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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 2021**

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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

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

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

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

HIGHLIGHTS

- Revenue for the year ended 31 March 2021 (“**FY2021**”) increased to approximately HK\$533.9 million by approximately 14.3% from that for the year ended 31 March 2020 (“**FY2020**”).
- Gross profit for FY2021 increased to approximately HK\$72.0 million by approximately 23.3% from FY2020.
- Profit and total comprehensive income for FY2021 grew by approximately 103.1% to approximately HK\$21.7 million as compared to FY2020.
- Excluding the government subsidies of HK\$4.5 million from the Employment Support Scheme under the Anti-Epidemic Fund recognized during the year, the adjusted profit attributable to owners of the Company for FY2021 amounted to HK\$17.2 million, representing an increase of approximately 61.0% as compared with that of FY2020.
- Earnings per share increased by approximately 103.1% from approximately HK1.34 cents for FY2020 to approximately HK2.72 cents for FY2021.

ANNUAL RESULTS

The board of Directors (the “**Board**”) of Expert Systems Holdings Limited is pleased to announce the consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 March 2021, together with comparative audited figures for the preceding financial year, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue	5	533,944	467,293
Cost of sales		<u>(461,936)</u>	<u>(408,910)</u>
Gross profit		72,008	58,383
Other income and gains	5	6,023	1,190
Selling expenses		(40,472)	(35,037)
Administrative expenses		(12,413)	(11,248)
Reversal of/(provision for) expected credit loss on financial assets		244	(98)
Finance cost		<u>(339)</u>	<u>(409)</u>
Profit before income tax expense	6	25,051	12,781
Income tax expense	7	<u>(3,331)</u>	<u>(2,086)</u>
Profit and total comprehensive income for the year		<u>21,720</u>	<u>10,695</u>
Earnings per share			
— Basic and diluted	9	<u>HK2.72 cents</u>	<u>HK1.34 cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		5,956	7,999
Finance lease receivables		244	172
Trade receivables	<i>10</i>	–	2,893
Other receivables	<i>11</i>	2,356	2,356
		<u>8,556</u>	<u>13,420</u>
Current assets			
Inventories		3,997	3,658
Trade receivables	<i>10</i>	83,742	99,299
Prepayments, deposits and other receivables	<i>11</i>	7,341	8,326
Finance lease receivables		213	280
Bank deposits		2,021	–
Cash and cash equivalents		152,105	95,399
		<u>249,419</u>	<u>206,962</u>
Current liabilities			
Trade payables	<i>12</i>	98,351	91,588
Accruals, deposits received and other payables	<i>13</i>	29,148	16,335
Amount due to a related company		91	477
Lease liabilities		1,538	1,408
Tax payables		1,914	577
		<u>131,042</u>	<u>110,385</u>
Net current assets		<u>118,377</u>	<u>96,577</u>
Total assets less current liabilities		<u>126,933</u>	<u>109,997</u>
Non-current liabilities			
Other payables	<i>13</i>	627	636
Lease liabilities		4,311	5,849
		<u>4,938</u>	<u>6,485</u>
Net assets		<u>121,995</u>	<u>103,512</u>
EQUITY			
Share capital	<i>14</i>	8,000	8,000
Reserves		113,995	95,512
Total equity		<u>121,995</u>	<u>103,512</u>

NOTES

1. GENERAL INFORMATION

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

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

2. BASIS OF PREPARATION

(a) Statement of compliance

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

(b) Basis of measurement

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

(c) Functional and presentation currency

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

3. ADOPTION OF HKFRSs

(a) Adoption of new/revised HKFRSs — effective 1 April 2020

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 16	COVID-19-Related Rent Concessions
Amendments to HKAS 39, HKFRS 7 and HKFRS 9	Interest Rate Benchmark Reform

The impact of the adoption of Amendments to HKFRS 16 “COVID-19-Related Rent Concessions” has been summarised below. The other new or amended HKFRSs that are effective from 1 April 2020 did not have any significant impact on the Group’s results and financial position for current or prior period.

Amendment to HKFRS 16 — COVID-19-Related Rent Concessions

The Group has early adopted Amendment to HKFRS 16 — COVID-19-Related Rent Concessions retrospectively from 1 April 2020. The amendment provides an optional practical expedient allowing lessees to elect not to assess whether a rent concession related to COVID-19 is a lease modification. Lessees adopting this election may account for qualifying rent concessions in the same way as they would if they were not lease modifications. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

- (a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- (b) any reduction in lease payments affects only payments due on or before 30 June 2021; and
- (c) there is no substantive change to other terms and conditions of the lease.

The Group has applied the practical expedient to all qualifying COVID-19-related rent concessions.

Rent concessions totalling HK\$185,000 have been accounted for as negative variable lease payments and recognised as rent concessions in “other income” in the consolidated statement of profit or loss for the year ended 31 March 2021, with a corresponding adjustment to the lease liabilities.

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

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

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current ⁵
HK Interpretation 5 (2020)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ⁵
Amendment to HKAS 1	Disclosure of Accounting Policies ⁵
Amendment to HKAS 8	Definition of Accounting Estimates ⁵
Amendments to HKAS 16	Proceeds before Intended Use ³
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract ³
Amendments to HKFRS 3	Reference to the Conceptual Framework ⁴
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁶
Amendments to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021 ²
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2 ¹
Annual Improvements to HKFRSs 2018–2020 ³	

¹ Effective for annual periods beginning on or after 1 January 2021.

² Effective for annual periods beginning on or after 1 April 2021.

³ Effective for annual periods beginning on or after 1 January 2022.

⁴ Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.

⁵ Effective for annual periods beginning on or after 1 January 2023.

⁶ The Amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined.

Amendments to HKAS 1, Classification of Liabilities as Current or Non-current and HK Interpretation 5 (2020), Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and explain that rights are in existence if covenants are complied with at the end of the reporting period. The amendments also introduce a definition of ‘settlement’ to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

HK Int 5 (2020) was revised as a consequence of the Amendments to HKAS 1 issued in August 2020. The revision to HK Int 5 (2020) updates the wordings in the interpretation to align with the Amendments to HKAS 1 with no change in conclusion and do not change the existing requirements.

The directors of the Company do not anticipate that the application of the amendments and revision in the future will have an impact on the consolidated financial statements.

Amendments to HKAS 1, Disclosure of Accounting Policies

The amendments to Disclosure of Accounting Policies were issued following feedback that more guidance was needed to help companies to decide what accounting policy information should be disclosed. The amendments to HKAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendments to HKFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures.

The directors of the Company are currently assessing the impact that the application of the amendments will have on the Group’s consolidated financial statements.

Amendments to HKAS 8, Definition of Accounting Estimates

The amendments to HKAS 8 clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. That distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events.

The directors of the Company are currently assessing the impact that the application of the amendments will have on the Group’s consolidated financial statements.

Amendments to HKAS 16, Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the proceeds from selling such items, and the cost of producing those items, is recognised in profit or loss.

The directors of the Company are currently assessing the impact that the application of the amendments will have on the Group’s consolidated financial statements.

Amendments to HKAS 37, Onerous Contracts — Cost of Fulfilling a Contract

The amendments specify that the ‘cost of fulfilling’ a contract comprises the ‘costs that relate directly to the contract’. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (e.g. direct labour and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g. the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The directors of the Company are currently assessing the impact that the application of the amendments will have on the Group’s consolidated financial statements.

Amendments to HKFRS 3, Reference to the Conceptual Framework

The amendments update HKFRS 3 so that it refers to the revised Conceptual Framework for Financial Reporting 2018 instead of the version issued in 2010. The amendments add to HKFRS 3 a requirement that, for obligations within the scope of HKAS 37, an acquirer applies HKAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of HK(IFRIC)-Int 21 Levies, the acquirer applies HK(IFRIC)-Int 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. The amendments also add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the consolidated financial statements.

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

The amendments clarify with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. When the transaction with an associate or joint venture that is accounted for using the equity method, any gains or losses resulting from the loss of control of a subsidiary that does not contain a business are recognised in the profit or loss only to the extent of the unrelated investors’ interests in that associate or joint venture. Similarly, any gains or losses resulting from the remeasurement of retained interest in any former subsidiary (that has become an associate or a joint venture) to fair value are recognised in the profit or loss only to the extent of the unrelated investors’ interests in the new associate or joint venture.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the consolidated financial statements.

Amendments to HKFRS 16 Leases — COVID-19-Related Concessions beyond 30 June 2021

The 2021 Amendment to HKFRS 16 extends the availability of the practical expedient in paragraph 46A of HKFRS 16 so that it applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided that the other conditions for applying the practical expedient are met.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the consolidated financial statements.

Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16, Interest Rate Benchmark Reform — Phase 2

The amendments address issues that might affect financial reporting when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the interest rate benchmark reform (the “**Reform**”). The amendments complement those issued in November 2019 and relate to (a) changes to contractual cash flows in which an entity will not have to derecognise or adjust the carrying amount of financial instruments for changes required by the Reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate; (b) hedge accounting in which an entity will not have to discontinue its hedge accounting solely because it makes changes required by the Reform, if the hedge meets other hedge accounting criteria; and (c) disclosures in which an entity will be required to disclose information about new risks arising from the Reform and how it manages the transition to alternative benchmark rates.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the consolidated financial statements.

Annual Improvements to HKFRSs 2018–2020

The annual improvements amends a number of standards, including:

- HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards, which permits a subsidiary that applies paragraph D16(a) of HKFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent’s date of transition to HKFRSs.
- HKFRS 9, Financial Instruments, which clarifies the fees included in the ‘10 per cent’ test in paragraph B3.3.6 of HKFRS 9 in assessing whether to derecognise a financial liability, explaining that only fees paid or received between the entity and the lender, including fees paid or received by either the entity or the lender on other’s behalf are included.
- HKFRS 16, Leases, which amends Illustrative Example 13 to remove the illustration of reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.
- HKAS 41, Agriculture, which removes the requirement to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the consolidated financial statements.

4. SEGMENT INFORMATION

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

Geographical information

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Hong Kong	531,986	460,889
Macau	1,958	6,404
	533,944	467,293

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

Information about major customers

There was a single customer who contributed to 14.9% revenue of the Group for the year ended 31 March 2021. There was no single customer who contributed to 10.0% or more revenue of the Group for the year ended 31 March 2020.

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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue:		
Provision of IT infrastructure solutions	533,857	467,105
Finance leases income	87	188
Total	533,944	467,293
Other income and gains:		
Interest income	509	747
Write back of other payables	146	40
Exchange gains, net	334	109
Government subsidy (<i>note (a)</i>)	4,503	–
Rent concessions (<i>note (b)</i>)	185	–
Sundry income	346	294
Total	6,023	1,190

Notes:

- (a) The government subsidy represented a one-off subsidy under Employment Support Scheme launched by the Government of the Hong Kong Special Administrative Region.
- (b) The rent concessions related to COVID-19 pandemic of HK\$185,000 has been credited in the consolidated profit or loss during the year.

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables (<i>note 10</i>)	83,742	102,192
Contract liabilities (<i>note 13</i>)	(18,718)	(8,078)

The contract liabilities mainly relate to the advance consideration received from customers. Contract liabilities as of 1 April 2020 of HK\$8,078,000 (1 April 2019: HK\$5,572,000) have been recognised as revenue during the year from performance obligations satisfied in the year due to the delivery of goods and services accepted by customers.

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

6. PROFIT BEFORE INCOME TAX EXPENSE

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Costs of inventories recognised as expenses	395,716	342,515
Auditor's remuneration	645	628
Depreciation of property, plant and equipment	2,255	2,319
Provision of impairment loss of inventories	22	26
Staff costs (including directors' remuneration)		
— Wages, salaries and other benefits	45,126	38,295
— Contribution to defined contribution pension plans	1,315	1,225
— Equity settled share-based payment expenses	363	607
	46,804	40,127

7. INCOME TAX EXPENSE

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current tax — Hong Kong profits tax		
Tax for the year	3,353	2,039
(Over)/under-provision in respect of prior year	(22)	47
Income tax expense	3,331	2,086

According to the Inland Revenue (Amendment) (No. 3) Ordinance 2018 enacted on 29 March 2018, the two-tiered profits tax regime (the “**Regime**”) is effective from the year of assessment 2018/19. Profits tax rate for the first HK\$2 million of assessable profits of corporations is lowered to 8.25% with the excess assessable profits continue to be taxed at 16.5%. The Hong Kong profits tax for the years ended 31 March 2021 and 2020 is provided based on the Regime.

Pursuant to the rules and regulations of Cayman Islands, the Group is not subject to any taxation under the jurisdictions of Cayman Islands during the year ended 31 March 2021 (2020: 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 2021 (2020: 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:

	2021	2020
	HK\$'000	HK\$'000
Profit before income tax expense	25,051	12,781
Tax calculated at the statutory rate of 16.5%	4,134	2,109
Effect of different tax rates in other jurisdiction	24	8
Tax effect of expenses not deductible for tax purpose	85	144
Tax effect of revenue not taxable for tax purpose	(961)	(51)
Tax effect of deductible temporary differences not recognised	266	24
Tax effect of two-tiered profits tax rates regime	(165)	(165)
(Over)/under-provision in respect of prior years	(22)	47
Others	(30)	(30)
Income tax expense	3,331	2,086

No deferred tax asset has been recognised in relation to deductible temporary differences of HK\$82,000 (2020: HK\$145,000) relating to the depreciation charges as it is not material.

8. DIVIDENDS

A final dividend in respect of the year ended 31 March 2021 of HK0.90 (2020: HK0.45) cent per ordinary share (tax exclusive) amounting to approximately HK\$7,204,000 (2020: HK\$3,600,000) was proposed pursuant to a resolution passed by the Board of Directors on 17 June 2021 and subject to the approval by the shareholders at the annual general meeting of the Company to be held on 17 September 2021 or any adjournment thereof. This proposed dividend is not reflected as dividend payable in the consolidated financial statements.

9. EARNINGS PER SHARE

For the year ended 31 March 2021, the calculation of basic earnings per share is based on the profit for the year attributable to the owners of the Company of HK\$21,720,000 (2020: HK\$10,695,000) and on the basis of the weighted average number of 800,000,000 (2020: 800,000,000) ordinary shares in issue.

The 15,900,000 options granted on 15 April 2019 are not included in the calculation of diluted earnings per share because they are antidilutive for the years ended 31 March 2021 and 2020. These options could potentially dilute basic earnings per share in the future.

10. TRADE RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables, gross	83,892	102,586
Less: Provision for impairment	(150)	(394)
	83,742	102,192
Less: non-current portion	–	(2,893)
	83,742	99,299

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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 1 month	24,549	28,667
More than 1 month but not more than 3 months	15,632	29,808
More than 3 months but not more than 6 months	33,888	22,055
More than 6 months but not more than a year	6,584	12,631
More than a year	3,089	9,031
	83,742	102,192

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Opening loss allowance as at 1 April	394	296
(Reversal of)/provision for expected credit loss for the year	(244)	98
At the end of the year	150	394

At 31 March 2021, the management had determined that the provision of expected credit loss of trade receivables was approximately HK\$150,000 (2020: HK\$394,000), and there was a reversal of expected credit loss approximately HK\$244,000 provided during the year (2020: recognition of expected credit loss of HK\$98,000).

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

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Other deposits	4,037	4,499
Other receivables	97	89
Prepayments	<u>5,563</u>	<u>6,094</u>
	9,697	10,682
Less: non-current portion of other receivables	<u>(2,356)</u>	<u>(2,356)</u>
	<u>7,341</u>	<u>8,326</u>

12. TRADE PAYABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade payables	<u>98,351</u>	<u>91,588</u>

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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 1 month	48,461	44,486
More than 1 month but not more than 3 months	43,789	36,262
More than 3 months but not more than 6 months	3,578	3,350
More than 6 months but not more than a year	1,325	3,604
More than a year	<u>1,198</u>	<u>3,886</u>
	<u>98,351</u>	<u>91,588</u>

13. ACCRUALS, DEPOSITS RECEIVED AND OTHER PAYABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Other payables and accrued expenses	3,577	2,996
Staff commission	6,631	5,065
Other deposits received	849	832
Contract liabilities (<i>note</i>)	<u>18,718</u>	<u>8,078</u>
	29,775	16,971
Less: Non-current portion other payables	<u>(627)</u>	<u>(636)</u>
	<u>29,148</u>	<u>16,335</u>

Note:

Contract liabilities

	2021 HK\$'000	2020 <i>HK\$'000</i>
Contract liabilities arising from:		
— Provision of IT infrastructure solutions	<u>18,718</u>	<u>8,078</u>

14. SHARE CAPITAL

	Number	Amount <i>HK\$'000</i>
Authorised:		
Ordinary shares of HK\$0.01 each		
At 31 March 2020, 1 April 2020 and 31 March 2021	<u>10,000,000,000</u>	<u>100,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.01 each		
At 31 March 2020, 1 April 2020 and 31 March 2021	<u>800,000,000</u>	<u>8,000</u>

15. EVENTS AFTER REPORTING DATE

The Company is currently contemplating a possible acquisition of a group of companies engaged in the provision of post-implementation IT infrastructure management services to end-users in the Greater China Area and the Asia Pacific region from the Company's controlling shareholders. As at the date of this announcement, negotiations are still ongoing and no definitive agreement has been entered into by the Group regarding the possible acquisition.

MANAGEMENT DISCUSSION AND ANALYSIS

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

BUSINESS REVIEW

For the year ended 31 March 2021 (“FY2021”) as compared to the last corresponding year (“FY2020”), the Group recorded a revenue increase of approximately 14.3% and our gross profit increased by approximately 23.3%.

Business in the Private Sector

The Group's revenue in the private sector increased by approximately 12.1% from approximately HK\$214.8 million, representing 46.0% of our total revenue, for FY2020 to approximately HK\$240.8 million, representing 45.1% of our total revenue, for FY2021.

The Group's gross profit in the private sector for FY2021 amounted to approximately HK\$38.7 million, representing 53.7% of our total gross profit and an increase of approximately HK\$7.7 million, or approximately 24.6%, as compared to that of FY2020 of approximately HK\$31.0 million, representing 53.1% of our total gross profit. Our gross profit margin in FY2021 was approximately 16.1%, representing an increase of 1.7 percentage points as compared to that of FY2020 of approximately 14.4%.

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

Business in the Public Sector

The Group's revenue in the public sector increased by approximately 16.1% from approximately HK\$252.5 million, representing 54.0% of our total revenue, for FY2020 to approximately HK\$293.1 million, representing 54.9% of our total revenue, for FY2021.

The Group's gross profit in the public sector for FY2021 amounted to approximately HK\$33.3 million, representing 46.3% of our total gross profit and an increase of approximately HK\$5.9 million, or approximately 21.9%, as compared to that of FY2020 of approximately HK\$27.4 million, representing 46.9% of our total gross profit. Our gross profit margin for FY2021 was approximately 11.4%, representing an increase of 0.6 percentage point as compared to that of FY2020 of approximately 10.8%.

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 and the increase in gross profit margin from the public sector was the result of our efforts in obtaining more favourable terms from our suppliers.

OUTLOOK AND PROSPECTS

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

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

- (i) Hybrid Cloud, Multi Cloud & “as-a-Service”
- (ii) Container Technology & DevOps
- (iii) Cyber Security
- (iv) Application Management Services

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

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

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

In view of the uncertain business environment, the Group will be cautious in managing the business risk; prepare to respond to the changes in such economic and business environment, and aim at strategically developing the Group's business to mitigate the said impacts. Furthermore, we have taken prudent and decisive steps on cost optimization to reflect the current revenue environment, and to position ourselves as a more resilience company in the post-COVID-19 world so that we are well prepared for the different outcomes. Nevertheless, we 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 14.3% from approximately HK\$467.3 million for FY2020 to approximately HK\$533.9 million for FY2021, which was primarily attributable to the increase in demand from our customers in both private and public sectors for IT infrastructure solutions in FY2021 as compared to FY2020.

Gross profit and gross profit margin

For FY2021, our gross profit amounted to approximately HK\$72.0 million, representing an increase of approximately HK\$13.6 million, or approximately 23.3%, as compared to that of FY2020 of approximately HK\$58.4 million.

Our gross profit margin in FY2021 was approximately 13.5%, representing an increase of approximately 1.0 percentage point as compared to that of FY2020 of approximately 12.5%. The increase in the Group's gross profit margin was the result of our efforts in obtaining more favourable terms from our suppliers.

Other income and gains

Our other income and gains increased by approximately HK\$4.8 million, or approximately 406.1%, from approximately HK\$1.2 million for FY2020 to approximately HK\$6.0 million for FY2021. The increase was mainly due to the net effect of (i) government grants of HK\$4.5 million from the Employment Support Scheme under the Anti-Epidemic Fund that the Group recognised during the period; (ii) rent concessions related to COVID-19 pandemic of HK\$0.2 million obtained from Landlord; (iii) increase in exchange gain by HK\$0.2 million; and (iv) decrease in interest income by HK\$0.2 million.

Selling expenses

For FY2021, our selling expenses amounted to approximately HK\$40.3 million, representing an increase of approximately HK\$5.3 million (or approximately 15.5%) as compared to FY2020 of approximately HK\$35.0 million. Such increase was mainly attributed by the increase in our staff cost.

Administrative expenses

The Group's administrative expenses for FY2021 were approximately HK\$12.4 million, representing an increase of approximately HK\$1.2 million (or approximately 10.3%) from approximately HK\$11.2 million for FY2020. Such increase was mainly attributed by the increase in our staff cost.

Expected credit loss on financial assets

The Group applies the simplified approach to financial assets, being trade receivables, to provide for expected credit losses prescribed by HKFRS 9. As a result, a reversal of impairment loss of approximately HK\$0.2 million was recognised for FY2021 (FY2020: Provision for impairment loss less than HK\$0.1 million).

Finance cost

Finance costs represented interest expenses arisen from lease liabilities of approximately HK\$0.3 million for FY2021 (FY2020: HK\$0.4 million).

Income tax expense

The Group's income tax expense for FY2021 was approximately HK\$3.3 million, representing an increase of approximately 59.7% from approximately HK\$2.1 million for FY2020. The increase in the Group's income tax expense was mainly due to the higher assessable profits in FY2021.

Profit attributable to owners of the Company

The profit attributable to owners of the Company increased by approximately 103.1% from approximately HK\$10.7 million for FY2020 to approximately HK\$21.7 million for FY2021, which was primarily attributable to the above mentioned effects. Excluding the government subsidies of HK\$4.5 million from the Employment Support Scheme under the Anti-Epidemic Fund recognised during the period, the adjusted profit attributable to owners of the Company for FY2021 amounted to approximately HK\$17.2 million, representing an increase of approximately 61.0% as compared with that of FY2020.

Earnings per share

Basic and diluted earnings per share for profit attributable to owners of the Company for FY2021 amounted to approximately HK2.72 cents, representing an increase of approximately HK1.38 cents (or approximately 103.1%) as compared to approximately HK1.34 cents in FY2020.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

We financed our operations primarily through cash generated from our operating activities. During FY2021, we did not have any bank borrowings. As at 31 March 2020 and 2021, we had cash and cash equivalents of approximately HK\$95.4 million and HK\$152.1 million, respectively, which were cash at banks and in hand. As at 31 March 2021, HK\$2.0 million was pledged for government project (FY2020: nil).

The banking facility granted to the Group as at 31 March 2021 amounted to HK\$10.0 million (31 March 2020: nil), of which HK\$2.0 million was utilised.

The Group's gearing ratio, which is calculated by total debt (defined as other debts incurred not in the ordinary course of business and bank loans) divided by total equity, were nil as at 31 March 2020 and 2021.

CAPITAL STRUCTURE

As at 31 March 2021, the capital structure of our Company comprised issued share capital and reserves.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save for the disclosure on Note 15, the Group did not have other plans for material investments and capital assets.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

The Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies during FY2021.

SIGNIFICANT INVESTMENTS

As at 31 March 2021, the Group did not hold any significant investments.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 March 2021 (31 March 2020: 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 FY2021, 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 MOP and/or US\$. During FY2021, 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 FY2021.

CHARGE ON GROUP'S ASSETS

As 31 March 2020 and 2021, the Group had no charges on its assets.

INFORMATION ON EMPLOYEES

As at 31 March 2021, the Group had 90 employees (31 March 2020: 91) 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 FY2021 amounted to approximately HK\$45.9 million (FY2020: HK\$40.1 million). The dedication and hard work of the Group's staff during FY2021 are generally appreciated and recognised.

CORPORATE GOVERNANCE PRACTICE

The Board recognises the importance of good corporate governance in management and internal control procedures so as to achieve accountability. Therefore, the Company is committed to establish and maintain good corporate governance practices and procedures. The Company has adopted the code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 15 to the GEM Listing Rules and, in the opinion of the Board, the Company has complied with the CG Code for FY2021, save for the deviation from such code disclosed below.

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

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had also made specific enquiry of all the Directors and the Company was not aware of any non-compliance with the required standard of dealings regarding securities transactions by the Directors for FY2021.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2021.

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors and directors of the Company's subsidiaries, or any of their respective 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 of the Company and/or its subsidiaries and their respective associates) during year ended 31 March 2021.

DIVIDEND

The Board has resolved to recommend the payment of a final dividend of HK0.90 cent per ordinary share (2020: HK0.45 cent) for the year ended 31 March 2021 subject to the approval of the shareholders at the forthcoming annual general meeting (the "AGM"). The final dividend will be paid on or about Monday, 11 October 2021 to shareholders whose names appear on the register of members of the Company at the close of business on Tuesday, 28 September 2021.

CLOSURE OF THE REGISTER OF MEMBERS

The AGM is scheduled to be held on Friday, 17 September 2021. For determining the entitlement to attend and vote at the AGM, the transfer books and the register of members of the Company will be closed from Tuesday, 14 September 2021 to Friday, 17 September 2021, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to establish the right to attend and vote at the AGM, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, located at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Monday, 13 September 2021.

The proposed final dividend is subject to the approval of the shareholders at the AGM. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed on Friday, 24 September 2021 to Tuesday, 28 September 2021, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, for registration not later than 4:30 p.m. on Thursday, 23 September 2021.

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 FY2021 as set out in the preliminary announcement have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on the preliminary announcement.

AUDIT COMMITTEE

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

The Group's financial statements for the year ended 31 March 2021 have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the financial statements of the Group for the year ended 31 March 2021 comply with the applicable accounting standards and the GEM Listing Rules.

APPRECIATION

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

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

Hong Kong, 17 June 2021

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