	2019
	HK$'000	*HK$'000*
Receivables *(note 10)*	**102,192**	99,483
Contract liabilities *(note 13(a))*	**(8,078)**	(5,572)

The contract liabilities mainly relate to the advance consideration received from customers. Contract liabilities as of 1 April 2019 of HK$5,572,000 (1 April 2018: HK$7,398,000) have been recognised as revenue for the year ended 31 March 2020 from performance obligations satisfied in the year due to the delivery of goods and services accepted by customers.

The Group has applied the practical expedient to its sales contracts for the provision of IT infrastructure solutions and therefore the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts for the provision of IT infrastructure solutions that had an original expected duration of one year or less.

6. PROFIT BEFORE INCOME TAX EXPENSE

The Group's profit before income tax expense is arrived at after charging:

	2020	2019
	HK$'000	*HK$'000*
Costs of inventories recognised as expenses	**342,515**	337,168
Auditor's remuneration	**628**	620
Depreciation of property, plant and equipment	**2,319**	836
Expected credit loss on financial assets	**98**	296
Provision of impairment loss of inventories	**26**	43
Staff costs (including directors' remuneration)		
— Wages, salaries and other benefits	**38,295**	33,934
— Contribution to defined contribution pension plans	**1,225**	1,103
— Equity settled share-based payment expenses	**607**	–
Exchange (gain)/losses, net	**(109)**	116
Operating lease rental expenses	**–**	1,614

7. INCOME TAX EXPENSE

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

	2020	2019
	HK$'000	*HK$'000*
Current tax — Hong Kong profits tax		
Tax for the year	**2,039**	1,999
Under/(over)-provision in respect of prior year	**47**	(50)
Income tax expense	**2,086**	1,949

According to the Inland Revenue (Amendment) (No. 3) Ordinance 2018 enacted on 29 March 2018, the two-tiered profits tax regime (the "**Regime**") is effective from the year of assessment 2018/19. Profits tax rate for the first HK$2 million of assessable profits of corporations is lowered to 8.25% with the excess assessable profits continue to be taxed at 16.5%. The Hong Kong profits tax for the year ended 31 March 2020 and 2019 is provided based on the Regime.

Pursuant to the rules and regulations of Cayman Islands, the Group is not subject to any taxation under the jurisdictions of Cayman Islands during the year ended 31 March 2020 (2019: Nil).

No provision for Macau income tax has been made as the Group did not generate any assessable profits arising in Macau during the year ended 31 March 2020 (2019: Nil).

The income tax expense for the year can be reconciled to the profit before income tax expense in the consolidated statement of comprehensive income as follows:

	2020	2019
	HK$'000	*HK$'000*
Profit before income tax expense	**12,781**	12,702
Tax calculated at the statutory rate of 16.5%	**2,109**	2,096
Effect of different tax rates in other jurisdiction	**8**	17
Tax effect of expenses not deductible for tax purpose	**144**	56
Tax effect of revenue not taxable for tax purpose	**(51)**	(50)
Tax effect of deductible temporary differences not recognised	**24**	74
Tax effect of two-tiered profits tax rates regime	**(165)**	(165)
Under/(over)-provision in respect of prior years	**47**	(50)
Others	**(30)**	(29)
Income tax expense	**2,086**	1,949

No deferred tax asset has been recognised in relation to deductible temporary differences of HK$145,000 (2019: HK$446,000) relating to the depreciation charges as it is not material.

8. DIVIDENDS

A final dividend in respect of the year ended 31 March 2020 of HK0.45 cent per ordinary share (2019: HK0.42 cent) (tax exclusive) amounting to HK$3,600,000 (2019: HK$3,360,000) was proposed pursuant to a resolution passed by the Board of Directors on 19 June 2020 and subject to the approval of the shareholders at the annual general meeting of the Company to be held on 16 September 2020 or any adjournment thereof. This proposed dividend is not reflected as dividend payable in the consolidated financial statements.

9. EARNINGS PER SHARE

For the year ended 31 March 2020, the calculation of basic earnings per share is based on the profit for the year attributable to the owners of the Company of HK$10,695,000 (2019: HK$10,753,000) and on the basis of the weighted average number of 800,000,000 (2019: 800,000,000) ordinary shares in issue.

Diluted earnings per share are same as the basic earnings per share as there are no dilutive potential ordinary shares in existence during the years ended 31 March 2020 and 2019.

10. TRADE RECEIVABLES

	2020	2019
	HK$'000	*HK$'000*
Trade receivables, gross	**102,586**	99,779
Less: Provision for impairment	**(394)**	(296)
	102,192	99,483
Less: non-current portion	**(2,893)**	(5,562)
	99,299	93,921

The credit period is generally 7 to 60 days.

An ageing analysis of the Group's trade receivables, net of impairment and based on the invoice date, is as follows:

	2020	2019
	HK$'000	*HK$'000*
Within 1 month	**28,667**	39,270
More than 1 month but not more than 3 months	**29,808**	33,149
More than 3 months but not more than 6 months	**22,055**	8,559
More than 6 months but not more than a year	**12,631**	7,407
More than a year	**9,031**	11,098
	102,192	99,483

At the end of each reporting period, the management perform impairment analysis by using a provision matrix to measure expected credit losses. Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly. The movement in the allowance for impairment of trade receivables during each reporting period is as follows:

	2020	2019
	HK$'000	*HK$'000*
Opening loss allowance as at 1 April	**296**	–
Provision of expected credit loss for the year	**98**	296
At the end of the year	**394**	296

At 31 March 2020, the management had determined that the provision of expected credit loss of trade receivables was approximately HK$394,000 (2019: HK$296,000), and there was no reversal of expected credit loss provided in year ended 31 March 2020 (2019: nil).

The Group did not hold any collateral or other credit enhancements over the impaired trade receivables.

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2020	2019
	HK$'000	*HK$'000*
Other deposits	**4,499**	2,325
Other receivables	**89**	55
Prepayments	**6,094**	6,031
	10,682	8,411
Less: non-current portion	**(2,356)**	–
	8,326	8,411

12. TRADE PAYABLES

	2020	2019
	HK$'000	*HK$'000*
Trade payables	**91,588**	100,266

The credit period ranges from approximately 30 to 90 days.

An ageing analysis of the Group's trade payables, based on the invoice date, is as follows:

	2020	2019
	HK$'000	*HK$'000*
Within 1 month	**44,486**	40,290
More than 1 month but not more than 3 months	**36,262**	49,480
More than 3 months but not more than 6 months	**3,350**	4,675
More than 6 months but not more than a year	**3,604**	857
More than a year	**3,886**	4,964
	91,588	100,266

13. ACCRUALS, DEPOSITS RECEIVED AND OTHER PAYABLES

	2020	2019
	HK$'000	*HK$'000*
Other payables and accrued expenses	**2,996**	3,359
Staff commission	**5,065**	5,479
Other deposits received	**832**	778
Contract liabilities *(note (a))*	**8,078**	5,572
	16,971	15,188
Less: Non-current other payables	**(636)**	(559)
	16,335	14,629

Note:

(a) Contract liabilities

	2020	2019
	HK$'000	*HK$'000*
Contract liabilities arising from:		
— Sale of goods and provision of IT infrastructure solutions	**8,078**	5,572

14. SHARE CAPITAL

	Number	**Amount**
		HK$'000
Authorised:		
Ordinary shares of HK$0.01 each		
At 31 March 2019, 1 April 2019 and 31 March 2020	10,000,000,000	100,000
Issued and fully paid:		
Ordinary shares of HK$0.01 each		
At 31 March 2019, 1 April 2019 and 31 March 2020	800,000,000	8,000

15. EVENTS AFTER REPORTING DATE

For the year ended 31 March 2020, the operating results of the Group have been affected by the outbreak of novel coronavirus (the "**Outbreak**") in January 2020. The Outbreak posed a serious public health threat and interrupted the movement of people and goods throughout the world, and many levels of government, including Mainland China, Hong Kong, Macau and Taiwan and other countries are instituting restrictions on individuals and businesses, which has affected the economic activity.

The Group has been cautious in managing the business risk, prepared to respond to the changes in such economic and business environment, reassess the key accounting estimates including provision of expected credit loss, and aimed at strategically developing the Group's business to mitigate the said impacts.

Up to the date of this report, the Outbreak is still affecting business and economic activity worldwide. The Group will keep continuous attention on the change of situation and make timely response and adjustments in the future but the estimate of its financial effect cannot be made at this stage.

The Group does not have other significant subsequent events.

MANAGEMENT DISCUSSION AND ANALYSIS

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

BUSINESS REVIEW

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

Business in the Private Sector

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

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

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

Business in the Public Sector

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

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

We consider that the increase in revenue from the public sector was mainly due to the increase in demand for IT infrastructure solutions from our customers in the public sector. As we deployed a more competitive pricing strategy to increase our overall market share, our profit margin from the public sector was reduced.

OUTLOOK AND PROSPECTS

Our Group considers that the current business environment for the short-to-medium term continues to be challenging. The Group's performance is likely to be affected by the negative business sentiment due to the global outbreak of the coronavirus epidemic, the social activities in Hong Kong and the uncertain global economy due to the US-China trade dispute and Brexit. We consider that might have negative impacts on our business volume and exert pressure on our pricing terms and hence on our profit margin and profitability. Given the level of uncertainty around the duration of the economic crisis and the shape of recovery, there are wide range of possible outcomes for the year.

Our Group has taken actions in adjusting our business prioritization plans for the short-to-medium term to reflect the shift in current customer demand and to capture new business opportunities that help our customers navigate through their challenges. Moreover, we believe that enterprises and institutions will keep adopting digital transformation in the long run with the purpose not only to enhance their operation efficiency, but also create their own digital business models, which means to digitalize their business or do their business online in their own ways. Therefore, we are enhancing our product portfolio and support resources to provide the best valued solutions and services to our customers who continue to invest in technologies. We remain focus on our long-term plan in driving strategic development and growth in three key business opportunities, namely:

(i) Multi Cloud & Hybrid Cloud

(ii) Container Technology

(iii) Cyber Security

These technologies enable us to provide higher value and more comprehensive total solutions and services to our customers through their digital transformation journey.

In order to capitalise the above mentioned opportunities, we are not only continuously strengthening our strategic relationship with our suppliers, but also enhancing our specialised technical expertise and domain knowhow on the latest and proven infrastructure solutions. We also strive to develop an even more diversified customer base across private and public sectors.

Our robust balance sheet gives us the flexibility not only to weather the current storm but to continue to invest in key growth initiatives when the right opportunity arises. We will explore any appropriate merger and acquisition opportunities for the enhancement of our enterprise value. This will only be carried out in a cautious manner and has to be for the benefit of our Group and in the shareholders' best interest.

In view of the uncertain business environment, the Group will be cautious in managing the business risk; prepare to respond to the changes in such economic and business environment, and aim at strategically developing the Group's business to mitigate the said impacts. Furthermore, we have taken prudent and decisive steps on cost optimization to reflect the current revenue environment, and to position ourselves as a more resilient company in the post-Covid-19 world so that we are well prepared for the different outcomes. Nevertheless, we will continue to focus on our core businesses and provide innovative and integrated IT infrastructure solutions to customers in both private and public sectors, so as to enable our enterprise and institution customers to extract maximum value from their IT engagements.

FINANCIAL REVIEW

Revenue

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

Gross profit and gross profit margin

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

Our gross profit margin in FY2020 was approximately 12.5% and it was maintained at the same level as FY2019.

Other income and gains

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

Selling expenses

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

Administrative expenses

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

Expected credit loss on financial assets

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

Finance cost

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

Income tax expense

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

Profit attributable to owners of the Company

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

Earnings per share

Basic and diluted earnings per share for FY2020 amounted to approximately HK1.34 cents are maintained at around the same level at FY2019.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

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

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

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

CAPITAL STRUCTURE

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

COMMITMENTS

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

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

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

SIGNIFICANT INVESTMENTS

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

CONTINGENT LIABILITIES

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

EXPOSURE TO EXCHANGE RATE FLUCTUATION

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

CHARGE ON GROUP'S ASSETS

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

INFORMATION ON EMPLOYEES

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

CORPORATE GOVERNANCE PRACTICE

The Board recognises the importance of good corporate governance in management and internal control procedures so as to achieve accountability. Therefore, the Company is committed to establish and maintain good corporate governance practices and procedures. The Company has adopted the code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 15 to the GEM Listing Rules and, in the opinion of the Board, the Company has complied with the CG Code for FY2020, save for the deviation from such code disclosed below.

Pursuant to code provision F.1.1 of the CG Code, the company secretary of the Company should be an employee of the Company and have day-to-day knowledge of the Company's affairs. Mr. Lau Siu Ki, being the Company's company secretary, is not an employee of the Company. The Company has assigned Ms. Wong Yuk Lam, the general manager, finance of the Group, as the contact person with Mr. Lau Siu Ki. Taking into account that Mr. Lau Siu Ki has substantial experience in the corporate secretarial field, providing professional corporate services to Hong Kong listed companies and it is more cost effective to engage an external service provider, the Directors consider that it is beneficial to appoint Mr. Lau Siu Ki as the company secretary of the Company.

The Directors believe that good corporate governance provides a framework that is essential for effective management, successful business growth and a healthy corporate culture which would benefit the Company's stakeholders as a whole. The Directors will continue to review its corporate governance practices in order to enhance its corporate governance standard, to comply with the increasingly tightened regulatory requirements from time to time, and to meet the rising expectation of the shareholders and other stakeholders of the Company.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had also made specific enquiry of all the Directors and the Company was not aware of any non-compliance with the required standard of dealings regarding securities transactions by the Directors for FY2020.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2020.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTEREST IN COMPETING BUSINESS

None of the Directors, the directors of the Company's subsidiaries, the Company's controlling shareholders, or any of their respective close associates, as defined in the GEM Listing Rules, had interest in any business that competes or may compete, either directly or indirectly, with the businesses of the Group or has any other conflict of interests with the Group (other than being a Director and/or a director of its subsidiaries and their respective associates) during FY2020.

DIVIDEND

The Board has resolved to recommend the payment of a final dividend of HK0.45 cent per ordinary share (2019: HK0.42 cent) for the year ended 31 March 2020 subject to the approval of the shareholders at the forthcoming annual general meeting (the "**AGM**"). The final dividend will be paid on or about Friday, 9 October 2020 to shareholders whose names appear on the register of members of the Company at the close of business on Thursday, 24 September 2020.

CLOSURE OF THE REGISTER OF MEMBERS

The AGM is scheduled to be held on Wednesday, 16 September 2020. For determining the entitlement to attend and vote at the AGM, the transfer books and the register of members of the Company will be closed from Friday, 11 September 2020 to Wednesday, 16 September 2020, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to establish the right to attend and vote at the AGM, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, located at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 10 September 2020.

The proposed final dividend is subject to the approval of the shareholders at the AGM. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed on Tuesday, 22 September 2020 to Thursday, 24 September 2020, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, for registration not later than 4:30 p.m. on Monday, 21 September 2020.

SCOPE OF WORK OF BDO LIMITED

The figures in respect of the Group's consolidated statement of comprehensive income, consolidated statement of financial position, and the related notes thereto for FY2020 as set out in the preliminary announcement have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on the preliminary announcement.

AUDIT COMMITTEE

The chairman of the Audit Committee is Mr. Au Yu Chiu Steven, an independent non-executive Director, and other members include Mr. Chan Kin Mei Stanley, a non-executive Director, and Mr. Chung Fuk Wing Danny, Mr. Ko Man Fu and Mr. Mak Wai Sing, each being an independent non-executive Director. The written terms of reference of the Audit Committee as suggested under the CG Code are posted on the GEM website and on the Company's website.

The Group's financial statements for the year ended 31 March 2020 have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the financial statements of the Group for the year ended 31 March 2020 comply with the applicable accounting standards and the GEM Listing Rules.

APPRECIATION

On behalf of the Board, I would like to thank all our employees for their contribution and commitments. I also wish to extend my sincere gratitude to our shareholders, customers, suppliers and business partners for their long-term supports and dedication in the reporting period.

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

Hong Kong, 19 June 2020

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

Chairman and non-executive Director:
Mr. Wong Chu Kee Daniel

Chief executive officer and executive Director:
Mr. Lau Wai Kwok

Executive Directors:
Ms. Lau Tsz Yan
Mr. So Cheuk Wah Benton

Non-executive Directors:
Mr. Chu Siu Sum Alex
Mr. Chan Kin Mei Stanley

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