



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



THIRD QUARTERLY REPORT

2017/18

## CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate 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. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, 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.

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*This report, 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 report 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 report misleading.*

*This report will remain on the Stock Exchange’s website at [www.hkexnews.hk](http://www.hkexnews.hk), the GEM website at [www.hkgem.com](http://www.hkgem.com), on the “Latest Company Announcements” page for at least seven days from the date of its posting. This report will also be published on the Company’s website at [www.expertsystems.com.hk](http://www.expertsystems.com.hk).*

The board of Directors (the “Board”) of the Company announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the “Group”) for the three months and the nine months ended 31 December 2017, together with the unaudited comparative figures for the corresponding periods in 2016 as follows:

## Condensed Consolidated Statement of Comprehensive Income

*For the three months and the nine months ended 31 December 2017*

|  | Notes | Three months ended<br>31 December |                                 | Nine months ended<br>31 December |                                 |
|--|-------|-----------------------------------|---------------------------------|----------------------------------|---------------------------------|
|  |       | 2017<br>HK\$'000<br>(unaudited)   | 2016<br>HK\$'000<br>(unaudited) | 2017<br>HK\$'000<br>(unaudited)  | 2016<br>HK\$'000<br>(unaudited) |
| Revenue  | 4     | 76,728                            | 78,396                          | 220,534                          | 217,236                         |
| Cost of sales  |       | (66,440)                          | (67,673)                        | (191,976)                        | (186,010)                       |
| Gross profit   |       | 10,288                            | 10,723                          | 28,558                           | 31,226                          |
| Other income and gains                                 | 4     | 49                                | 251                             | 513                              | 433                             |
| Selling expenses                                       |       | (6,141)                           | (6,140)                         | (17,992)                         | (17,651)                        |
| Administrative expenses                                |       | (2,791)                           | (2,802)                         | (8,083)                          | (7,923)                         |
| Profit before income tax expense                       |       | 1,405                             | 2,032                           | 2,996                            | 6,085                           |
| Income tax expense                                     | 5     | (218)                             | (342)                           | (489)                            | (1,006)                         |
| Profit and total comprehensive income for the period   |       | 1,187                             | 1,690                           | 2,507                            | 5,079                           |
| Earnings per share<br>— Basic and diluted<br>(HK cent) | 7     | 0.15                              | 0.21                            | 0.31                             | 0.64                            |

# Condensed Consolidated Statement of Changes in Equity

For the nine months ended 31 December 2017

|  | Share capital<br>HK\$'000 | Share premium<br>HK\$'000 | Merger reserve<br>HK\$'000 | Retained earnings<br>HK\$'000 | Total equity<br>HK\$'000 |
|--|---------------------------|---------------------------|----------------------------|-------------------------------|--------------------------|
| <b>At 1 April 2017 (audited)</b>                     | 8,000                     | 70,179                    | (25,395)                   | 25,281                        | 78,065                   |
| Profit and total comprehensive income for the period | –                         | –                         | –                          | 2,507                         | 2,507                    |
| <b>At 31 December 2017 (unaudited)</b>               | 8,000                     | 70,179                    | (25,395)                   | 27,788                        | 80,572                   |
| <b>At 1 April 2016 (audited)</b>                     | 100                       | 33,319                    | (25,395)                   | 18,294                        | 26,318                   |
| Profit and total comprehensive income for the period | –                         | –                         | –                          | 5,079                         | 5,079                    |
| Capitalisation issue of shares (note 8)              | 5,900                     | (5,900)                   | –                          | –                             | –                        |
| Issuance of new shares by placing (note 8)           | 2,000                     | 48,000                    | –                          | –                             | 50,000                   |
| Shares issue expenses                                | –                         | (5,240)                   | –                          | –                             | (5,240)                  |
| <b>At 31 December 2016 (unaudited)</b>               | 8,000                     | 70,179                    | (25,395)                   | 23,373                        | 76,157                   |

# Notes to the Unaudited Condensed Consolidated Financial Information

*For the nine months ended 31 December 2017*

## 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 were listed on the Growth Enterprise Market (“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 P.O. Box 10008, Willow House, Cricket Square, Grand Cayman KY1-1001, 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 and finance leases in Hong Kong and Macau.

Pursuant to a group reorganisation (the “Reorganisation”) to rationalise the structure of the Group in preparation for the listing of the Company’s shares on the GEM of the Stock Exchange, the Company became the holding company of the Group. Details of the Reorganisation are set out in the section headed “History, Reorganisation and Group Structure” in the prospectus of the Company dated 30 March 2016 (the “Prospectus”).

## 2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated results have been prepared in accordance with accounting principles generally accepted in Hong Kong which include Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations (collectively, “HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosures required by the GEM Listing Rules. The principal accounting policies used in the third quarterly unaudited condensed consolidated results are consistent with those adopted in the preparation of the Group’s annual financial statements for the year ended 31 March 2017.

The HKICPA has issued a number of new and revised HKFRSs. For those which are relevant to the Group’s operations and effective for its accounting period beginning on 1 April 2017, the adoption has no significant changes on the Group’s accounting policies, the presentation, the reported results and the financial position of the Group for the current or prior accounting periods.

The Group has not applied the new and revised HKFRSs which have been issued but are not yet effective. The Group is currently in the process of making an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether they would have a material impact on the Group’s results and financial position.

The unaudited condensed consolidated results have not been audited by the Company’s auditor, but have been reviewed by the Company’s audit committee.

### 3. SEGMENT INFORMATION

The chief operating decision makers are identified as the 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 is the provision of IT infrastructure solutions and finance leases.

#### Geographical information

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

|           | Three months ended<br>31 December |                  | Nine months ended<br>31 December |                  |
|-----------|-----------------------------------|------------------|----------------------------------|------------------|
|           | 2017<br>HK\$'000                  | 2016<br>HK\$'000 | 2017<br>HK\$'000                 | 2016<br>HK\$'000 |
| Hong Kong | 74,971                            | 77,875           | 216,377                          | 210,696          |
| Macau     | 1,757                             | 521              | 4,157                            | 6,540            |
|           | 76,728                            | 78,396           | 220,534                          | 217,236          |

#### Information about major customers

There is no single customer which contributed 10% or more revenue to the Group for the reporting period.

### 4. REVENUE AND OTHER INCOME AND GAINS

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

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

|  | Three months ended<br>31 December |                  | Nine months ended<br>31 December |                  |
|--|-----------------------------------|------------------|----------------------------------|------------------|
|  | 2017<br>HK\$'000                  | 2016<br>HK\$'000 | 2017<br>HK\$'000                 | 2016<br>HK\$'000 |
| Revenue:                                 |                                   |                  |                                  |                  |
| Provision of IT infrastructure solutions | 76,675                            | 78,395           | 220,376                          | 217,232          |
| Finance leases income                    | 53                                | 1                | 158                              | 4                |
| Total                                    | 76,728                            | 78,396           | 220,534                          | 217,236          |
| Other income and gains:                  |                                   |                  |                                  |                  |
| Interest income                          | 32                                | 150              | 385                              | 212              |
| Exchange gain, net                       | -                                 | 22               | -                                | 72               |
| Sundry income                            | 17                                | 79               | 128                              | 149              |
| Total                                    | 49                                | 251              | 513                              | 433              |

## 5. INCOME TAX EXPENSE

|                         | Three months ended |          | Nine months ended |          |
|-------------------------|--------------------|----------|-------------------|----------|
|                         | 31 December        |          | 31 December       |          |
|                         | 2017               | 2016     | 2017              | 2016     |
|                         | HK\$'000           | HK\$'000 | HK\$'000          | HK\$'000 |
| Current tax             |                    |          |                   |          |
| — Hong Kong profits tax | 218                | 342      | 489               | 1,006    |

Hong Kong profits tax is calculated at 16.5% (2016: 16.5%) of the estimated assessable profits for the reporting period. Overseas taxation is calculated at tax rates applicable to jurisdictions in which the Group operates.

Pursuant to the rules and regulations of Cayman Islands, the Group was not subject to any taxation under the jurisdictions of Cayman Islands during the reporting period (2016: Nil).

No provision for Macau income tax has been made as the Group did not generate any assessable profits arising in Macau during the reporting period (2016: Nil).

## 6. DIVIDENDS

No dividends were paid or declared by the Company or any of the subsidiaries during the reporting period (2016: Nil).

## 7. EARNINGS PER SHARE

The calculation of basic earnings per share for the nine months ended 31 December 2017 was based on the profit attributable to the owners of the Company of HK\$2,507,000 (2016: HK\$5,079,000) and the weighted average number of shares during the period of 800,000,000 (2016: 792,000,000\*).

The calculation of basic earnings per share for the three months ended 31 December 2017 was based on the profit attributable to the owners of the Company of HK\$1,187,000 (2016: HK\$1,690,000) and the weighted average number of shares during the period of 800,000,000 (2016: 800,000,000).

\* The calculation for the weighted average number of ordinary shares for the nine months ended 31 December 2016 was made on the basis that 600,000,000 ordinary shares of the Company in issue immediately after the Reorganisation and the capitalisation issue (the details of which are set out in the Prospectus) were assumed to have been issued on 1 April 2016.

Diluted earnings per share are the same as the basic earnings per share as there were no potential dilutive ordinary shares in existence during the reporting periods.

## 8. SHARE CAPITAL

The Company was incorporated on 18 September 2015 in the Cayman Islands with an authorised share capital of HK\$100,000 divided into 10,000,000 shares of HK\$0.01 each, of which one share was allotted and issued to Mr. Lau Wai Kwok, an executive director of the Company, at par value.

On 13 October 2015, in accordance with the Reorganisation, Expert Systems Group Limited ("Expert BVI"), a wholly-owned subsidiary of the Company, acquired entire equity interest of Expert Systems (Macau) Limited ("Expert Macau") settled by the allotment and issue of 142,000 shares of the Company, credited as fully paid at par, to the then ultimate shareholders of Expert Macau. Expert Macau thus became an indirect wholly-owned subsidiary of the Company.

On 9 November 2015, in accordance with the Reorganisation, Expert BVI acquired entire equity interest of Expert Systems Limited ("Expert HK") settled by the allotment and issue of 9,857,999 shares of the Company, credited as fully paid at par, to the then ultimate shareholders of Expert HK. Expert HK thus became an indirect wholly-owned subsidiary of the Company.

On 15 March 2016, the shareholders of the Company resolved to increase the authorised share capital of the Company from HK\$100,000 to HK\$100,000,000, divided into 10,000,000,000 shares each by the creation of an additional 9,990,000,000 shares.

Pursuant to the resolutions passed by the shareholders of the Company on 15 March 2016, conditional on the share premium account of the Company being credited as a result of the issue of the shares by the Company pursuant to the placing as mentioned below, a total 590,000,000 ordinary shares were issued to the then shareholders of the Company on a pro-rata basis by way of capitalising an amount of HK\$5,900,000 from the share premium account of the Company on 12 April 2016.

The Company's shares were listed on the GEM of the Stock Exchange by way of placing on 12 April 2016 and 200,000,000 ordinary shares were issued at HK\$0.25 per share on 12 April 2016.

# Management Discussion and Analysis

## BUSINESS REVIEW AND OUTLOOK

The shares of the Company (the “Shares”) were successfully listed (the “Listing”) on GEM of the Stock Exchange on 12 April 2016 (the “Listing Date”) by way of placing (the “Placing”). The Group is principally engaged in the provision of IT infrastructure solutions and finance leases 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 nine months ended 31 December 2017 (“Q3 FY2018”) as compared to the last corresponding period ended 31 December 2016 (“Q3 FY2017”), the Group’s revenue increased by approximately 1.5% while gross profit decreased by approximately 8.5%, which was primarily due to the Group’s efforts in maintaining its market share by offering more competitive pricing under the challenging business environment.

### Business in the Private Sector

The Group’s revenue in the private sector decreased by approximately 10.3% from approximately HK\$121.5 million, representing 55.9% of our total revenue, for Q3 FY2017 to approximately HK\$109.0 million, representing 49.4% of our total revenue, for Q3 FY2018.

The Group’s gross profit in the private sector for Q3 FY2018 amounted to approximately HK\$17.1 million, representing 59.8% of our total gross profit and a decrease of approximately HK\$0.2 million, or approximately 1.5%, as compared to that of Q3 FY2017 of approximately HK\$17.3 million, which represented 55.5% of our total gross profit in Q3 FY2017. Our gross profit margin of this sector in Q3 FY2018 was approximately 15.7%, representing a slight increase of 1.4 percentage point as compared to that of Q3 FY2017 of approximately 14.3%.

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

## Business in the Public Sector

The Group's revenue in the public sector increased by approximately 16.5% from approximately HK\$95.7 million, representing 44.1% of our total revenue, for Q3 FY2017 to approximately HK\$111.5 million, representing 50.6% of our total revenue, for Q3 FY2018.

The Group's gross profit in the public sector for Q3 FY2018 amounted to approximately HK\$11.5 million, representing 40.2% of our total gross profit and a decrease of approximately HK\$2.4 million, or approximately 17.4%, as compared to that of Q3 FY2017 of approximately HK\$13.9 million, which represented 44.5% of our total gross profit in Q3 FY2017. Our gross profit margin of this sector for Q3 FY2018 was approximately 10.3%, representing a decrease of 4.2 percentage points as compared to that of Q3 FY2017 of approximately 14.5%.

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 for the period. As we deployed more competitive pricing strategy to maintain our overall market share, our gross profit margin from the public sector was reduced.

## Outlook

The Group anticipates that the overall business environment remains challenging but is confident in the market demand for IT infrastructure solutions. In view of the fluctuating business environment, the Group will continue to be cautious in managing the business risk; prepare to respond to the changes in such economic and business environment, and aim to strategically develop the Group's business to mitigate the said impacts.

Looking forward, the Group will continue to focus on its core businesses and provide innovative and integrated IT infrastructure solutions to customers in both private and public sectors, to enable its corporate and institution customers to extract maximum value from their IT engagements and benefit the shareholders as a result.

## FINANCIAL REVIEW

### Revenue

The Group's revenue increased by approximately 1.5% from approximately HK\$217.2 million for Q3 FY2017 to approximately HK\$220.5 million for Q3 FY2018, which was primarily attributable to the increase in demand from our customers in the public sector for IT infrastructure solutions in Q3 FY2018 as compared to Q3 FY2017.

## Gross profit and gross profit margin

For Q3 FY2018, our gross profit amounted to approximately HK\$28.6 million, representing a decrease of approximately HK\$2.6 million, or approximately 8.5%, as compared to that of Q3 FY2017 of approximately HK\$31.2 million.

The Group's gross profit margin for Q3 FY2018 was approximately 12.9%, representing a decrease of approximately 1.5 percentage points as compared to that of Q3 FY2017 of approximately 14.4%. The decrease in the Group's gross profit margin was primarily due to the Group's efforts in maintaining its market share by offering more competitive pricing under the challenging business environment.

## Other income and gains

Other income and gains increased by approximately HK\$0.1 million, or approximately 18.5%, from approximately HK\$0.4 million for Q3 FY2017 to approximately HK\$0.5 million for Q3 FY2018. The increase was mainly due to the increase in interest income.

## Selling expenses

For Q3 FY2018, the Group's selling expenses amounted to approximately HK\$18.0 million, representing an increase of approximately HK\$0.3 million (or approximately 1.9%) as compared to Q3 FY2017 of approximately HK\$17.7 million. Such increase was mainly attributed by the increase in our staff cost and marketing expenses.

## Administrative expenses

The Group's administrative expenses for Q3 FY2018 were approximately HK\$8.1 million, representing an increase of approximately HK\$0.2 million (or approximately 2.0%) from approximately HK\$7.9 million for Q3 FY2017. The increase was primarily due to the net effect of (i) the increase in rental and related costs of approximately HK\$0.2 million; (ii) the increase in depreciation for property, plant and equipment of approximately HK\$0.1 million; and (iii) the decrease in legal and professional fees of approximately HK\$0.2 million.

## Income tax expense

The Group's income tax expense for Q3 FY2018 was approximately HK\$0.5 million, representing a decrease of approximately 51.4% from approximately HK\$1.0 million for Q3 FY2017. The effective tax rate for Q3 FY2018 was 16.3% which was comparable to that of 16.5% for Q3 FY2017.

## Profit attributable to owners of the Company

The profit attributable to owners of the Company decreased by approximately 50.6% from approximately HK\$5.1 million for Q3 FY2017 to approximately HK\$2.5 million for Q3 FY2018, which was primarily attributable to the above mentioned effects.

## Other Information

### DIRECTORS' AND CHIEF EXECUTIVES' INTEREST AND SHORT POSITION IN SHARES, UNDERLYING SHARES OR DEBENTURES

As at 31 December 2017, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which shall have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which shall be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which shall be required to notify the Company and the Stock Exchange pursuant to Rule 5.46 to Rule 5.67 of the GEM Listing Rules, were as follows:

#### Long position

| Name of Director/<br>chief executive    | Name of<br>Group member/<br>associated<br>corporation | Nature of interest | Total<br>number of<br>Shares | Approximate<br>percentage of<br>shareholding |
|---|---|--------------------|------------------------------|--|
| Mr. Chu Siu Sum Alex<br>("Mr. Chu")     | The Company   | Beneficial owner   | 226,890,000                  | 28.4%  |
| Mr. Lau Wai Kwok ("Mr. Lau")            | The Company   | Beneficial owner   | 100,000,000                  | 12.5%  |
| Mr. Wong Chu Kee Daniel<br>("Mr. Wong") | The Company   | Beneficial owner   | 51,300,000                   | 6.4%   |
| Mr. Chan Kin Mei Stanley                | The Company   | Beneficial owner   | 6,720,000                    | 0.8%   |

Save as disclosed above, none of the Directors and chief executives of the Company had any interests or short positions in any shares, underlying shares and debenture of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have 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 which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules as at 31 December 2017.

## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES OR UNDERLYING SHARES

As at 31 December 2017, so far as the Directors are aware, other than the Directors and chief executive of the Company whose interests are disclosed under the paragraph headed "Directors' and Chief Executives' Interest and Short Position in Shares, Underlying shares or Debentures" above, the following persons had an interest or short position in the shares or underlying shares of the Company which shall be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, are interested in 5.0% or more of the issued voting shares of any member of the Group:

### Long position

| Name of shareholders                | Nature of interest | Total number of Shares  | Approximate percentage of shareholding |
|-------------------------------------|--------------------|-------------------------|--|
| Mr. Mok Chu Leung Terry ("Mr. Mok") | Beneficial owner   | 91,800,000              | 11.5%                                  |
| Mr. Cheung Nap Kai ("Mr. Cheung")   | Beneficial owner   | 89,760,000              | 11.2%                                  |
| Ms. Luk Yuen Wah Nancy              | Interest of spouse | 226,890,000<br>(Note 1) | 28.4%                                  |
| Ms. Keung Lai Wa Dorothy Linndia    | Interest of spouse | 100,000,000<br>(Note 2) | 12.5%                                  |
| Ms. Yan Yihong                      | Interest of spouse | 91,800,000<br>(Note 3)  | 11.5%                                  |
| Ms. Tuen Chi Keung                  | Interest of spouse | 89,760,000<br>(Note 4)  | 11.2%                                  |
| Ms. Lee Kit Ling Monita             | Interest of spouse | 51,300,000<br>(Note 5)  | 6.4%                                   |

Notes:

1. Ms. Luk Yuen Wah Nancy, the spouse of Mr. Chu, is deemed to be interested in all the Shares in which Mr. Chu is interested by virtue of the SFO.
2. Ms. Keung Lai Wa Dorothy Linndia, the spouse of Mr. Lau, is deemed to be interested in all the Shares in which Mr. Lau is interested by virtue of the SFO.
3. Ms. Yan Yihong, the spouse of Mr. Mok, is deemed to be interested in all the Shares in which Mr. Mok is interested by virtue of the SFO.
4. Ms. Tuen Chi Keung, the spouse of Mr. Cheung, is deemed to be interested in all the Shares in which Mr. Cheung is interested by virtue of the SFO.
5. Ms. Lee Kit Ling Monita, the spouse of Mr. Wong, is deemed to be interested in all the Shares in which Mr. Wong is interested by virtue of the SFO.

Saved as disclosed above, the Directors were not aware of any other persons other than the Directors or chief executive of the Company who held an interest or short positions in the shares and underlying shares of the Company which required to be recorded pursuant to section 336 of the SFO as at 31 December 2017.

## Use of Proceeds

The Shares were listed on GEM on 12 April 2016. The net proceeds from the Placing received by the Company after deducting the underwriting fees and related expenses in connection with the Placing amounted to approximately HK\$32.2 million. As at 31 December 2017, the Company had unutilised net proceeds from the Placing of approximately HK\$26.0 million.

On 17 January 2018, the Company announced that the Group has proposed to reallocate (i) approximately HK\$3.4 million originally intended for strengthening the Group's marketing efforts; and (ii) approximately HK\$3.6 million originally intended for enhancing the management information systems of the Group, to the expansion of the Group's IT infrastructure solutions business (the "Reallocation").

Details of the original allocation, the Reallocation and the utilisation of the net proceeds from the Placing up to 31 December 2017 are set out below:

| Uses   | Original allocation<br>(Note)<br>HK\$ (in million) | After<br>Reallocation<br>HK\$ (in million) | Utilised up to<br>31 December<br>2017<br>HK\$ (in million) | Remaining<br>balance as at<br>31 December<br>2017<br>(after<br>Reallocation)<br>HK\$ (in million) |
|--|--|--|--|---|
| (i) Expansion and training of sales, technical and support workforce | 6.8  | 6.8  | 2.2  | 4.6   |
| (ii) Expansion of IT infrastructure solutions business               | 11.0   | 18.0                                       | 0.0  | 18.0  |
| (iii) Strengthening of marketing efforts                             | 6.0  | 2.6  | 0.8  | 1.8   |
| (iv) Enhancement of management information systems                   | 5.5  | 1.9  | 0.7  | 1.2   |
| (v) Working capital and general corporate purposes                   | 2.9  | 2.9  | 2.5  | 0.4   |
| <b>Total</b>   | <b>32.2</b>  | <b>32.2</b>                                | <b>6.2</b>   | <b>26.0</b>   |

Note: Details of the original allocation of the net proceeds from the Placing are set out in the Prospectus.

Details of the change of use of proceeds from the Placing have been set out in the Company's announcement dated 17 January 2018.

## **SHARE OPTION SCHEME OF THE COMPANY**

The share option scheme was conditionally approved and adopted pursuant to a resolution in writing passed by the shareholders of the Company on 15 March 2016, which became effective on the Listing Date. A summary of the principal terms of the share option scheme is set out in Appendix IV to the Prospectus.

No share option was granted, exercised, expired or lapsed during the reporting period and there was no outstanding share option under the scheme as at 31 December 2017.

## **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 Q3 FY2018.

## **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 Q3 FY2018.

## **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 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 during Q3 FY2018.

## **INTERESTS OF THE COMPLIANCE ADVISER**

As notified by the compliance adviser of the Company, Ballas Capital Limited, save for the compliance adviser agreement dated 7 March 2017 entered into between the Company and Ballas Capital Limited, none of Ballas Capital Limited, its directors, employees and close associates had any interest in the securities of the Group which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules as at 31 December 2017.

## CORPORATE GOVERNANCE PRACTICE

The Company has applied the principles and code provisions in the Corporate Governance Code and Corporate Governance Report (the “Code”) as set out in Appendix 15 to the GEM Listing Rules. In the opinion of the Board, the Company has complied with the Code during Q3 FY2018.

## AUDIT COMMITTEE

The audit committee of the Company has reviewed the results of the Group for the nine months ended 31 December 2017 with the management and is of the view that such results complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures had been made.

## APPRECIATION

On behalf of the Board of Directors, 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, 7 February 2018

As at the date of this report, 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