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EXPERT SYSTEMS HOLDINGS LIMITED

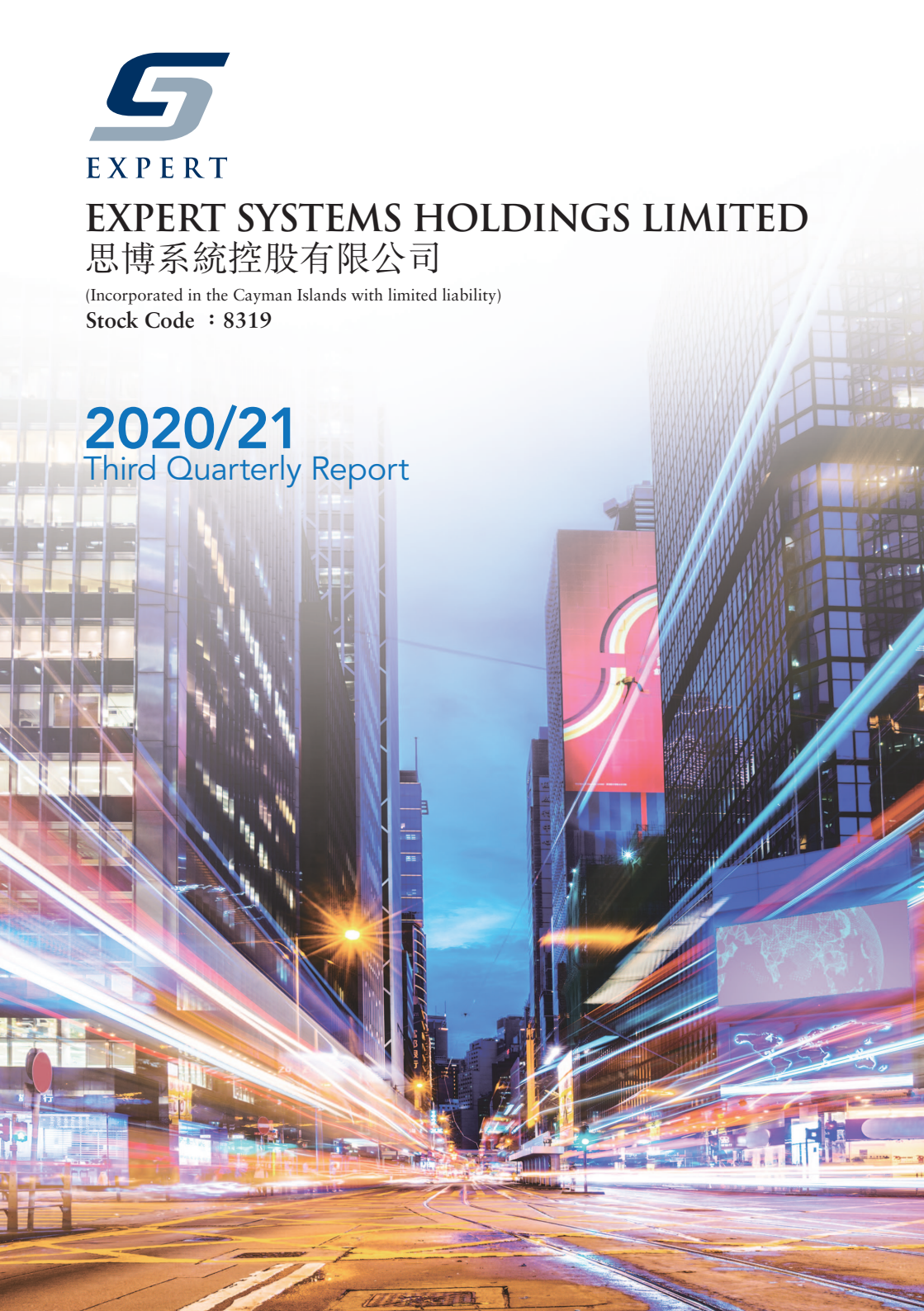
思博系統控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8319

2020/21

Third Quarterly Report



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

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

*This report will remain on the Stock Exchange’s website at [www.hkexnews.hk](http://www.hkexnews.hk), the GEM website at [www.hkgem.com](http://www.hkgem.com) on the “Latest Company Announcements” page for 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](http://www.expertsystems.com.hk).*

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# Highlights

- Revenue for the nine months ended 31 December 2020 ("Q3 FY2021") increased to approximately HK\$391.2 million by approximately 15.4% from that for the nine months ended 31 December 2019 ("Q3 FY2020").
- Gross profit for Q3 FY2021 increased to approximately HK\$50.9 million by approximately 21.3% from Q3 FY2020.
- Profit and total comprehensive income for Q3 FY2021 grew by approximately 119.3% to approximately HK\$16.0 million as compared to Q3 FY2020.
- Excluding the government subsidies of HK\$4.5 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 Q3 FY2021 amounted to HK\$11.5 million, representing an increase of approximately 57.4% as compared with that of Q3 FY2020.
- Earnings per share increased by approximately 119.3% from approximately HK0.91 cent for Q3 FY2020 to approximately HK1.99 cents for Q3 FY2021.

# Condensed Consolidated Statement of Comprehensive Income

For the three months and the nine months ended 31 December 2020

	Notes	Three months ended 31 December		Nine months ended 31 December	
		2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Revenue	5	136,755	119,636	391,213	338,966
Cost of sales		(119,021)	(105,250)	(340,265)	(296,972)
Gross profit		17,734	14,386	50,948	41,994
Other income and gains	5	2,501	296	5,530	800
Selling expenses		(9,952)	(8,773)	(28,844)	(25,017)
Administrative expenses		(3,182)	(2,931)	(9,135)	(8,540)
Expected credit loss on financial assets		22	(20)	–	(206)
Finance cost		(82)	(100)	(261)	(313)
Profit before income tax expense		7,041	2,858	18,238	8,718
Income tax expense	6	(797)	(478)	(2,286)	(1,444)
Profit and total comprehensive income for the period		6,244	2,380	15,952	7,274
Earnings per share – Basic and diluted	8	HK0.78 cent	HK0.30 cent	HK1.99 cents	HK0.91 cent

# Condensed Consolidated Statement of Changes in Equity

For the nine months ended 31 December 2020

	Share capital HK\$'000	Share premium HK\$'000	Share options reserve HK\$'000	Merger reserve HK\$'000	Retained earnings HK\$'000	Total equity 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	-	-	-	-	15,952	15,952
Recognition of equity-settled share-based payment	-	-	272	-	-	272
Dividend approved and paid in respect of the previous year (note 7)	-	(3,600)	-	-	-	(3,600)
At 31 December 2020 (unaudited)	8,000	63,219	879	(25,395)	69,433	116,136
At 31 March 2019 and 1 April 2019 (audited)	8,000	70,179	-	(25,395)	42,786	95,570
Profit and total comprehensive income for the period	-	-	-	-	7,274	7,274
Recognition of equity-settled share-based payment	-	-	458	-	-	458
Dividend approved and paid in respect of the previous year (note 7)	-	(3,360)	-	-	-	(3,360)
At 31 December 2019 (unaudited)	8,000	66,819	458	(25,395)	50,060	99,942

# Notes to the Unaudited Condensed Consolidated Financial Statements

For the nine months ended 31 December 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 “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”) is principally engaged in the provision of IT infrastructure solutions in Hong Kong and Macau.

## 2. BASIS OF PREPARATION AND PRESENTATION

The unaudited condensed consolidated financial statements of the Group for the nine months ended 31 December 2020 have been prepared in accordance with accounting principles generally accepted in Hong Kong which include Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations (collectively, “HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosures required by the GEM Listing Rules.

The principal accounting policies used in the unaudited condensed consolidated financial statements are consistent with those adopted in the preparation of the Group’s annual financial statements for the year ended 31 March 2020 except for the new and revised HKFRSs that are first effective for the current reporting period of the Company.

The unaudited condensed consolidated financial statements have been prepared under the historical cost basis. The unaudited condensed consolidated financial statements are presented in Hong Kong dollars (“HK\$”), which is also the functional currency of the Company and its subsidiaries, and all values are rounded to the nearest thousands, except when otherwise indicated. The unaudited condensed consolidated financial statements have not been audited by the Company’s auditor, but have been reviewed by the Company’s audit committee.

## 3. ADOPTION OF HKFRSs

The adoption of the following new and revised HKFRSs has had no significant effect on these unaudited condensed consolidated financial statements for the nine months ended 31 December 2020 and there have been no significant changes to the accounting policies applied in these unaudited condensed consolidated financial statements for the nine months ended 31 December 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 Unaudited Condensed Consolidated Financial Statements

For the nine months ended 31 December 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.

	Three months ended 31 December		Nine months ended 31 December	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Hong Kong	136,194	118,961	389,472	333,409
Macau	561	675	1,741	5,557
	136,755	119,636	391,213	338,966

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 16.7% 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 Unaudited Condensed Consolidated Financial Statements

For the nine months ended 31 December 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:

	Three months ended 31 December		Nine months ended 31 December	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Revenue:				
Provision of IT infrastructure solutions	136,731	119,593	391,145	338,804
Finance lease	24	43	68	162
<b>Total</b>	<b>136,755</b>	<b>119,636</b>	<b>391,213</b>	<b>338,966</b>
Other income and gains:				
Interest income	44	173	470	542
Exchange gain	57	37	266	42
Reversal of impairment loss of trade receivables	5	–	5	–
Impairment loss of obsolete stocks, net	(12)	–	–	–
Government grants	2,252	–	4,503	–
Sundry income	155	86	286	216
<b>Total</b>	<b>2,501</b>	<b>296</b>	<b>5,530</b>	<b>800</b>

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

	31 December 2020 HK\$'000 (unaudited)	31 March 2020 HK\$'000 (audited)
Receivables	112,828	102,192
Contract liabilities	(12,152)	(8,078)

# Notes to the Unaudited Condensed Consolidated Financial Statements

For the nine months ended 31 December 2020

## 6. INCOME TAX EXPENSE

	Three months ended 31 December		Nine months ended 31 December	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Current tax — Hong Kong profits tax	797	478	2,286	1,444

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 approved by the shareholders at the annual general meeting of the Company on 16 September 2020 and paid on 9 October 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 nine months ended 31 December 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\$15,952,000 (2019: HK\$7,274,000) 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 nine months ended 31 December 2020 and 2019.

## 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 nine months ended 31 December 2020 ("Q3 FY2021") as compared to the last corresponding period ended 31 December 2019 ("Q3 FY2020"), the Group recorded a revenue increase of approximately 15.4% and our gross profit increased by approximately 21.3%.

### Business in the Private Sector

The Group's revenue in the private sector increased by approximately 9.0% from approximately HK\$164.8 million, representing 48.6% of our total revenue, for Q3 FY2020 to approximately HK\$179.6 million, representing 45.9% of our total revenue, for Q3 FY2021.

The Group's gross profit in the private sector for Q3 FY2021 amounted to approximately HK\$27.6 million, representing 54.2% of our total gross profit and an increase of approximately HK\$4.5 million, or approximately 19.6%, as compared to that of Q3 FY2020 of approximately HK\$23.1 million, which represented 55.0% of our total gross profit in Q3 FY2020. Our gross profit margin of this sector in Q3 FY2021 was approximately 15.4%, representing an increase of 1.4 percentage points as compared to that of Q3 FY2020 of approximately 14.0%.

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 21.5% from approximately HK\$174.2 million, representing 51.4% of our total revenue, for Q3 FY2020 to approximately HK\$211.6 million, representing 54.1% of our total revenue, for Q3 FY2021.

The Group's gross profit in the public sector for Q3 FY2021 amounted to approximately HK\$23.3 million, representing 45.8% of our total gross profit and an increase of approximately HK\$4.4 million, or approximately 23.4%, as compared to that of Q3 FY2020 of approximately HK\$18.9 million, which represented 45.0% of our total gross profit in Q3 FY2020. Our gross profit margin of this sector for Q3 FY2021 was approximately 11.0%, representing an increase of 0.1 percentage point as compared to that of Q3 FY2020 of approximately 10.9%.

# Management Discussion and Analysis

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. 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 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 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 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 15.4% from approximately HK\$339.0 million for Q3 FY2020 to approximately HK\$391.2 million for Q3 FY2021, which was primarily attributable to the increase in demand from our customers for IT infrastructure solutions in Q3 FY2021 as compared to Q3 FY2020.

### Gross profit and gross profit margin

For Q3 FY2021, our gross profit amounted to approximately HK\$50.9 million, representing an increase of approximately HK\$8.9 million, or approximately 21.3%, as compared to that of Q3 FY2020 of approximately HK\$42.0 million.

The Group's gross profit margin for Q3 FY2021 was approximately 13.0%, representing an increase of approximately 0.6 percentage point as compared to that of Q3 FY2020 of approximately 12.4%. 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\$4.7 million, or approximately 591.3%, from approximately HK\$0.8 million for Q3 FY2020 to approximately HK\$5.5 million for Q3 FY2021. The increase was mainly due to higher exchange gain and government grants of HK\$4.5 million from the Employment Support Scheme under the Anti-Epidemic Fund that the Group recognised during the period.

### Selling expenses

For Q3 FY2021, the Group's selling expenses amounted to approximately HK\$28.8 million, representing an increase of approximately HK\$3.8 million (or approximately 15.3%) as compared to Q3 FY2020 of approximately HK\$25.0 million. Such increase was mainly attributed by the increase in our staff cost.

## Administrative expenses

The Group's administrative expenses for Q3 FY2021 were approximately HK\$9.1 million, representing an increase of approximately HK\$0.6 million (or approximately 7.0%) from approximately HK\$8.5 million for Q3 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, a reversal of impairment loss of less than HK\$0.1 million was recognised for Q3 FY2021 (Q3 FY2020: an impairment loss of HK\$0.2 million was charged).

## Finance cost

Finance costs represented interest expenses arisen from lease liabilities of approximately HK\$0.3 million for Q3 FY2021 (Q3 FY2020: HK\$0.3 million).

## Income tax expense

The Group's income tax expense for Q3 FY2021 was approximately HK\$2.3 million, representing an increase of approximately 58.3% from approximately HK\$1.4 million for Q3 FY2020. The effective tax rate for Q3 FY2021, after excluding the government grants of HK\$4.5 million which were exempted from profits tax, was approximately 16.6% which remained at the same level as compared with that of Q3 FY2020.

## Profit attributable to owners of the Company

The profit attributable to owners of the Company increased by approximately 119.3% from approximately HK\$7.3 million for Q3 FY2020 to approximately HK\$16.0 million for Q3 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 recognized during the period, the adjusted profit attributable to owners of the Company for Q3 FY2021 amounted to HK\$11.5 million, representing an increase of approximately 57.4% as compared with that of Q3 FY2020.

## Earnings per share

Basic and diluted earnings per share for Q3 FY2021 amounted to approximately HK1.99 cents, representing an increase of approximately 119.3% as compared to approximately HK0.91 cent in Q3 FY2020.

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

As at 31 December 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 31 December 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 31 December 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 shareholder	Nature of interest	Total number of shares and share options held	Approximate percentage of the Company's issued share capital
Mr. Mok Chu Leung Terry ("Mr. Mok")	Beneficial owner	91,800,000	11.5%
Mr. Cheung Nap Kai ("Mr. Cheung")	Beneficial owner	89,760,000	11.2%
Ms. Luk Yuen Wah Nancy	Interest of spouse	227,390,000 (Note 1)	28.4%
Ms. Keung Lai Wa Dorothy 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 Dorothy Linndia, the spouse of Mr. Lau, is deemed to be interested in all the shares in which Mr. Lau is interested by virtue of the SFO.
- 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 31 December 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 nine months ended 31 December 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 31 December 2020	
<b>Executive Directors</b>									
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	
<b>Non-executive Directors</b>									
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	
<b>Independent non-executive Directors</b>									
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	
<b>Other employees</b>									
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 Q3 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 Q3 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 Q3 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 Q3 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 nine months ended 31 December 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, 5 February 2021

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