

**EXPERT SYSTEMS HOLDINGS LTD:  
THIS IS NOT THE BEST, INVESTMENT BET FOR 2016-2017**

**The Company Is, Almost, Certain  
To Have Suffered A 2016-Year Loss**

One thing seems certain with regard to Expert Systems Holdings Ltd () (Code: 8319, The Growth Enterprise Market [the **GEM**] of The Stock Exchange of Hongkong Ltd): This Company will not be able to turn in much (if at all) of a growth in its Bottom Lines with regard to its Profit Attributable to Shareholders in respect of the Financial Years, ended March 31, 2016, and ending March 31, 2017.

In fact, according to the evaluation of **TARGET** (), the Company is quite likely to have recorded a 2016-Year's Loss Attributable to Shareholders, but by how much that loss will be declared will depend on how Management determines to ascribe the Extraordinary Items with regard to Listing Expenses.

**The IPO**

Expert Systems has been in business of the past 31 years, according to the Placing Prospectus, dated March 30, 2016.

It launched its Placing Prospectus in order to sell 200 million, one-cent Shares at the Indicative Placing Price Per Share, ranging from a low of 20 cents to a high of 30 cents.

On April 11 2016, the Company announced that the Placing Price Per Share had been struck at 25 cents and that the net proceeds, amounted to about \$HK32.20 million.

Management said that the amount of money, derived from the **Initial Public Offering (IPO)**, was destined to be allocated as follows:

1. Approximately, 21.10 percent of the net proceeds, that is about \$HK6.80 million, *'will be used to expand and train the Group's sales, technical and support workforce'*;
2. Approximately, 34.20 percent of the net proceeds, that is about \$HK11.00 million, *'will be used to expand the IT (Informational Technology) infrastructure solutions business of the Group'*;
3. Approximately, 18.60 percent of the net proceeds, that is about \$HK6.00 million, *'will be used to strengthen the marketing efforts of the Group'*;
4. Approximately, 17.10 of the net proceeds, that is about \$HK\$5.50 million, *'will be used to enhance the management information systems of the Group'*; and,
5. Approximately, nine percent of the net proceeds, that is about \$HK\$2.90 million, *'will be used towards working capital and general corporate purposes.'*

Not a penny of the IPO will be used to retire any of the Company's debts – because, according to Page 188 of the Placing Prospectus:

## ***'Borrowings***

*'As at the close of business on 31 January 2016, being the latest practicable date for the purpose of this indebtedness statement, our Group had not been granted any borrowing, and did not have any outstanding loan capital issued and outstanding or agreed to be issued, term loans, bank overdrafts, loan from government, other borrowings or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptable credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other material contingent liabilities. The amounts due to related companies were unsecured, unguaranteed, interest-free and repayable on demand.*

*'During the Track Record Period (the 30 months, ended September 30, 2015), our Group did not experience any default or withdrawal or request for early repayment of borrowings nor did we breach any finance covenants.*

*'As at the close of business on 31 January 2016, we had banking facility of HK\$10.8 million, of which HK\$6.6 million was unutilised. Such banking facility was for the purpose of banker's guarantee required for tenders of projects.'*

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