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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)

**FIRST QUARTERLY RESULTS ANNOUNCEMENT
FOR THE THREE MONTHS ENDED 30 JUNE 2019**

**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 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 a minimum period of 7 days from the date of publication. This announcement will also be published and remains on the Company’s website at 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 ended 30 June 2019, together with the unaudited comparative figures for the corresponding period in 2018 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 30 June 2019

	<i>Notes</i>	Three months ended	
		2019	2018
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Revenue	5	109,995	90,381
Cost of sales		(96,387)	(77,758)
Gross profit		13,608	12,623
Other income and gains	5	171	51
Selling expenses		(7,883)	(7,299)
Administrative expenses		(2,837)	(2,734)
Expected credit loss on financial assets		(88)	–
Profit before income tax expense		2,971	2,641
Income tax expense	6	(494)	(442)
Profit and total comprehensive income for the period		2,477	2,199
Earnings per share			
— Basic and diluted	8	HK0.31 cent	HK0.27 cent

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 30 June 2019

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Merger reserve <i>HK\$'000</i>	Share based compensation reserve <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
At 31 March 2019 and 1 April 2019 (audited)	8,000	70,179	(25,395)	-	42,923	95,707
Profit and total comprehensive income for the period	-	-	-	-	2,477	2,477
Share based compensation expenses	-	-	-	61	-	61
At 30 June 2019 (unaudited)	8,000	70,179	(25,395)	61	45,400	98,245
At 31 March 2018 and 1 April 2018 (audited)	8,000	70,179	(25,395)	-	32,170	84,954
Profit and total comprehensive income for the period	-	-	-	-	2,199	2,199
At 30 June 2018 (unaudited)	8,000	70,179	(25,395)	-	34,369	87,153

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the three months ended 30 June 2019

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 “Listing Date”). 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 in Hong Kong and Macau.

2. BASIS OF PREPARATION AND PRESENTATION

The unaudited condensed consolidated financial statements of the Group for the three months ended 30 June 2019 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 unaudited condensed consolidated financial statements are consistent with those adopted in the preparation of the Group’s annual financial statements for the year ended 31 March 2019 except for the new and revised HKFRSs that are first effective for the current reporting period of the Company.

The unaudited condensed consolidated financial statements have been prepared under the historical cost basis. The unaudited condensed 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. The unaudited condensed consolidated financial statements have not been audited by the Company’s auditor, but have been reviewed by the Company’s audit committee.

3. ADOPTION OF HKFRSs

The adoption of the following new and revised HKFRSs has had no significant effect on these unaudited condensed consolidated financial statements for the three months ended 30 June 2019 and there have been no significant changes to the accounting policies applied in these unaudited condensed consolidated financial statements for the three months ended 30 June 2019.

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKAS 12, Income Taxes

The Group has not applied new and revised standards, amendments or interpretations that have been issued but are not yet effective. The Group is currently assessing the impact of the adoption of such new and revised standards, amendments or interpretations to the Group but is yet to be in a position to state whether they would have any material financial impact on the Group’s results of operations and financial position.

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.

Geographical information

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

	Three months ended 30 June	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Hong Kong	109,069	90,150
Macau	926	231
	<u>109,995</u>	<u>90,381</u>

During the reporting period, 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 10.0% or more revenue to the Group for the reporting period (2018: nil).

5. 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 30 June	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Revenue:		
Provision of IT infrastructure solutions	109,953	90,314
Finance leases income	42	67
Total	<u>109,995</u>	<u>90,381</u>
Other income and gains:		
Interest income	156	35
Sundry income	15	16
Total	<u>171</u>	<u>51</u>

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

	Three months ended	
	30 June	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Receivables	107,332	86,586
Contract liabilities	(4,316)	(3,253)
	<u>103,016</u>	<u>83,333</u>

6. INCOME TAX EXPENSE

	Three months ended	
	30 June	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current tax		
— Hong Kong profits tax	494	442
	<u>494</u>	<u>442</u>

Hong Kong profits tax is calculated at 16.5% (2018: 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 is not subject to any taxation under the jurisdictions of Cayman Islands during the reporting period (2018: 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 (2018: Nil).

7. DIVIDENDS

A final dividend in respect of the year ended 31 March 2019 of HK0.42 cent per ordinary share (tax exclusive) amounting to HK\$3,360,000 was proposed pursuant to a resolution passed by the Board of Directors on 20 June 2019 and subject to the approval of the shareholders at the annual general meeting of the Company to be held on 10 September 2019 or any adjournment thereof.

Other than disclosed above, no dividends were paid or declared by the Company during the reporting period (2018: Nil).

8. EARNINGS PER SHARE

For the period ended 30 June 2019, the calculation of basic earnings per share is based on the profit for the period attributable to the owners of the Company of HK\$2,477,000 (2018: HK\$2,199,000) and on the basis of the weighted average number of 800,000,000 (2018: 800,000,000) ordinary shares in issue.

The calculation of the diluted earnings per share is based on the profit for the period attributable to the owners of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

No adjustment has been made to the basic earnings per share amount presented for the period ended 30 June 2019 in respect of a dilution as the exercise of the share options had an anti-dilutive effect on the basic earnings per share amount presented.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

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 three months ended 30 June 2019 ("Q1 FY2020") as compared to the last corresponding period ended 30 June 2018 ("Q1 FY2019"), the Group recorded a revenue increase of approximately 21.7% and our gross profit increased by approximately 7.8%.

Business in the Private Sector

The Group's revenue in the private sector increased by approximately 5.1% from approximately HK\$46.5 million, representing 51.5% of our total revenue, for Q1 FY2019 to approximately HK\$48.9 million, representing 44.5% of our total revenue, for Q1 FY2020. The Group's gross profit in the private sector for Q1 FY2020 amounted to approximately HK\$6.7 million, representing 49.5% of our total gross profit and a decrease of approximately HK\$0.2 million, or approximately 2.6%, as compared to that of Q1 FY2019 of approximately HK\$6.9 million, which represented 54.8% of our total gross profit in Q1 FY2019. Our gross profit margin of this sector in Q1 FY2020 was approximately 13.8%, representing a decrease of 1.1 percentage points as compared to that of Q1 FY2019 of approximately 14.9%.

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

Business in the Public Sector

The Group's revenue in the public sector increased by approximately 39.3% from approximately HK\$43.9 million, representing 48.5% of our total revenue, for Q1 FY2019 to approximately HK\$61.1 million, representing 55.5% of our total revenue, for Q1 FY2020.

The Group's gross profit in the public sector for Q1 FY2020 amounted to approximately HK\$6.9 million, representing 50.5% of our total gross profit and an increase of approximately HK\$1.2 million, or approximately 20.4%, as compared to that of Q1 FY2019 of approximately HK\$5.7 million, which represented 45.2% of our total gross profit in Q1 FY2019. Our gross profit margin of this sector for Q1 FY2020 was approximately 11.2%, representing a decrease of 1.8 percentage points as compared to that of Q1 FY2019 of approximately 13.0%.

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 and the decrease in gross profit margin from the public sector was mainly because the Group proactively deployed more competitive pricing strategy to increase our market share.

Outlook

Moving forward, our Group has been focusing on the following three business opportunities which are enabling us to grow our business continuously besides providing the existing IT infrastructure solutions to the market.

- (1) Multi Cloud and Hybrid Cloud
- (2) Container Technology
- (3) Cyber Security

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.

While our Group has been focusing on the core IT infrastructure solutions business with continual growth, we will explore any appropriate merger and acquisition opportunities for the enhancement of our enterprise value. This will only be carried out in cautious manner and has to be for the benefit of our Group and the shareholders' best interest.

Our Group believes that more and more enterprises and institutions are going to adopt digital transformation with the purpose not only to enhance their operation efficiency, but also create their own digital business models, which means to digitalize the business or make the business through online in their own ways. However, the Group's performance is likely to be affected by 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. In conclusion, 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. 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, 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 21.7% from approximately HK\$90.4 million for Q1 FY2019 to approximately HK\$110.0 million for Q1 FY2020, which was primarily attributable to the increase in demand from our customers in both private and public sectors for IT infrastructure solutions in Q1 FY2020 as compared to Q1 FY2019.

Gross profit and gross profit margin

For Q1 FY2020, our gross profit amounted to approximately HK\$13.6 million, representing an increase of approximately HK\$1.0 million, or approximately 7.8%, as compared to that of Q1 FY2019 of approximately HK\$12.6 million.

The Group's gross profit margin for Q1 FY2020 was approximately 12.4%, representing a decrease of approximately 1.6 percentage points as compared to that of Q1 FY2019 of approximately 14.0%. The decrease in the Group's gross profit margin was mainly because the Group proactively deployed more competitive pricing strategy to increase our overall market share.

Other income and gains

Our other income and gains increased by approximately HK\$0.1 million, or approximately 235.3%, from approximately HK\$0.1 million for Q1 FY2019 to approximately HK\$0.2 million for Q1 FY2020. The increase was mainly due to more interest income for the period.

Selling expenses

For Q1 FY2020, our selling expenses amounted to approximately HK\$7.9 million, representing an increase of approximately HK\$0.6 million (or approximately 8.0%) as compared to Q1 FY2019 of approximately HK\$7.3 million. Such increase was mainly attributed to the increase in our staff cost.

Administrative expenses

The Group's administrative expenses for Q1 FY2020 amounted to approximately HK\$2.8 million, representing an increase of approximately HK\$0.1 million (or approximately 3.8%) as compared to Q1 FY2019 of approximately HK\$2.7 million. Such increase was mainly attributed to the increase in our staff cost.

Expected credit loss on financial assets

The Group has applied the simplified approach to trade receivables to provide for expected credit losses prescribed by HKFRS 9 since 1 April 2018. During Q1 FY2020, impairment loss on financial assets of approximately HK\$0.1 million was charged (Q1 FY2019: HK\$ Nil).

Income tax expense

The Group's income tax expense for Q1 FY2020 was approximately HK\$0.5 million, representing an increase of HK\$0.1 million (or approximately 11.8%) from approximately HK\$0.4 million for Q1 FY2019. The effective tax rate for Q1 FY2020 was 16.6% which was comparable to that of 16.7% for Q1 FY2019.

Profit attributable to owners of the Company

The profit attributable to owners of the Company amounted to approximately HK\$2.5 million for Q1 FY2020, representing an increase of approximately HK\$0.3 million (or approximately 12.6%) as compared with that of approximately HK\$2.2 million for Q1 FY2019, which was primarily attributable to the abovementioned effects.

Earnings per share

Basic and diluted earnings per share for profit attributable to owners of the Company for Q1 FY2020 amounted to approximately HK0.31 cent, representing an increase of approximately HK0.04 cent (or approximately 14.8%) as compared to approximately HK0.27 cent in Q1 FY2019.

OTHER INFORMATION

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

As at 30 June 2019, 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 positions in ordinary shares of the Company:

Name of Director/ chief executive	Name of Group member/ associated corporation	Nature of interest	Total number of shares	Approximate percentage of the Company issued capital
Mr. Chu Siu Sum Alex (“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 (“Mr. Wong”)	the Company	Beneficial owner	51,300,000	6.4%
Mr. Chan Kin Mei Stanley (“Mr. Chan”)	the Company	Beneficial owner	6,720,000	0.8%

Long positions in share options of the Company:

Name of Director/chief executive	Number of share options directly beneficially owned
Mr. Lau	2,000,000
Ms. Lau Tsz Yan (“Ms. Lau”)	2,000,000
Mr. So Cheuk Wah Benton (“Mr. So”)	2,000,000
Mr. Chu	500,000
Mr. Wong	500,000
Mr. Chan	500,000
Mr. Au Yu Chiu Steven (“Mr. Au”)	100,000
Mr. Chung Fuk Wing Danny (“Mr. Chung”)	100,000
Mr. Ko Man Fu (“Mr. Ko”)	100,000
Mr. Mak Wai Sing (“Mr. Mak”)	100,000

Save as disclosed above, as at 30 June 2019, 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.

DIRECTORS’ RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save for the grant of share options on 15 April 2019 as disclosed under the paragraph headed “Share Option Scheme” below, at no time during the reporting period were rights to acquire benefits by means of the acquisition of shares or debentures of the Company granted to any Director or their respective associates, or were any such rights exercised by them; or was the Company, or any of the Company’s subsidiaries a party to any arrangement to enable the Directors or their respective associates to acquire such rights in any other body corporate.

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

As at 30 June 2019, so far as the Directors are aware, other than a Director or chief executive of the Company whose interests are disclosed under the paragraph headed “Directors’ and chief executives’ interest and short positions 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 positions in shares of the Company:

Name of shareholder	Nature of interest	Total number of shares and share options held	Approximate percentage of the Company's issued share capital
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	227,390,000 <i>(note 1)</i>	28.4%
Ms. Keung Lai Wa Dorathy Linndia	Interest of spouse	102,000,000 <i>(note 2)</i>	12.8%
Ms. Yan Yihong	Interest of spouse	91,800,000 <i>(note 3)</i>	11.5%
Ms. Tuen Chi Keung	Interest of spouse	89,760,000 <i>(note 4)</i>	11.2%
Ms. Lee Kit Ling Monita	Interest of spouse	51,800,000 <i>(note 5)</i>	6.5%

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 Dorathy 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 as at 30 June 2019 which required to be recorded pursuant to section 336 of the SFO.

SHARE OPTION SCHEME

The share option scheme (the “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 Scheme is set out in Appendix IV to the Company’s prospectus dated on 30 March 2016 (“Prospectus”).

On 15 April 2019, the Company granted share options to the Directors and employees of the Company to subscribe for a total of 16,000,000 ordinary shares of HK\$0.01 each in the share capital of the Company under the Scheme. The details of the movements in the number of share options under the Scheme for the period ended 30 June 2019 are set out as follows:

Name of Grantee	Date of Grant	Exercisable period	Exercise price per share (HK\$)	Number of share options				
				Outstanding as at 1 April 2019	Granted during the period	Exercised during the period	Lapsed/ cancelled during the period	Outstanding as at 30 June 2019
Executive Directors								
Mr. Lau	15-Apr-19	15 April 2020 to 14 April 2029	0.111	–	2,000,000	–	–	2,000,000
Ms. Lau	15-Apr-19	15 April 2020 to 14 April 2029	0.111	–	2,000,000	–	–	2,000,000
Mr. So	15-Apr-19	15 April 2020 to 14 April 2029	0.111	–	2,000,000	–	–	2,000,000
Non-executive Directors								
Mr. Wong	15-Apr-19	15 April 2020 to 14 April 2029	0.111	–	500,000	–	–	500,000
Mr. Chu	15-Apr-19	15 April 2020 to 14 April 2029	0.111	–	500,000	–	–	500,000
Mr. Chan	15-Apr-19	15 April 2020 to 14 April 2029	0.111	–	500,000	–	–	500,000
Independent non-executive Directors								
Mr. Au	15-Apr-19	15 April 2020 to 14 April 2029	0.111	–	100,000	–	–	100,000
Mr. Chung	15-Apr-19	15 April 2020 to 14 April 2029	0.111	–	100,000	–	–	100,000
Mr. Ko	15-Apr-19	15 April 2020 to 14 April 2029	0.111	–	100,000	–	–	100,000
Mr. Mak	15-Apr-19	15 April 2020 to 14 April 2029	0.111	–	100,000	–	–	100,000
Other employees								
In aggregate	15-Apr-19	15 April 2020 to 14 April 2029	0.111	–	8,100,000	–	–	8,100,000

The outstanding share options granted on 15 April 2019 are exercisable in the manner and during the five periods (each an “exercisable period”) as set out below at an exercise price of HK\$0.111 per share. The closing price of the shares immediately before the date of grant of share options (being 15 April 2019) (the “Date of Grant”) was HK\$0.098.

First exercisable period: 20.0% of the outstanding share options exercisable from 15 April 2020 to 14 April 2029

Second exercisable period: 20.0% of the outstanding share options exercisable from 15 April 2021 to 14 April 2029

Third exercisable period: 20.0% of the outstanding share options exercisable from 15 April 2022 to 14 April 2029

Fourth exercisable period: 20.0% of the outstanding share options exercisable from 15 April 2023 to 14 April 2029

Fifth exercisable period: 20.0% of the outstanding share options exercisable from 15 April 2024 to 14 April 2029

None of the outstanding share options were exercised, cancelled or lapsed during the period ended 30 June 2019 (2018: nil).

USE OF PROCEEDS FROM LISTING

The net proceeds from the listing of the Company’s shares (after deducting the underwriting fees and related expenses) amounted to approximately HK\$32.2 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 30 June 2019 are set out below:

Uses	Original allocation (note) HK\$ (in million)	After Reallocation HK\$ (in million)	Utilised up to 30 June 2019 HK\$ (in million)	Balance as at 30 June 2019 HK\$ (in million)
(i) Expansion and training of sales, technical and support workforce	6.8	6.8	6.8	–
(ii) Expansion of IT infrastructure solutions business	11.0	18.0	18.0	–
(iii) Strengthening of marketing efforts	6.0	2.6	2.6	–
(iv) Enhancement of management information systems	5.5	1.9	1.3	0.6
(v) Working capital and general corporate purposes	2.9	2.9	2.9	–
Total	<u>32.2</u>	<u>32.2</u>	<u>31.6</u>	<u>0.6</u>

Note: Details of the original allocation of the net proceeds from the placing are set out in the Company's Prospectus.

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 Q1 FY2020.

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 Q1 FY2020.

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. After making specific enquiry of all the Directors, the Company was not aware of any non-compliance with the required standard of dealings regarding securities transactions by the Directors during Q1 FY2020.

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 Q1 FY2020, save for the deviation from such code disclosed below.

Pursuant to code provision F.1.1 of the 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 senior 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.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the unaudited condensed consolidated financial statements of the Group for the three months ended 30 June 2019 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 August 2019

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