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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 2016**

**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.**

*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 that 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](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 announcement will also be published and remains on the Company’s website at [www.expertsystems.com.hk](http://www.expertsystems.com.hk).*

## HIGHLIGHTS

- Revenue for the year ended 31 March 2016 (“**FY2016**”) decreased to HK\$287.9 million by 9.2% from that for the year ended 31 March 2015 (“**FY2015**”), among which, revenue from private sector decreased by 7.7% to HK\$156.0 million, and revenue from public sector decreased by 10.9% to HK\$131.9 million.
- Gross profit for FY2016 decreased slightly to HK\$43.4 million by 1.9% from FY2015, and gross profit margin for FY2016 increased to 15.1% from 14.0% in FY2015.
- Reported net loss for FY2016: HK\$1.8 million;  
Underlying Net Profit (*Note*) for FY2016: HK\$10.7 million.

- Reported net loss per share for FY2016: HK\$0.29 cent;  
Underlying Net Profit (*Note*) per share for FY2016: HK\$1.79 cents.

*Note:* Underlying Net Profit represents reported net loss as set out in the Consolidated Statement of Comprehensive Income adjusted for the exclusion of the non-recurring listing related expenses of approximately HK\$12.5 million in FY2016.

## ANNUAL RESULTS

The board of Directors (the “**Board**”) of Expert Systems Holdings Limited is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 March 2016, together with comparative audited figures for the preceding financial year, as follows:

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the year ended 31 March 2016*

	<i>Notes</i>	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Revenue	5	<b>287,881</b>	317,002
Cost of sales		<u><b>(244,497)</b></u>	<u>(272,777)</u>
Gross profit		<b>43,384</b>	44,225
Other income and gains	5	<b>1,020</b>	2,439
Selling expenses		<b>(23,250)</b>	(21,749)
Administrative expenses		<u><b>(20,822)</b></u>	<u>(6,553)</u>
Profit before income tax expense	6	<b>332</b>	18,362
Income tax expense	7	<u><b>(2,101)</b></u>	<u>(2,763)</u>
(Loss)/Profit and total comprehensive income for the year		<u><b>(1,769)</b></u>	<u>15,599</u>
(Loss)/Earnings per share ( <i>HK\$ cents</i> ) — Basic and diluted	9	<u><b>(0.29)</b></u>	<u>2.60</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2016

	<i>Notes</i>	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		535	452
Finance lease receivables		45	–
Trade receivables	<i>10</i>	–	1,322
		<b>580</b>	1,774
<b>Current assets</b>			
Inventories		1,465	2,700
Trade receivables	<i>10</i>	44,200	53,734
Prepayments, deposits and other receivables	<i>11</i>	3,592	5,144
Finance lease receivables		14	–
Pledged bank deposits		4,200	4,200
Cash and cash equivalents		50,541	87,225
		<b>104,012</b>	153,003
<b>Current liabilities</b>			
Trade payables	<i>12</i>	63,147	72,184
Accruals, deposits received and other payables	<i>13</i>	13,746	14,020
Amounts due to related companies		788	5,327
Tax payables		37	1,603
		<b>77,718</b>	93,134
<b>Net current assets</b>		<b>26,294</b>	59,869
<b>Total assets less current liabilities</b>		<b>26,874</b>	61,643
<b>Non-current liabilities</b>			
Other payables	<i>13</i>	556	556
<b>Net assets</b>		<b>26,318</b>	61,087
<b>EQUITY</b>			
Share capital	<i>14</i>	100	8,024
Reserves		26,218	53,063
		<b>26,318</b>	61,087

## 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 on 12 April 2016. The address of the Company’s registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business in Hong Kong is 17/F, AXA Tower, Landmark East, 100 How Ming Street, 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.

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” to the prospectus of the Company dated 30 March 2016.

### 2. BASIS OF PRESENTATION AND PREPARATION

#### (a) Basis of presentation

As a result of the Reorganisation mentioned in above, the Group is regarded as a continuing entity resulting from the Reorganisation since management of the entities comprising the Group which took part in the Reorganisation remained the same before and after the Reorganisation, there was a continuation of the risks and benefits to the controlling shareholders that existed prior to the Reorganisation.

#### (b) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable 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.

#### (c) Basis of measurement

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

#### (d) 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 2015

HKFRSs (Amendments)	Annual Improvements 2010–2012 Cycle
HKFRSs (Amendments)	Annual Improvements 2011–2013 Cycle
Amendments to HKAS 19 (2011)	Defined Benefit Plans: Employee Contributions

The adoption of these amendments has no material impact on the Group's financial statements.

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

The Group has not early applied the following new and revised HKFRSs that have been issued, potentially relevant to the Group's operations, but are not yet effective, in preparing the consolidated financial statements.

Amendments to HKAS 1	Disclosure Initiative <sup>1</sup>
HKFRSs (Amendments)	Annual Improvements 2012–2014 Cycle <sup>1</sup>
HKFRS 9 (2014)	Financial Instruments <sup>2</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>2</sup>
HKFRS 16	Leases <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2016

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2019

#### *Amendments to HKAS 1*

The amendments are designed to encourage entities to use judgement in the application of HKAS 1 when considering the layout and content of their financial statements.

An entity's share of other comprehensive income from equity accounted interests in associates and joint ventures will be split between those items that will and will not be reclassified to profit or loss, and presented in aggregate as a single line item within those two groups.

#### *HKFRS 9 (2014) — Financial Instruments*

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("FVTOCI") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss ("FVTPL").

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

#### *HKFRS 15 — Revenue from Contracts with Customers*

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5 steps approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

The Directors are currently assessing the potential impact of these pronouncements, and they are 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.

#### **(c) New Hong Kong Companies Ordinance provisions relating to the preparation of financial statements**

The Company has adopted the amendments to the GEM Listing Rules issued by the Stock Exchange relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance, Cap. 622, during the year. The main impact to the financial statements is on the presentation and disclosure of certain information in the consolidated financial statements.

#### 4. SEGMENT INFORMATION

The chief operating decision makers are 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 is 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.

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Hong Kong	<b>280,874</b>	308,566
Macau	<b>7,007</b>	8,436
	<b>287,881</b>	317,002

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 contributed to 10% or more revenue to the Group for the year.

#### 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:

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Revenue:		
Provision of IT infrastructure solutions	<b>287,877</b>	317,002
Finance leases income	<b>4</b>	–
Total	<b>287,881</b>	317,002
Other income and gains:		
Interest income	<b>537</b>	695
Written back of other payables	<b>238</b>	869
Reversal of impairment loss of trade receivables	<b>14</b>	588
Sundry income	<b>231</b>	287
Total	<b>1,020</b>	2,439



## 6. PROFIT BEFORE INCOME TAX EXPENSE

The Group's profit before income tax expense is arrived at after charging/(crediting):

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Costs of inventories recognised as expenses	<b>210,596</b>	242,412
Depreciation of property, plant and equipment	<b>319</b>	265
Reversal of impairment loss of inventories	<b>(18)</b>	(4)
Reversal of impairment loss of trade receivables	<b>(14)</b>	(588)
Staff costs (including directors' remuneration)		
— Wages, salaries and other benefits	<b>25,298</b>	23,590
— Contribution to defined contribution pension plans	<b>940</b>	859
	<b>26,238</b>	24,449
Exchange losses, net	<b>470</b>	17
Listing expenses	<b>12,510</b>	—
Operating leases rental expenses	<b>2,035</b>	1,760

## 7. INCOME TAX EXPENSE

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

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Current tax — Hong Kong profits tax		
Tax for the year	<b>2,121</b>	2,778
Over-provision in respect of prior year	<b>(20)</b>	(10)
	<b>2,101</b>	2,768
Current tax — Overseas taxation		
Tax for the year	—	—
Over-provision in respect of prior year	—	(5)
	—	(5)
Income tax expense	<b>2,101</b>	2,763

Hong Kong profits tax is calculated at 16.5% (2015: 16.5%) of the estimated assessable profits for the year. 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 is not subject to any taxation under the jurisdictions of Cayman Islands during the year ended 31 March 2016 (2015: 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 2016 (2015: 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:

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Profit before income tax expense	<u>332</u>	<u>18,362</u>
Tax calculated at the statutory rate of 16.5%	55	3,029
Effect of different tax rates in other jurisdiction	16	(45)
Tax effect of expenses not deductible for tax purpose	2,149	–
Tax effect of revenue not taxable for tax purpose	(91)	(212)
Tax effect of temporary differences not recognised	14	6
Over-provision in respect of prior years	(20)	(15)
Others	<u>(22)</u>	<u>–</u>
Income tax expense	<u><b>2,101</b></u>	<u>2,763</u>

## 8. DIVIDENDS

During the year ended 31 March 2016, an interim dividend in respect of the year ended 31 March 2015 of HK\$1.2308 (2015: HK\$0.6908) per ordinary share, or in aggregation of HK\$8,000,000 (2015: HK\$4,490,000) was paid by Expert Systems Limited to its then shareholders.

During the year ended 31 March 2016, a dividend in respect of the period ended 31 October 2015 of HK\$3.846 per ordinary share, or in aggregation of HK\$25,000,000 was paid by Expert Systems Limited to its then shareholders.

The Directors do not recommend the payment of a final dividend for the year ended 31 March 2016.

## 9. (LOSS)/EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the loss for the year attributable to owners of the Company for the year ended 31 March 2016 of HK\$1,769,000 (2015: profit for the year attributable to owners of the Company of HK\$15,599,000), and on the basis of 600,000,000 shares of the Company in issue, which represents the number of shares of the Company immediately after the Reorganisation and the capitalization issue (note 15(a)) as if these shares issued under the Reorganisation had been issued on 1 April 2014 but excluding any shares issued pursuant to the placing (note 15(b)).

Diluted earnings per share is same as the basic earnings per share as there are no dilutive potential ordinary shares in existence during the years ended 31 March 2016 and 2015.

## 10. TRADE RECEIVABLES

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Trade receivables, gross	44,200	55,070
Less: Provision for impairment	<u>–</u>	<u>(14)</u>
Trade receivables, net	44,200	55,056
Less: Non-current trade receivables	<u>–</u>	<u>(1,322)</u>
	<u><b>44,200</b></u>	<u>53,734</u>

The credit period is generally 7 to 60 days.

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

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Within 1 month	<b>23,512</b>	20,275
More than 1 month but not more than 3 months	<b>15,063</b>	15,097
More than 3 months but not more than 6 months	<b>3,093</b>	14,387
More than 6 months but not more than a year	<b>1,209</b>	2,651
More than a year	<b>1,323</b>	2,646
	<u><b>44,200</b></u>	<u>55,056</u>

At the end of each reporting period, the management reviews receivables for evidence of impairment on both an individual and collective basis. 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:

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
At beginning of the year	<b>14</b>	602
Recovery of impairment loss previously recognised	<b>(14)</b>	(588)
At the end of the year	<u><b>–</b></u>	<u>14</u>

At 31 March 2016, the management had determined nil (31 March 2015: HK\$14,000) impairment loss of trade receivables to be provided. Based on this assessment, HK\$14,000 of impairment loss was reversed.

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

An ageing analysis of the Group's trade receivables as at the end of each reporting period that is not impaired is as follows:

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Neither past due nor impaired ( <i>note (a)</i> )	<b>24,698</b>	22,337
Not more than 3 months past due ( <i>note (b)</i> )	<b>16,069</b>	24,524
3 to 6 months past due ( <i>note (b)</i> )	<b>3,126</b>	5,550
More than 6 months but less than 12 months past due ( <i>note (b)</i> )	<b>307</b>	2,645
	<u><b>44,200</b></u>	<u>55,056</u>

*Notes:*

- (a) Trade receivables that were neither past due nor impaired relate to certain customers for whom there was no recent history of default.

- (b) Trade receivables that were past due but not impaired relate to customers that have a good track record with the Group. Based on past experience, the Directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

#### 11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Other deposits	1,219	666
Other receivables	114	52
Prepayments	<u>2,259</u>	<u>4,426</u>
	<u><b>3,592</b></u>	<u>5,144</u>

#### 12. TRADE PAYABLES

The credit period ranges from approximately 30 to 90 days.

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

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Within 1 month	26,885	26,513
More than 1 month but not more than 3 months	29,437	31,708
More than 3 months but not more than 6 months	4,579	13,163
More than 6 months but not more than a year	1,991	520
More than a year	<u>255</u>	<u>280</u>
	<u><b>63,147</b></u>	<u>72,184</u>

#### 13. ACCRUALS, DEPOSITS RECEIVED AND OTHER PAYABLES

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Other payables and accrual expenses	4,939	2,149
Staff commission	4,786	4,533
Other deposits received	528	488
Customers' deposits received	<u>4,049</u>	<u>7,406</u>
	<b>14,302</b>	14,576
Less: Non-current other payables	<u>(556)</u>	<u>(556)</u>
	<u><b>13,746</b></u>	<u>14,020</u>

## 14. SHARE CAPITAL

	Number	Amount HK\$'000
<b>Authorised:</b>		
Ordinary shares of HK\$0.01 each		
Upon incorporation ( <i>note (a)</i> )	10,000,000	100
Increase of authorised shares ( <i>note (c)</i> )	9,990,000,000	99,900
	<u>10,000,000,000</u>	<u>100,000</u>
At 31 March 2016	<u>10,000,000,000</u>	<u>100,000</u>
<b>Issued and fully paid:</b>		
Ordinary shares of HK\$0.01 each		
Upon incorporation ( <i>note (a)</i> )	1	–
Allotment of shares ( <i>note (b)</i> )	9,999,999	100
	<u>10,000,000</u>	<u>100</u>
At 31 March 2016	<u>10,000,000</u>	<u>100</u>

### Notes:

- (a) The Company was incorporated on 18 September 2015 in the Cayman Islands with an authorized 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.
- (b) On 13 October 2015, in accordance with the Reorganisation, Expert Systems Group Limited (“Expert BVI”) acquired entire equity interest of Expert Systems (Macau) Limited (“Expert Macau”) at consideration of approximately HK\$863,000 settled by allotted and issued 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”) at consideration of approximately HK\$60,008,000 settled by allotted and issued 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.
- (c) 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.
- (d) Before the completion of the Reorganisation, the share capital balance in the consolidated statement of financial position as at 31 March 2015 represented the combined share capital of the entities now comprising the Group.

## 15. EVENTS AFTER THE REPORTING PERIOD

Subsequent to 31 March 2016 and up to the date of this announcement, the following significant events have been taken place:

- (a) 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 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.
- (b) 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

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**”). 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 2016 (“**FY2016**”) as compared to the last corresponding year (“**FY2015**”), the Group recorded a revenue decrease of approximately 9.2%, whereas our gross profit was managed to approximately 1.9% decrease.

#### Business in the Private Sector

The Group's revenue in the private sector decreased by approximately 7.7% from approximately HK\$169.0 million, representing 53.3% of our total revenue, for FY2015 to approximately HK\$156.0 million, representing 54.2% of our total revenue, for FY2016.

The Group's gross profit in the private sector for FY2016 amounted to approximately HK\$23.9 million, representing 55.1% of our total gross profit and a decrease of approximately HK\$3.1 million, or approximately 11.5%, as compared to that of FY2015 of approximately HK\$27.0 million, representing 61.0% of our total gross profit. Moreover our gross profit margin in FY2016 was approximately 15.3%, representing a slight decrease of 0.7 percentage point as compared to that of FY2015 of approximately 16.0%.

We consider that the decrease in revenue from the private sector was primarily because the private sector had become more cautious on IT spending in light of the weakening economic outlook in Hong Kong and the slight decrease in gross profit margin from the private sector was the result of our efforts in maintaining our customer base in the private sector by offering more competitive pricing.

## **Business in the Public Sector**

The Group's revenue in the public sector decreased by approximately 10.9% from approximately HK\$148.0 million, representing 46.7% of our total revenue, for FY2015 to approximately HK\$131.9 million, representing 45.8% of our total revenue, for FY2016.

The Group's gross profit in the public sector for FY2016 amounted to approximately HK\$19.5 million, representing 44.9% of our total gross profit and an increase of approximately HK\$2.3 million, or approximately 13.1%, as compared to that of FY2015 of approximately HK\$17.2 million, representing 39.0% of our total gross profit. Moreover our gross profit margin for FY2016 was approximately 14.8%, representing an increase of 3.1 percentage points as compared to that of FY2015 of approximately 11.7%.

We consider that the decrease in revenue from the public sector was mainly due to the decrease in demand for IT infrastructure solutions from our customers in the public sector. Furthermore we were able to secure two major projects from two Hong Kong education institutions in the total contract amount of approximately HK\$13.2 million for FY2015, which were not recurring.

The increase in both gross profit and gross profit margin from the public sector was mainly due to our ability in obtaining more favourable terms from our suppliers, which enabled us to lower our cost of sales, whereas we were able in negotiating more favourable pricing terms with our customers.

## **OUTLOOK AND PROSPECTS**

The Group has been facing, and is expected to continue to face, a business environment full of opportunities and challenges.

On the one hand, there are opportunities in the IT infrastructure solutions industry in Hong Kong. For example, an increasing number of enterprises are using information technology as a competitive advantage in their internal and external operations to reshape their infrastructure and operations so as to take advantage of social, mobile, web, cloud and analytic technologies. The concern on security for organisations is increasing in light of increasing information security incidents worldwide. Furthermore, with the commencement of the operation of the Innovation and Technology Bureau in November 2015, which was established for the purpose of strengthening innovation and technological development in Hong Kong, we anticipate that it will create new business opportunities for this industry in Hong Kong. We believe these factors would benefit the development of the IT infrastructure solutions industry.

On the other hand, our business has been, and is expected to be, challenged by the weak economic outlook. We have been facing weaker market conditions mainly as a result of slowdown in the growth of the PRC economy, slow global economic growth, stock market volatility, continued fall in retail sales, and uncertain property market in Hong Kong. We consider that such weak economic outlook may cast uncertainty on the overall demand for the IT infrastructure solutions in Hong Kong and Macau, and in turn may have negative impact on our business volume and exert pressure on our pricing terms and hence on our profit margin and profitability.

In conclusion, in light of the challenging business environment of the Group, the management will strategically seek the development of the Group's business so as to mitigate the said impacts and to maintain our position as one of the preferred and trustworthy IT infrastructure solutions providers in Hong Kong and Macau, by leveraging on our capability and merit including a strong and stable management team, possession of specialised technical expertise on the latest and proven infrastructure solutions, strong relationship with our suppliers and a diverse customer base in both the private and public sectors.

## **FINANCIAL REVIEW**

### **Revenue**

The Group's revenue decreased by approximately 9.2% from approximately HK\$317.0 million for FY2015 to approximately HK\$287.9 million for FY2016, which was primarily attributable to the relatively lower demand from our customers for IT infrastructure solutions in FY2016 as compared to FY2015.

### **Gross profit and gross profit margin**

For FY2016, our gross profit amounted to approximately HK\$43.4 million, representing a decrease of approximately HK\$0.8 million, or approximately 1.9%, as compared to that of FY2015 of approximately HK\$44.2 million.

Our gross profit margin in FY2016 was approximately 15.1%, representing an increase of 1.1 percentage points as compared to that of FY2015 of approximately 14.0%. The increase in gross profit margin was mainly due to our ability in obtaining more favourable terms from our suppliers, which enabled us to lower our cost of sales, and in negotiating more favourable pricing terms with our customers. In FY2016, in light of our satisfactory sales performance in FY2015, we were able to continue obtaining favourable terms from our suppliers during the year. Notwithstanding that we recorded a decrease in revenue and cost of sales in FY2016 as compared to FY2015, cash incentives received from our manufacturer suppliers for FY2016 was retained the same level for FY2015 at approximately HK\$7.2 million.

### **Other income and gains**

Our other income decreased by approximately HK\$1.4 million (or approximately 58.2%) from approximately HK\$2.4 million for FY2015 to approximately HK\$1.0 million for FY2016. The decrease was mainly due to lesser amount in the reversal of impairment loss on trade receivables and the written back of other payables in FY2016.



## **Selling expenses**

For FY2016, our selling expenses amounted to approximately HK\$23.3 million, representing an increase of approximately HK\$1.5 million (or approximately 6.9%) as compared to FY2015 of approximately HK\$21.7 million. Such increase was mainly attributed by the increase in our staff cost.

## **Administrative expenses**

The Group's administrative expenses for FY2016 were approximately HK\$20.8 million, representing an increase of approximately 217.7% from approximately HK\$6.6 million for FY2015. The increase was primarily due to (i) the non-recurring listing related expenses of approximately HK\$12.5 million in FY2016; (ii) an exchange loss of approximately HK\$0.5 million recognized in FY2016; (iii) the increase in staff cost of approximately HK\$0.4 million; and (iv) the increase in auditor's remuneration of approximately HK\$0.4 million.

## **Income tax expense**

The Group's income tax expense for FY2016 was approximately HK\$2.1 million, representing a decrease of approximately 24.0% from approximately HK\$2.8 million for FY2015. The decrease in the Group's income tax expense was mainly as a result of the lower taxable profit in FY2016.

## **Profit for the year**

We recorded a net loss of approximately HK\$1.8 million for FY2016 mainly due to the above mentioned non-recurring listing related expenses of approximately HK\$12.5 million. Before deducting the non-recurring listing related expenses said our net profit for FY2016 would be approximately HK\$10.7 million, representing a decrease of approximately HK\$4.9 million as compared to the net profit of approximately HK\$15.6 million for FY2015, which was primarily attributable to the above mentioned effect of the decrease in our gross profit and other income and the increase in our selling expenses and administrative expenses, partially offsetting by the decrease in income tax expense in FY2016.

## **LIQUIDITY, FINANCIAL RESOURCES AND FUNDING**

We financed our operations primarily through cash generated from our operating activities. During FY2016, we did not have any bank borrowings. As at 31 March 2015 and 2016, we had cash and cash equivalents of approximately HK\$87.2 million and HK\$50.5 million, respectively, which were cash at banks and in hand.

As at 31 March 2015 and 2016, the bank deposit of HK\$4.2 million was pledged to a bank for two tenders from Government Logistics Department of Hong Kong as banker's guarantee. Such banker's guarantee amounted to HK\$4.2 million (31 March 2015: HK\$4.2 million) and the banking facility granted to the Group amounted to HK\$10.8 million (31 March 2015: HK\$10.8 million), of which HK\$6.6 million was unutilised (31 March 2015: HK\$6.6 million).

The Group's gearing ratio, which is calculated by total debt (defined as bank and other debts incurred not in the ordinary course of business) divided by total equity, was nil as at 31 March 2016.

We expect that our liquidity position would further be strengthened by using the combination of cash generated from our operating activities and the net proceeds received from the Placing as stated in the prospectus of the Company dated 30 March 2016 (the "**Prospectus**"). Going forward, we intend to use our capital for our operations and the expansion plans as stated in the Prospectus.

## **CAPITAL STRUCTURE**

As at 31 March 2016, 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 2016, the Group's operating lease commitments were approximately HK\$9.5 million (31 March 2015: approximately HK\$11.8 million).

## **FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS**

Save as disclosed in the Prospectus, the Group did not have other plans for material investments and capital assets.

## **MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES**

During FY2016, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies save for those related to the reorganisation, for which the details are set out in the Prospectus.

## **SIGNIFICANT INVESTMENTS**

As at 31 March 2016, the Group did not hold any significant investments.

## **CONTINGENT LIABILITIES**

The Group had no material contingent liabilities as at 31 March 2016 (31 March 2015: 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 FY2016, the Group's exposure to foreign currency risk primarily arose from certain financial instruments including trade receivables, cash and cash equivalents and held-to-maturity investments which are denominated in RMB, MOP and/or US\$. During FY2016, 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 FY2016.

As at 31 March 2016, our Group had no exposure to RMB.

## **CHARGE ON GROUP'S ASSETS**

As at 31 March 2016 and 2015, the Group had no charges on the Group's assets.

## **INFORMATION ON EMPLOYEES**

As at 31 March 2016, the Group had 73 employees (31 March 2015: 82) 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 FY2016 amounted to approximately HK\$26.2 million (FY2015: HK\$24.4 million).

The dedication and hard work of the Group's staff during FY2016 are generally appreciated and recognized.

## **SHARE OPTION SCHEME**

The Company has adopted the share option scheme (the "**Scheme**") on 15 March 2016 which will remain in force for a period of 10 years from the effective date of the Scheme. The purpose of the Scheme is to enable the Company to grant options to selected participants as incentives or rewards for their contribution to it. The Directors consider the Scheme, with its broadened basis of participation, will enable the Group to reward the employees, the Directors and other selected participants for their contributions to the Group. The principal terms of the Scheme are summarized in the section headed "Share Option Scheme" in Appendix IV to the Prospectus.

For FY2016, no share option was granted, exercised, expired or lapsed and there was no outstanding share option under the Scheme as at 31 March 2016.

## **OTHER INFORMATION**

### **Corporate Governance Practice**

As the Shares were not yet listed on the Stock Exchange as at 31 March 2016, the code provisions of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 15 to the GEM Listing Rules were not applicable to the Company for FY2016.

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 CG Code and, in the opinion of the Board, the Company has complied with the CG Code from the Listing Date to the date of this announcement, save for the deviation from such code disclosed below in accordance with the GEM Listing Rules.

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 finance manager 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 during the period from the Listing Date to the date of this announcement.

## **Purchase, Sale or Redemption of Listed Securities**

Since the Shares were listed on GEM on 12 April 2016 to the date of this announcement, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

## **Competing Interests**

The Directors are not aware of any business or interest of the Directors nor the controlling shareholders (as defined in the GEM Listing Rules) of the Company nor any of their respective associates (as defined in the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group during FY2016.

## **Interests of the Compliance Adviser**

As notified by the compliance adviser of the Company, BOSC International Company Limited, save for the compliance adviser agreement dated 29 March 2016 entered into between the Company and BOSC International Company Limited, none of BOSC International Company 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 March 2016.

## **Events after the Reporting Period**

There is no significant event after the reporting period of the Group except that the Shares were first listed on GEM on 12 April 2016. The Company issued 200,000,000 and 590,000,000 new Shares of nominal value of HK\$0.01 each under the placing and the capitalisation issue respectively as defined in the Prospectus.

## **Closure of the Register of Members**

For determining the entitlement to attend and vote at the forthcoming annual general meeting (the “AGM”), the transfer books and the register of members of the Company will be closed from Wednesday, 21 September 2016 to Friday, 23 September 2016, both days inclusive, during which period no transfer of the Shares will be registered. In order to establish the right to attend and vote at the 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 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, for registration not later than 4:00 p.m. on Tuesday, 20 September 2016.

## **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 FY2016 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 audited 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 Company established the Audit Committee on 15 March 2016 with written terms of reference as suggested under the CG Code which are available on the websites of the Stock Exchange and the Company.

The Audit Committee currently consists of one non-executive Director namely Mr. Chan Kin Mei Stanley and four independent non-executive Directors namely Mr. Au Yu Chiu Steven, Mr. Chung Fuk Wing Danny, Mr. Ko Man Fu and Mr. Mak Wai Sing. The chairman of the Audit Committee is Mr. Au Yu Chiu Steven, who has appropriate professional qualifications and experience in accounting matters.

The audited consolidated financial statements of the Group for FY2016 have been reviewed by the Audit Committee, which was of the opinion that the audited consolidated financial statements had been prepared in compliance with the applicable accounting standards and the GEM Listing Rules.

By Order of the Board  
**Expert Systems Holdings Limited**  
**Wong Chu Kee Daniel**  
*Chairman and Non-Executive Director*

Hong Kong, 20 June 2016

*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. Mok Chu Leung Terry

Mr. Cheung Nap Kai

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