



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

2020/21
Interim Report



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

This report will remain on the Stock Exchange’s website at www.hkexnews.hk, 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 report will also be published and remains on the Company’s website at www.expertsystems.com.hk.

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BOARD OF DIRECTORS

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

BOARD COMMITTEES

Audit Committee

Mr. Au Yu Chiu Steven (*Chairman*)

Mr. Chan Kin Mei Stanley

Mr. Chung Fuk Wing Danny

Mr. Ko Man Fu

Mr. Mak Wai Sing

Remuneration Committee

Mr. Ko Man Fu (*Chairman*)

Mr. Au Yu Chiu Steven

Mr. Chu Siu Sum Alex

Mr. Chung Fuk Wing Danny

Mr. Mak Wai Sing

Nomination Committee

Mr. Chung Fuk Wing Danny (*Chairman*)

Mr. Au Yu Chiu Steven

Mr. Chu Siu Sum Alex

Mr. Ko Man Fu

Mr. Lau Wai Kwok

Mr. Mak Wai Sing

Corporate Governance Committee

Mr. Chan Kin Mei Stanley (*Chairman*)

Mr. Au Yu Chiu Steven

Mr. Lau Wai Kwok

Mr. Wong Chu Kee Daniel

AUDITOR

BDO Limited
Certified Public Accountants
25th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Tricor Services (Cayman Islands) Limited
Second Floor
Century Yard
Cricket Square
P.O. Box 902
Grand Cayman KY1-1103
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

COMPANY SECRETARY

Mr. Lau Siu Ki

AUTHORISED REPRESENTATIVES

Mr. Chan Kin Mei Stanley
Mr. Lau Wai Kwok

COMPLIANCE OFFICER

Mr. Lau Wai Kwok

REGISTERED OFFICE

Second Floor
Century Yard
Cricket Square
P.O. Box 902
Grand Cayman KY1-1103
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

22/F., Yen Sheng Centre
64 Hoi Yuen Road
Kwun Tong, Kowloon
Hong Kong

PRINCIPAL BANKER

China Construction Bank (Asia)
Corporation Limited
28/F, CCB Tower
3 Connaught Road Central
Central
Hong Kong

GEM STOCK CODE

8319

COMPANY WEBSITE

www.expertsystems.com.hk

Highlights

- Revenue for the six months ended 30 September 2020 (“Interim FY2021”) increased to approximately HK\$254.5 million by approximately 16.0% from that for the six months ended 30 September 2019 (“Interim FY2020”).
- Gross profit for Interim FY2021 increased to approximately HK\$33.2 million by approximately 20.3% from Interim FY2020.
- Profit and total comprehensive income for Interim FY2021 grew by approximately 98.4% to approximately HK\$9.7 million as compared to Interim FY2020.
- Excluding the government subsidies of HK\$2.3 million from the Employment Support Scheme under the Anti-Epidemic Fund recognized during the period, the adjusted profit attributable to owners of the Company for Interim FY2021 amounted to HK\$7.4 million, representing an increase of approximately 52.4% as compared with that of Interim FY2020.
- Earnings per share increased by approximately 98.4% from approximately HK0.61 cent for Interim FY2020 to approximately HK1.21 cents for Interim FY2021.

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2020

	Notes	Six months ended 30 September	
		2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Revenue	5	254,458	219,330
Cost of sales		(221,244)	(191,722)
Gross profit		33,214	27,608
Other income and gains	5	3,029	504
Selling expenses		(18,892)	(16,244)
Administrative expenses		(5,953)	(5,609)
Expected credit loss on financial assets		(22)	(186)
Finance cost		(179)	(213)
Profit before income tax expense		11,197	5,860
Income tax expense	6	(1,489)	(966)
Profit and total comprehensive income for the period		9,708	4,894
Earnings per share — Basic and diluted	8	HK1.21 cents	HK0.61 cent

Condensed Consolidated Statement of Financial Position

As at 30 September 2020

		30 September 2020 HK\$'000 (unaudited)	31 March 2020 HK\$'000 (audited)
	Notes		
Non-current assets			
Property, plant and equipment		6,917	7,999
Finance lease receivables	9	130	172
Trade receivables	10	2,893	2,893
Other receivables		2,356	2,356
		12,296	13,420
Current assets			
Inventories		3,712	3,658
Trade receivables	10	113,384	99,299
Prepayments, deposits and other receivables		7,802	8,326
Finance lease receivables	9	144	280
Cash and cash equivalents		90,380	95,399
		215,422	206,962
Current liabilities			
Trade payables	11	92,436	91,588
Accruals, deposits received and other payables		12,770	16,335
Amounts due to a related company		435	477
Lease liabilities		1,443	1,408
Dividend payable	7	3,600	–
Tax payables		1,562	577
		112,246	110,385
Net current assets		103,176	96,577
Total assets less current liabilities		115,472	109,997
Non-current liabilities			
Other payables		551	636
Lease liabilities		5,119	5,849
		5,670	6,485
Net assets		109,802	103,512
Equity			
Share capital	12	8,000	8,000
Reserves		101,802	95,512
		109,802	103,512

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2020

	Share capital HK\$'000	Share premium HK\$'000	Share options reserve HK\$'000	Merger reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 31 March 2020 and 1 April 2020 (audited)	8,000	66,819	607	(25,395)	53,481	103,512
Profit and total comprehensive income for the period	-	-	-	-	9,708	9,708
Recognition of equity-settled share-based payment	-	-	182	-	-	182
Dividend approved in respect of the previous year (note 7)	-	(3,600)	-	-	-	(3,600)
At 30 September 2020 (unaudited)	8,000	63,219	789	(25,395)	63,189	109,802
At 31 March 2019 and 1 April 2019 (audited)	8,000	70,179	-	(25,395)	42,923	95,707
Initial application of HKFRS 16	-	-	-	-	(137)	(137)
Restated balance as at 1 April 2019	8,000	70,179	-	(25,395)	42,786	95,570
Profit and total comprehensive income for the period	-	-	-	-	4,894	4,894
Recognition of equity-settled share-based payment	-	-	305	-	-	305
Dividend approved in respect of the previous year (note 7)	-	(3,360)	-	-	-	(3,360)
At 30 September 2019 (unaudited)	8,000	66,819	305	(25,395)	47,680	97,409

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2020

	Six months ended 30 September	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Net cash used in operating activities	(4,602)	(42,988)
Net cash generated from investing activities	364	152
Net cash used in financing activities	(781)	(874)
Net decrease in cash and cash equivalents	(5,019)	(43,710)
Cash and cash equivalents at beginning of the period	95,399	99,074
Cash and cash equivalents at end of the period	90,380	55,364

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2020

1. GENERAL INFORMATION

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

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

2. BASIS OF PREPARATION AND PRESENTATION

The unaudited condensed consolidated financial statements for the six months ended 30 September 2020 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” 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 these 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 2020 except for the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) and interpretations issued by the HKICPA 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 six months ended 30 September 2020 and there have been no significant changes to the accounting policies applied in these unaudited condensed consolidated financial statements for the six months ended 30 September 2020.

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

The Group has not applied those new and revised HKFRSs, 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 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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2020

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.

	Six months ended 30 September	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Hong Kong	253,278	214,448
Macau	1,180	4,882
	254,458	219,330

During both reporting periods, 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 20.5% revenue of the Group for the reporting period (2019: There was no single customer who contributed to 10.0% or more revenue of the Group).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 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:

	Six months ended 30 September	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Revenue:		
Provision of IT infrastructure solutions	254,414	219,210
Finance leases	44	120
Total	254,458	219,330
Other income and gains:		
Interest income	426	369
Exchange gain	209	5
Reversal of impairment loss of inventory	12	–
Government grants	2,251	–
Sundry income	131	130
Total	3,029	504

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

	30 September	31 March
	2020 HK\$'000 (unaudited)	2020 HK\$'000 (audited)
Receivables	116,277	102,192
Contract liabilities	(5,559)	(8,078)

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2020

6. INCOME TAX EXPENSE

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current tax — Hong Kong profits tax	1,489	966

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\$2,000,000 of assessable profits of corporations is lowered to 8.25% with the excess assessable profits continue to be taxed at 16.5% (2019: 16.5%). The Hong Kong profits tax for the reporting period and 2019 is provided based on the Regime.

Pursuant to the rules and regulations of Cayman Islands, the Group is not subject to any taxation under the jurisdictions of Cayman Islands during the reporting period (2019: nil).

No provision for Macau income tax has been made as the Group did not generate any assessable profits arising in Macau during the reporting period (2019: nil).

7. DIVIDENDS

A final dividend in respect of the year ended 31 March 2020 of HK0.45 (2019: HK0.42) cent per ordinary share (tax exclusive) amounting to HK\$3,600,000 (2019: HK\$3,360,000) was proposed pursuant to a resolution passed by the Board of Directors on 19 June 2020 and was approved by the shareholders at the annual general meeting of the Company on 16 September 2020.

Other than disclosed above, no dividends were paid or declared by the Company during the reporting period (2019: nil).

8. EARNINGS PER SHARE

For the period ended 30 September 2020, the calculation of basic earnings per share is based on the profit for the period attributable to the owners of the Company of HK\$9,708,000 (2019: HK\$4,894,000) and on the basis of the weighted average number of 800,000,000 (2019: 800,000,000) ordinary shares in issue.

Diluted earnings per share are same as the basic earnings per share as there are no dilutive potential ordinary shares in existence during the reporting period and 2019.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2020

9. FINANCE LEASE RECEIVABLES

	30 September 2020 HK\$'000 (unaudited)	31 March 2020 HK\$'000 (audited)
Current finance lease receivables	144	280
Non-current finance lease receivables	130	172
	274	452

Leasing arrangements

Certain of the Group's equipment are leased out under finance leases. All leases are denominated in Hong Kong dollars. The term of finance leases entered into ranged from 2 to 5 years.

Amounts receivable under finance leases

	Minimum lease payments		Present value of minimum lease payments	
	30 September 2020 HK\$'000 (unaudited)	31 March 2020 HK\$'000 (audited)	30 September 2020 HK\$'000 (unaudited)	31 March 2020 HK\$'000 (audited)
Not later than one year	206	288	144	280
Later than one year and not later than five years	218	358	130	172
	424	646	274	452
Less: unearned finance income	(150)	(194)	-	-
Present value of minimum lease payments receivables	274	452	274	452

The interest rate inherent in the leases is fixed at the contract date for the entire lease term. The average effective interest rate is approximately 8% per annum.

Finance lease receivable balances are secured over the equipment leased. The Group is not permitted to sell or repledge the collateral in the absence of default by the lessee.

The finance lease receivables at the end of the each reporting period are neither past due nor impaired.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2020

10. TRADE RECEIVABLES

	30 September 2020 HK\$'000 (unaudited)	31 March 2020 HK\$'000 (audited)
Trade receivables, gross	116,693	102,586
Less: Provision for impairment	(416)	(394)
	116,277	102,192
Less: non-current portion	(2,893)	(2,893)
	113,384	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 the invoice date, is as follows:

	30 September 2020 HK\$'000 (unaudited)	31 March 2020 HK\$'000 (audited)
Within 1 month	31,784	28,667
More than 1 month but not more than 3 months	40,986	29,808
More than 3 months but not more than 6 months	25,944	22,055
More than 6 months but not more than a year	11,286	12,631
More than a year	6,277	9,031
	116,277	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:

	Six months ended 30 September 2020 HK\$'000 (unaudited)	Year ended 31 March 2020 HK\$'000 (audited)
Opening loss allowance as at 1 April	394	296
Provision of expected credit loss for the period/year	22	98
At end of the period/year	416	394

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2020

10. TRADE RECEIVABLES (Continued)

At 30 September 2020, the management had determined that the provision of expected credit loss of trade receivables was approximately HK\$416,000 (31 March 2020: HK\$394,000), and there was no reversal of expected credit loss provided in the reporting period (year ended 31 March 2020: nil).

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

11. TRADE PAYABLES

The credit period ranges from approximately 30 to 90 days.

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

	30 September 2020 HK\$'000 (unaudited)	31 March 2020 HK\$'000 (audited)
Within 1 month	34,868	44,486
More than 1 month but not more than 3 months	50,334	36,262
More than 3 months but not more than 6 months	2,484	3,350
More than 6 months but not more than a year	2,515	3,604
More than a year	2,235	3,886
	<u>92,436</u>	<u>91,588</u>

12. SHARE CAPITAL

	Number	Amount HK\$'000 (unaudited)
Ordinary shares of HK\$0.01 each		
Authorised:		
At 31 March 2020, 1 April 2020 and 30 September 2020	10,000,000,000	100,000
Issued and fully paid:		
At 31 March 2020, 1 April 2020 and 30 September 2020	800,000,000	8,000

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2020

13. RELATED PARTY TRANSACTIONS

(a) Related party transactions

Save as disclosed elsewhere in this report, the Group had the following material related party transactions:

Related parties	Nature of transactions	Six months ended 30 September	
		2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
ServiceOne Limited (note (i) & (ii))	Cost of sales-Outsourcing IT support services	1,753	1,760
ServiceOne Limited (note (i) & (ii))	Sales	87	116
ServiceOne Limited (note (i) & (ii))	Maintenance services	24	24
ServiceOne Technology Services Macau Limited (note (ii) & (iii))	Cost of sales-Outsourcing IT support services	78	78

Notes:

- (i) Mr. Chu Siu Sum Alex ("Mr. Chu") and Mr. Wong Chu Kee Daniel ("Mr. Wong") being directors of ServiceOne Limited, are also the directors of the Company.
- (ii) The controlling shareholders of the Company are also the ultimate shareholders of ServiceOne Limited and ServiceOne Technology Services Macau Limited.
- (iii) Mr. Wong being a director of ServiceOne Technology Services Macau Limited, is also a director of the Company.

(b) Compensation of key management personnel

Total remuneration of directors and other members of key management during the period was as follows:

	Six months ended 30 September	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Salaries, allowances and benefits in kind	4,465	4,525
Discretionary bonuses	289	445
Retirement scheme contributions	54	54
Share-based payment	119	195
	4,927	5,219

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 six months ended 30 September 2020 ("Interim FY2021") as compared to the last corresponding period ended 30 September 2019 ("Interim FY2020"), the Group recorded a revenue increase of approximately 16.0% and our gross profit increased by approximately 20.3%.

Business in the Private Sector

The Group's revenue in the private sector increased by approximately 18.4% from approximately HK\$102.3 million, representing 46.7% of our total revenue, for Interim FY2020 to approximately HK\$121.2 million, representing 47.6% of our total revenue, for Interim FY2021.

The Group's gross profit in the private sector for Interim FY2021 amounted to approximately HK\$18.7 million, representing 56.4% of our total gross profit and an increase of approximately HK\$3.7 million, or approximately 25.1%, as compared to that of Interim FY2020 of approximately HK\$15.0 million, which represented 54.2% of our total gross profit in Interim FY2020. Our gross profit margin of this sector in Interim FY2021 was approximately 15.5%, representing an increase of 0.9 percentage point as compared to that of Interim FY2020 of approximately 14.6%.

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 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 13.9% from approximately HK\$117.0 million, representing 53.3% of our total revenue, for Interim FY2020 to approximately HK\$133.3 million, representing 52.4% of our total revenue, for Interim FY2021.

The Group's gross profit in the public sector for Interim FY2021 amounted to approximately HK\$14.5 million, representing 43.6% of our total gross profit and an increase of approximately HK\$1.9 million, or approximately 14.6%, as compared to that of Interim FY2020 of approximately HK\$12.6 million, which represented 45.8% of our total gross profit in Interim FY2020. Our gross profit margin of this sector for Interim FY2021 was approximately 10.9%, representing an increase of 0.1 percentage point as compared to that of Interim FY2020 of approximately 10.8%.

We consider that the increase in revenue from the public sector was primarily due to the increase in demand for IT infrastructure solutions from our customers in the public sector for the period 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

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, the unpredictable social activities in Hong Kong and the uncertain global economy due to the escalating US-China tensions and Brexit in the process. 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.

Management Discussion and Analysis

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

- (i) Multi Cloud & Hybrid Cloud
- (ii) Container Technology
- (iii) Cyber Security

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

In order to capitalise the above mentioned opportunities, we are not only continuously strengthening our strategic relationship with our suppliers, but also enhancing our specialised technical expertise and domain knowhow on the latest and proven infrastructure solutions. We also strive to develop an even more diversified customer base across public 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 resilient company in the post-Covid-19 world so that we are well prepared for the different outcomes. Nevertheless, we will continue to focus on our core businesses and provide innovative and integrated IT infrastructure solutions to customers in both private and public sectors, so as to enable our enterprise and institution customers to extract maximum value from their IT engagements.

FINANCIAL REVIEW

Revenue

The Group's revenue increased by approximately 16.0% from approximately HK\$219.3 million for Interim FY2020 to approximately HK\$254.5 million for Interim FY2021, which was primarily attributable to the increase in demand from our customers for IT infrastructure solutions in Interim FY2021 as compared to Interim FY2020.

Gross profit and gross profit margin

For Interim FY2021, our gross profit amounted to approximately HK\$33.2 million, representing an increase of approximately HK\$5.6 million, or approximately 20.3%, as compared to that of Interim FY2020 of approximately HK\$27.6 million.

The Group's gross profit margin for Interim FY2021 was approximately 13.1%, representing an increase of approximately 0.5 percentage point as compared to that of Interim FY2020 of approximately 12.6%. 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

Other income and gains increased by approximately HK\$2.5 million, or approximately 501.0%, from approximately HK\$0.5 million for Interim FY2020 to approximately HK\$3.0 million for Interim FY2021. The increase was mainly due to higher interest income, exchange gain and government grants of HK\$2.3 million from the Employment Support Scheme under the Anti-Epidemic Fund that the Group recognised during the period.

Selling expenses

For Interim FY2021, the Group's selling expenses amounted to approximately HK\$18.9 million, representing an increase of approximately HK\$2.7 million (or approximately 16.3%) as compared to Interim FY2020 of approximately HK\$16.2 million. Such increase was mainly attributed by the increase in our staff cost.

Administrative expenses

The Group's administrative expenses for Interim FY2021 were approximately HK\$6.0 million, representing an increase of approximately HK\$0.4 million (or approximately 6.1%) from approximately HK\$5.6 million for Interim FY2020. Such increase was mainly attributed by the increase in our staff cost.

Expected credit loss on financial assets

The Group has applied the simplified approach to financial assets to provide for expected credit losses prescribed by HKFRS 9 Financial Instruments. As a result, an impairment loss of less than HK\$0.1 million was charged for Interim FY2021 (Interim FY2020: HK\$0.2 million).

Finance cost

Finance costs represented interest expenses arisen from lease liabilities of approximately HK\$0.2 million for Interim FY2021 (Interim FY2020: HK\$0.2 million).

Income tax expense

The Group's income tax expense for Interim FY2021 was approximately HK\$1.5 million, representing an increase of approximately 54.1% from approximately HK\$1.0 million for Interim FY2020. The effective tax rate for Interim FY2021 was approximately 16.6% which was comparable to that of 16.5% for Interim FY2020 after excluding the government grants of HK\$2.3 million which were exempted from profits tax.

Profit attributable to owners of the Company

The profit attributable to owners of the Company increased by approximately 98.4% from approximately HK\$4.9 million for Interim FY2020 to approximately HK\$9.7 million for Interim FY2021, which was primarily attributable to the above mentioned effects. Excluding the government subsidies of HK\$2.3 million from the Employment Support Scheme under the Anti-Epidemic Fund recognized during the period, the adjusted profit attributable to owners of the Company for Interim FY2021 amounted to HK\$7.4 million, representing an increase of approximately 52.4% as compared with that of Interim FY2020.

Earnings per share

Basic and diluted earnings per share for Interim FY2021 amounted to approximately HK1.21 cents, representing an increase of approximately 98.4% as compared to approximately HK0.61 cent in Interim FY2020.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

We financed our operations primarily through cash generated from our operating activities. During Interim FY2021, we did not have any bank borrowings. As at 30 September 2020, we had cash and cash equivalents of approximately HK\$90.4 million (31 March 2020: approximately HK\$95.4 million), which were cash at banks and in hand.

The banking facility granted to the Group as at 30 September 2020 amounted to HK\$10.0 million (31 March 2020: nil), of which HK\$10.0 million was unutilised (31 March 2020: nil).

The Group's gearing ratio, which is calculated by total debt (defined as bank borrowings and other debts incurred not in the ordinary course of business) divided by total equity, was nil as at 30 September 2020 (31 March 2020: nil).

CAPITAL STRUCTURE

As at 30 September 2020, the capital structure of our Company comprised issued share capital and reserves.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 30 September 2020, the Group did not have concrete plans for material investments and capital assets.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During Interim FY2021, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies.

SIGNIFICANT INVESTMENTS

As at 30 September 2020, the Group did not hold any significant investments.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30 September 2020 (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 Interim FY2021, the Group's exposure to foreign currency risk primarily arose from certain financial instruments including trade receivables and cash and cash equivalents which are denominated in MOP and/or US\$. During Interim 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 Interim FY2021.

CHARGE ON GROUP'S ASSETS

As at 30 September 2020, the Group had no charges on its assets (31 March 2020: nil).

INFORMATION ON EMPLOYEES

As at 30 September 2020, the Group had 88 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, mandatory provident funds contributions and share-based payments) for Interim FY2021 amounted to approximately HK\$22.0 million (Interim FY2020: HK\$18.7 million).

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 September 2020 (Interim FY2020: nil).

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

As at 30 September 2020, 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 have or deemed to have taken 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's issued share 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	53,300,000	6.7%
Mr. Chan Kin Mei Stanley ("Mr. Chan")	the Company	Beneficial owner	6,720,000	0.8%

Other Information

Long positions in share options of the Company:

Name of Directors/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 September 2020, 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

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 September 2020, 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 shareholders	Nature of interest	Total number of shares and share options held	Approximate percentage of the Company issued share
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 (note 1)	28.4%
Ms. Keung Lai Wa Dorathy Linndia	Interest of spouse	102,000,000 (note 2)	12.8%
Ms. Yan Yihong	Interest of spouse	91,800,000 (note 3)	11.5%
Ms. Tuen Chi Keung	Interest of spouse	89,760,000 (note 4)	11.2%
Ms. Lee Kit Ling Monita	Interest of spouse	53,800,000 (note 5)	6.7%

Notes:

- 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.
- 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.
- 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.
- 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.
- 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 September 2020 which were 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 30 March 2016.

Details of the movements in the number of share options under the Scheme for the period ended 30 September 2020 are set out as follows:

Name of Grantee	Date of Grant	Exercisable period	Exercise price per share (HK\$)	Outstanding as at 1 April 2020	Number of share options				
					Granted during the period	Exercised during the period	Lapsed/ cancelled during the period	Outstanding as at 30 September 2020	
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	8,000,000	-	-	-	8,000,000	
					15,900,000	-	-	-	15,900,000

Other Information

The outstanding share options granted on 15 April 2019 (“Date of Grant”) 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 was HK\$0.098.

First exercisable period:	20.0% of the share options granted exercisable from 15 April 2020 to 14 April 2029
Second exercisable period:	20.0% of the share options granted exercisable from 15 April 2021 to 14 April 2029
Third exercisable period:	20.0% of the share options granted exercisable from 15 April 2022 to 14 April 2029
Fourth exercisable period:	20.0% of the share options granted exercisable from 15 April 2023 to 14 April 2029
Fifth exercisable period:	20.0% of the share options granted exercisable from 15 April 2024 to 14 April 2029

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 Interim FY2021.

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 Interim FY2021.

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 Interim FY2021.

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 Interim FY2021, 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 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.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2020 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, 10 November 2020

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

Chairman and non-executive Director:

Mr. Wong Chu Kee Daniel

Chief executive officer and executive Director:

Mr. Lau Wai Kwok

Executive Directors:

Ms. Lau Tsz Yan

Mr. So Cheuk Wah Benton

Non-executive Directors:

Mr. Chu Siu Sum Alex

Mr. Chan Kin Mei Stanley

Independent non-executive Directors:

Mr. Au Yu Chiu Steven

Mr. Chung Fuk Wing Danny

Mr. Ko Man Fu

Mr. Mak Wai Sing