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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)

**THIRD QUARTERLY RESULTS ANNOUNCEMENT
FOR THE NINE MONTHS ENDED 31 DECEMBER 2021**

The board (the “**Board**”) of directors (the “**Director(s)**”) of Expert Systems Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) hereby announces the unaudited third quarterly results of the Group for the nine months ended 31 December 2021. This announcement, containing the full text of 2021/22 Third Quarterly Report of the Company (“**Quarterly Report**”), complies with the relevant requirements of the Rules Governing the Listing Securities on GEM of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”) in relation to information to accompany preliminary announcements of the quarterly results. Printed version of the Quarterly Report containing the information required by the GEM Listing Rules will be dispatched to the shareholders of the Company in due course in the manner as required by the GEM Listing Rules.

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

Hong Kong, 9 February 2022

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:

Mr. Chan Kin Mei Stanley
Ms. Lau Tsz Yan
Mr. So Cheuk Wah Benton

Non-executive Director:

Mr. Chu Siu Sum Alex

Independent non-executive Directors:

Mr. Au Yu Chiu Steven
Mr. Chung Fuk Wing Danny
Mr. Ko Man Fu
Mr. Mak Wai Sing

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

This announcement will remain on the Stock Exchange's website at www.hkexnews.hk, the GEM website at www.hkgem.com on the "Latest Company Announcements" page for a minimum period of 7 days from the date of publication. This announcement will also be posted on the Company's website at www.expertsystems.com.hk.



EXPERT

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HOLDINGS LIMITED

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THIRD QUARTERLY REPORT

2021/22



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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.

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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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Highlights

- Revenue for the nine months ended 31 December 2021 (the “Reporting Period”) increased by approximately 12.9% from that for the nine months ended 31 December 2020 (the “Corresponding Period”) to approximately HK\$441.8 million.
- Gross profit for the Reporting Period increased by approximately 40.5% from the Corresponding Period to approximately HK\$71.6 million.
- Profit for the period attributable to owners of the Company for the Reporting Period dropped by approximately 21.6% to approximately HK\$12.5 million as compared to the Corresponding Period. Excluding the legal and professional fees of HK\$3.1 million for the very substantial acquisition (the Acquisition as defined in Note 4 under Notes to the Condensed Consolidated Financial Statements) recognised for the Reporting Period and the government subsidy of HK\$4.5 million from the Employment Support Scheme under the Anti-Epidemic Fund recognised for the Corresponding Period, the adjusted profit attributable to owners of the Company for the Reporting Period amounted to HK\$15.6 million (the Corresponding Period: HK\$11.5 million (adjusted)), representing an increase of approximately 36.3% as compared with that of the Corresponding Period.
- Basic earnings per share decreased by approximately 21.6% from approximately HK1.99 cents for the Corresponding Period to approximately HK1.56 cents for the Reporting Period.

Condensed Consolidated Statement of Comprehensive Income

For the three months and the nine months ended 31 December 2021

| | Notes | Three months ended 31 December | | Nine months ended 31 December | |
|--|-------|-----------------------------------|-------------------------|----------------------------------|-------------------------|
| | | 2021 | 2020 | 2021 | 2020 |
| | | HK\$'000 (unaudited) | HK\$'000 (unaudited) | HK\$'000 (unaudited) | HK\$'000 (unaudited) |
| Revenue | 5 | 213,445 | 136,755 | 441,750 | 391,213 |
| Cost of sales/services | | (176,653) | (119,021) | (370,158) | (340,265) |
| Gross profit | | 36,792 | 17,734 | 71,592 | 50,948 |
| Other income and gains | 5 | 811 | 2,501 | 2,523 | 5,530 |
| Selling expenses | | (9,821) | (9,952) | (29,837) | (28,844) |
| Administrative expenses | | (16,473) | (3,182) | (26,257) | (9,135) |
| (Provision for)/reversal of expected credit loss on financial assets | | (116) | 22 | (63) | – |
| Finance cost | | (574) | (82) | (707) | (261) |
| Profit before income tax expense | | 10,619 | 7,041 | 17,251 | 18,238 |
| Income tax expense | 6 | (1,595) | (797) | (3,209) | (2,286) |
| Profit for the period | | 9,024 | 6,244 | 14,042 | 15,952 |
| Other comprehensive income | | | | | |
| Items that may be reclassified to profit or loss in subsequent periods | | | | | |
| Exchange differences on translating foreign operations | | 523 | – | 523 | – |
| Total comprehensive income for the period | | 9,547 | 6,244 | 14,565 | 15,952 |
| Profit for the period attributable to: | | | | | |
| Owners of the Company | | 7,484 | 6,244 | 12,502 | 15,952 |
| Non-controlling interests | | 1,540 | – | 1,540 | – |
| | | 9,024 | 6,244 | 14,042 | 15,952 |
| Total comprehensive income attributable to: | | | | | |
| Owners of the Company | | 7,850 | 6,244 | 12,868 | 15,952 |
| Non-controlling interests | | 1,697 | – | 1,697 | – |
| | | 9,547 | 6,244 | 14,565 | 15,952 |
| Earnings per share | 8 | | | | |
| — Basic | | HK0.93 cent | HK0.78 cent | HK1.56 cents | HK1.99 cents |
| — Diluted | | HK0.93 cent | HK0.78 cent | HK1.55 cents | HK1.99 cents |

Condensed Consolidated Statement of Changes in Equity

For the nine months ended 31 December 2021

| | Share capital HK\$'000 | Share premium HK\$'000 | Share options reserve HK\$'000 | Merger reserve HK\$'000 | Exchange reserve HK\$'000 | Other reserve HK\$'000 | Retained earnings HK\$'000 | Total HK\$'000 | Non- controlling interests HK\$'000 | Total HK\$'000 |
|---|---------------------------|---------------------------|--------------------------------------|-------------------------------|---------------------------------|------------------------------|----------------------------------|-------------------|--|-------------------|
| At 31 March 2021 and 1 April 2021 (audited) | 8,000 | 63,219 | 970 | (25,395) | - | - | 75,201 | 121,995 | - | 121,995 |
| Profit for the period | - | - | - | - | - | - | 12,502 | 12,502 | 1,540 | 14,042 |
| Share issued upon exercise of share options | 33 | 592 | (263) | - | - | - | - | 362 | - | 362 |
| Recognition of equity-settled share-based payment | - | - | 161 | - | - | - | - | 161 | - | 161 |
| Share options lapsed | - | - | (29) | - | - | - | 29 | - | - | - |
| Exchange differences arising on translation to presentation currency | - | - | - | - | 366 | - | - | 366 | 157 | 523 |
| Minority interest of fair value of net assets as at the date of Acquisition | - | - | - | - | - | - | - | - | 17,109 | 17,109 |
| Equity components of convertible bond | - | - | - | - | - | 20,750 | - | 20,750 | - | 20,750 |
| Dividend approved and paid in respect of the previous year (note 7) | - | (7,230) | - | - | - | - | - | (7,230) | - | (7,230) |
| At 31 December 2021 (unaudited) | 8,033 | 56,581 | 839 | (25,395) | 366 | 20,750 | 87,732 | 148,906 | 18,806 | 167,712 |
| At 31 March 2020 and 1 April 2020 (audited) | 8,000 | 66,819 | 607 | (25,395) | - | - | 53,481 | 103,512 | - | 103,512 |
| Profit and total comprehensive income for the period | - | - | - | - | - | - | 15,952 | 15,952 | - | 15,952 |
| Recognition of equity-settled share-based payment | - | - | 272 | - | - | - | - | 272 | - | 272 |
| Dividend approved and paid in respect of the previous year (note 7) | - | (3,600) | - | - | - | - | - | (3,600) | - | (3,600) |
| At 31 December 2020 (unaudited) | 8,000 | 63,219 | 879 | (25,395) | - | - | 69,433 | 116,136 | - | 116,136 |

Notes to the Condensed Consolidated Financial Statements

For the nine months ended 31 December 2021

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”) are principally engaged in the provision of IT infrastructure solutions and provision of IT infrastructure management services in the Greater China Area (i.e. Hong Kong, Macau, Taiwan and all other parts of the People’s Republic of China) and the Asia-Pacific region (including Japan, Korea, Singapore and Australia).

2. BASIS OF PREPARATION AND PRESENTATION

The unaudited condensed consolidated financial statements for the nine months ended 31 December 2021 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 2021 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 HKFRS

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 2021 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 2021.

| | |
|---|---|
| Amendments to HKFRS 16 | COVID-19-Related Rent Concessions beyond 30 June 2021 |
| Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16 | Interest Rate Benchmark Reform — Phase 2 |

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 nine months ended 31 December 2021

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, with the completion of the acquisition of 70% of the issued share capital of ServiceOne International Holdings Limited ("S1IHL") on 8 October 2021 ("the Acquisition"), a new operating segment named "IT infrastructure management services" has been considered by the executive directors as being one of the operating segments of the Group. The details of each reporting segments are set out below.

Provision of IT infrastructure solutions — assess, design and implement IT infrastructure solutions in Hong Kong and Macau.

Provision of IT infrastructure management services — IT hardware maintenance, helpdesk, IT outsourcing, and workflow automation services to end-users in the Greater China Area and the Asia-Pacific region.

Finance leasing — finance lease service in Hong Kong.

Geographical information

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

| | Three months ended | | Nine months ended | |
|---|--------------------|-------------|-------------------|-------------|
| | 31 December | | 31 December | |
| | 2021 | 2020 | 2021 | 2020 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| Hong Kong | 172,770 | 136,194 | 400,047 | 389,472 |
| People's Republic of China excluding Hong Kong, Macau and Taiwan ("Mainland China") | 35,237 | — | 35,237 | — |
| Others | 5,438 | 561 | 6,466 | 1,741 |
| | 213,445 | 136,755 | 441,750 | 391,213 |

During both reporting periods, all of the Group's non-current assets are located in Hong Kong, Macau and Mainland China.

Information about major customers

There was no single customer who contributed to 10.0% or more revenue of the Group for the Reporting Period (2020: There was a single customer who contributed to 16.7% revenue of the Group).

Notes to the Condensed Consolidated Financial Statements

For the nine months ended 31 December 2021

5. REVENUE AND OTHER INCOME AND GAINS

The Group's principal activities are the provision of IT infrastructure solutions, provision of IT infrastructure management services and finance leasing.

An analysis of revenue, other income and gains is as follows:

| | Three months ended 31 December | | Nine months ended 31 December | |
|--|-----------------------------------|---------------------------------|----------------------------------|---------------------------------|
| | 2021 HK\$'000 (unaudited) | 2020 HK\$'000 (unaudited) | 2021 HK\$'000 (unaudited) | 2020 HK\$'000 (unaudited) |
| At a point in time | | | | |
| Provision of IT infrastructure solutions | 145,408 | 136,731 | 373,674 | 391,145 |
| Provision of IT infrastructure management services | 1,193 | – | 1,193 | – |
| Finance leasing | 20 | 24 | 59 | 68 |
| Overtime | | | | |
| Provision of IT infrastructure management services | 66,824 | – | 66,824 | – |
| Total | 213,445 | 136,755 | 441,750 | 391,213 |
| Other income and gains: | | | | |
| Interest income | 47 | 44 | 141 | 470 |
| Exchange gains, net | 62 | 57 | 267 | 266 |
| Gain on lease modification | 103 | – | 654 | – |
| Reversal of impairment loss of trade receivables | – | 5 | – | 5 |
| Impairment loss of obsolete stocks, net | – | (12) | 5 | – |
| Government subsidy (note) | 322 | 2,252 | 322 | 4,503 |
| Management fee income | 77 | – | 77 | – |
| Rent concessions | 1 | – | 1 | – |
| Write back of other payables | – | – | 551 | – |
| Sundry income | 199 | 155 | 505 | 286 |
| Total | 811 | 2,501 | 2,523 | 5,530 |

Note:

The government subsidy represented a one-off subsidy launched by the Government of Macao Special Administrative Region.

Notes to the Condensed Consolidated Financial Statements

For the nine months ended 31 December 2021

5. REVENUE AND OTHER INCOME AND GAINS (Continued)

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

| | 31 December 2021 HK\$'000 (unaudited) | 31 March 2021 HK\$'000 (audited) |
|----------------------|--|---|
| Trade receivables | 135,492 | 83,742 |
| Contract assets | 14,807 | – |
| Contract liabilities | (63,455) | (18,718) |

6. INCOME TAX EXPENSE

| | Three months ended 31 December | | Nine months ended 31 December | |
|-------------------------|-----------------------------------|---------------------------------|----------------------------------|---------------------------------|
| | 2021 HK\$'000 (unaudited) | 2020 HK\$'000 (unaudited) | 2021 HK\$'000 (unaudited) | 2020 HK\$'000 (unaudited) |
| Current tax: | | | | |
| — Hong Kong profits tax | 1,665 | 797 | 3,279 | 2,286 |
| — Others | 86 | – | 86 | – |
| Deferred tax | (156) | – | (156) | – |
| Total | 1,595 | 797 | 3,209 | 2,286 |

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% (2020: 16.5%). The Hong Kong profits tax for the Reporting Period and 2020 is provided based on the Regime.

Overseas income tax has been provided at the prevailing tax rate by local government.

Notes to the Condensed Consolidated Financial Statements

For the nine months ended 31 December 2021

7. DIVIDENDS

A final dividend in respect of the year ended 31 March 2021 of HK0.90 cent (2020: HK0.45 cent) per ordinary share (tax exclusive) amounting to HK\$7,230,000 (2020: HK\$3,600,000) was proposed pursuant to a resolution passed by the Board of Directors on 17 June 2021 and was approved by the shareholders at the annual general meeting of the Company on 17 September 2021.

Other than disclosed above, no dividends were paid or declared by the Company for the Reporting Period (2020: nil).

8. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

| | Three months ended 31 December | | Nine months ended 31 December | |
|---|-----------------------------------|---------------------------------|----------------------------------|---------------------------------|
| | 2021 HK\$'000 (unaudited) | 2020 HK\$'000 (unaudited) | 2021 HK\$'000 (unaudited) | 2020 HK\$'000 (unaudited) |
| Earnings | | | | |
| Profit for the purpose of basic and diluted earnings per share | 7,484 | 6,244 | 12,502 | 15,952 |
| Number of share | | | | |
| Weighted average number of ordinary shares for the purposes of basic earnings per share | 801,358,545 | 800,000,000 | 801,358,545 | 800,000,000 |
| Effect of dilutive potential ordinary shares: — Share options | 4,370,473 | — | 4,370,473 | — |
| Weighted average number of ordinary shares for the purposes of diluted earnings per share | 805,729,018 | 800,000,000 | 805,729,018 | 800,000,000 |
| Basic earnings per share | HK0.93 cent | HK0.78 cent | HK1.56 cents | HK1.99 cents |
| Diluted earnings per share | HK0.93 cent | HK0.78 cent | HK1.55 cents | HK1.99 cents |

Management Discussion and Analysis

BUSINESS REVIEW AND OUTLOOK

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

On 8 October 2021, the Group completed the acquisition (the "Acquisition") of 70% of the issued share capital of ServiceOne International Holdings Limited ("S1IHL") which is principally engaged in the provision of IT infrastructure management services and it has become an indirect non-wholly-owned subsidiary of the Company. The financial results, assets and liabilities of S1IHL have been consolidated into the financial statements of the Company since 8 October 2021. Details of the Acquisition are set out in the Company's announcements dated 9 July 2021 and 8 October 2021 and the circular of the Company dated 17 September 2021.

Business Review

For the nine months ended 31 December 2021 (the "Reporting Period") as compared to the last corresponding period ended 31 December 2020 (the "Corresponding Period"), the Group's revenue increased by approximately 12.9% and our gross profit increased by approximately 40.5%.

Outlook

Our Group considers that the current business environment for the short-to-medium term continues to be challenging with the new wave of COVID infection caused by the Omicron variant. The Group's performance is likely to be affected by the negative business sentiment due to the ongoing global outbreak of the coronavirus epidemic, the delay of customer projects due to COVID lockdown or customers' work from home policy, the uncertain global economy due to the continuing US-China tensions, the prolonged shipment schedules of various IT hardware due to global component shortage and the global economic pressure of increasing inflation. These factors might have a negative impact on our business volume, delay our products and services delivery, 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 is a wide range of possible outcomes for the year.

Our Group dynamically adjusts 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 their challenges.

Management Discussion and Analysis

Regarding our IT infrastructure solutions business, we believe that enterprises and institutions will continue to adopt digital transformation to enhance their operational efficiency and create their digital business models by digitalizing their business or doing their business online. Therefore, we continue to strengthen our product portfolio and support resources to provide the best-valued solutions and services to our customers. We remain focused on our long-term plan in driving strategic development and growth in three key business opportunities, namely:

- (i) Hybrid Cloud, Multi Cloud & “as-a-Service”
- (ii) Container Technology & DevOps
- (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 on 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 know-how on the latest and proven infrastructure solutions. We also strive to develop an even more diversified customer base across private and public sectors.

Regarding our IT infrastructure management services of S1IHL, we believe that enterprises and institutions will continue to demand high-quality services across the Asia-Pacific region, including outsourcing, helpdesk, workflow automation services, project management, and hardware maintenance as the Asia-Pacific region continue to be the growth area for global enterprises.

Therefore we continue to explore business opportunities to:

- (i) Expand our customer base to cover new industries across the Asia-Pacific region.
- (ii) Create additional values for our customers by expanding our services portfolio to include Consulting Services.

These initiatives enable us to provide higher value and more comprehensive services to more customers across more industries.

Management Discussion and Analysis

Further to the successful completion of the Acquisition and the enlarged Group's organic growth, we will continue to 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 new normal business environment, the Group will be continuously cautious in managing the business risk; well prepare to tackle the challenges in such ever-changing economic and business environment; and execute the Group's strategy to drive sustainable business growth. Furthermore, throughout the past two years' epidemic situation, we have taken prudent and decisive steps on cost optimization in line with the revenue model, and have further strengthened the Group to become a more resilient organization in dealing with the changing business environment in the post-COVID-19 local and global economy.

Nevertheless, we will continue to focus on its core businesses in providing innovative and integrated IT infrastructure solutions and IT services to customers in both private and public sectors across the Asia-Pacific region, so as to enable our customers to extract the maximum value from their IT investment and engagement.

FINANCIAL REVIEW

Revenue

The Group's revenue increased by approximately 12.9% from approximately HK\$391.2 million for the Corresponding Period to approximately HK\$441.8 million for the Reporting Period, which was primarily attributable to the net effect of the decrease in demand from our customers for the IT infrastructure solutions during the Reporting Period as compared to the Corresponding Period and the contribution from the IT infrastructure management services of S1IHL which amounted to approximately HK\$80.7 million. Such business was acquired by the Group in the third quarter of fiscal year of 2022.

Gross profit and gross profit margin

For the Reporting Period, our gross profit amounted to approximately HK\$71.6 million, representing an increase of approximately HK\$20.7 million, or approximately 40.5%, as compared to that of the Corresponding Period of approximately HK\$50.9 million.

The Group's gross profit margin for the Reporting Period was approximately 16.2%, representing an increase of approximately 3.2 percentage points as compared to that of the Corresponding Period of approximately 13.0%. The increase in the Group's gross profit margin was the net results of our efforts in increasing in business which has a higher gross profit margin and obtaining more favourable terms from our suppliers together with the higher gross profit margin generated from the IT infrastructure management services of S1IHL.

Management Discussion and Analysis

Other income and gains

Other income and gains decreased by approximately HK\$3.0 million, or approximately 54.4%, from approximately HK\$5.5 million for the Corresponding Period to approximately HK\$2.5 million for the Reporting Period. The decrease was mainly due to the net effect of (i) a gain on lease modification of HK\$0.7 million, (ii) an increase in write back of other payables HK\$0.6 million; and (iii) the non-recurrent government subsidy from the Employment Support Scheme under the Anti-Epidemic Fund to the Group of which HK\$4.5 million was recognised for the Corresponding Period.

Selling expenses

For the Reporting Period, the Group's selling expenses amounted to approximately HK\$29.8 million, increased by approximately HK\$1.0 million (or approximately 3.4%) as compared to the Corresponding Period of approximately HK\$28.8 million. Such increase was mainly attributed by the increase in our staff cost.

Administrative expenses

The Group's administrative expenses for the Reporting Period were approximately HK\$26.3 million, representing an increase of approximately HK\$17.2 million (or approximately 187.4%) from approximately HK\$9.1 million for the Corresponding Period. Such increase was mainly attributed by the professional fee incurred for the Acquisition amounted to HK\$3.1 million and the expenses incurred by the IT infrastructure management services.

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 the Reporting Period (the Corresponding Period: a reversal of impairment loss of less than HK\$0.1 million was recognised).

Finance cost

The Group's finance costs for the Reporting Period were approximately HK\$0.7 million, representing an increase of approximately HK\$0.4 million (or approximately 170.9%) from approximately HK\$0.3 million for the Corresponding Period. Such increase was mainly caused by the recognition of interest expenses for convertible bonds issued on 8 October 2021, for the purpose of the partial settlement of the Acquisition.

Management Discussion and Analysis

Income tax expense

The Group's income tax expense for the Reporting Period was approximately HK\$3.2 million, representing an increase of approximately 40.4% from approximately HK\$2.3 million for the Corresponding Period and such increase was mainly due to the income tax expense incurred by the IT infrastructure management services of S1IHL. The effective tax rate for the Reporting Period was 15.8%, after excluding the non-deductible professional fees of HK\$3.1 million incurred for the Acquisition, which was comparable to that of 16.6%, after excluding the government grants of HK\$4.5 million which were exempted from profits tax, for the Corresponding Period.

Profit attributable to owners of the Company

The profit attributable to owners of the Company decreased by approximately 21.6% from approximately HK\$16.0 million for the Corresponding Period to approximately HK\$12.5 million for the Reporting Period, which was primarily attributable to the above mentioned effects.

Earnings per share

For the Reporting Period, the calculation of basic earnings per share is based on the profit for the period attributable to the owners of the Company of HK\$12,502,000 (2020: HK\$15,952,000) and on the basis of the weighted average number of 801,358,545 (2020: 800,000,000) ordinary shares in issue.

Diluted earnings per share are comparable as the basic earnings per share as the impact of the potential dilutive ordinary shares is insignificant for the Reporting Period and 2020.

Other Information

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

As at 31 December 2021, 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:

(i) Long position in the shares and underlying shares of the Company

| Name of Director | Capacity | Number of shares held | Approximate percentage (note 1) | Number of underlying shares held (note 2) | Approximate percentage (note 1) |
|---|-------------------------------------|-----------------------|---------------------------------|---|---------------------------------|
| Mr. Lau Wai Kwok ("Mr. Lau") | Beneficial owner | 100,000,000 | 12.4% | 2,000,000 | 0.2% |
| Mr. Chan Kin Mei Stanley ("Mr. Chan") | Beneficial owner | 6,720,000 | 0.8% | 500,000 | 0.1% |
| Ms. Lau Tsz Yan ("Ms. Lau") | Beneficial owner | 800,000 | 0.1% | 1,200,000 | 0.1% |
| Mr. So Cheuk Wah Benton ("Mr. So") | Beneficial owner | - | - | 2,000,000 | 0.2% |
| Mr. Wong Chu Kee Daniel ("Mr. Wong") | Beneficial owner | 53,300,000 | 6.6% | 500,000 | 0.1% |
| Mr. Chu Siu Sum Alex ("Mr. Chu") | Beneficial owner | 226,890,000 | 28.2% | 500,000 | 0.1% |
| | Interest of controlled corporations | - | - | 450,000,000 | 56.0% |
| Mr. Au Yu Chiu Steven ("Mr. Au") | Beneficial owner | - | - | 100,000 | 0.0% |
| Mr. Chung Fuk Wing Danny ("Mr. Chung") | Beneficial owner | - | - | 100,000 | 0.0% |
| Mr. Ko Man Fu ("Mr. Ko") | Beneficial owner | - | - | 100,000 | 0.0% |
| Mr. Mak Wai Sing ("Mr. Mak") | Beneficial owner | - | - | 100,000 | 0.0% |

Other Information

Notes:

1. The approximate percentage is calculated based on the total number of issued shares as at 31 December 2021 (i.e. 803,280,000 shares).
2. For all the Directors above except for Mr. Chu, the underlying shares represent the unlisted physically settled share options granted to the Directors on 15 April 2019 ("Date of Grant") under the share option scheme adopted by the Company pursuant to an ordinary resolution of all the then shareholders passed on 15 March 2016. For Mr. Chu, the underlying shares consist of (a) 500,000 share options granted to the Directors on the Date of Grant mentioned above; and (b) 450,000,000 shares of the Company to be issued upon exercise of the conversion rights attached to the convertible bond, issued by the Company as partial settlement of the consideration of the Acquisition to ServiceOne Global Holdings Limited ("ServiceOne Global"). ServiceOne Global is owned as to 70% by China Expert Systems Limited ("China Expert"), which is held as to 40% by Mr. Chu.

(ii) Long position in the debentures of the Company

| Name of Director | Nature of debentures held | Amount of debentures held (HK\$) (Note) |
|------------------|-------------------------------------|---|
| Mr. Chu | Interest of controlled corporations | 75,600,000 |

Note: These represent the convertible bond issued by the Company to ServiceOne Global as partial settlement of the consideration of the Acquisition. ServiceOne Global is owned as to 70% by China Expert, which is held as to 40% by Mr. Chu.

Save as disclosed above, as at 31 December 2021, 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.

Other Information

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, 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 2021, 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:

(i) **Substantial shareholders — long position in the shares and underlying shares of the Company**

| Name of shareholder | Capacity | Number of shares held | Approximate percentage (note 1) | Number of underlying shares held | Approximate percentage (note 1) |
|--|---|-----------------------|---------------------------------|----------------------------------|---------------------------------|
| Mr. Mok Chu Leung Terry ("Mr. Mok") | Beneficial owner | 91,800,000 | 11.4% | - | - |
| Mr. Cheung Nap Kai ("Mr. Cheung") | Beneficial owner | 89,760,000 | 11.2% | - | - |
| Ms. Yan Yihong ("Ms. Yan") | Interest of spouse (note 2) | 91,800,000 | 11.4% | - | - |
| Ms. Tuen Chi Keung ("Ms. Tuen") | Interest of spouse (note 3) | 89,760,000 | 11.2% | - | - |
| Ms. Luk Yuen Wah Nancy ("Ms. Luk") | Interest of spouse (note 4) | 226,890,000 | 28.2% | 450,500,000 | 56.1% |
| Ms. Keung Lai Wa Dorothy Linndia ("Ms. Keung") | Interest of spouse (note 5) | 100,000,000 | 12.4% | 2,000,000 | 0.2% |
| ServiceOne Global | Beneficial owner (note 6) | - | - | 450,000,000 | 56.0% |
| China Expert | Interest of a controlled corporation (note 6) | - | - | 450,000,000 | 56.0% |

Other Information

Notes:

1. The approximate percentage is calculated based on the total number of issued shares as at 31 December 2021 (i.e. 803,280,000 shares).
2. Under the SFO, Ms. Yan, the spouse of Mr. Mok, is deemed to be interested in all the Shares in which Mr. Mok is interested.
3. Under the SFO, Ms. Tuen, the spouse of Mr. Cheung, is deemed to be interested in all the Shares in which Mr. Cheung is interested.
4. Under the SFO, Ms. Luk, the spouse of Mr. Chu, is deemed to be interested in all the Shares and underlying Shares in which Mr. Chu is interested.
5. Under the SFO, Ms. Keung, the spouse of Mr. Lau, is deemed to be interested in all the Shares and the underlying Shares in which Mr. Lau is interested.
6. These represent 450,000,000 shares of the Company to be issued upon exercise of the conversion rights attached to the convertible bond issued by the Company as partial settlement of the consideration of the Acquisition to ServiceOne Global. ServiceOne Global is owned as to 70% by China Expert, which is held as to 40% by Mr. Chu.

(ii) Other person — long position in the shares and underlying shares of the Company

| Name of shareholder | Capacity | Number of shares held | Approximate percentage (note 1) | Number of underlying shares held | Approximate percentage (note 1) |
|-------------------------------------|-----------------------------|-----------------------|---------------------------------|----------------------------------|---------------------------------|
| Ms. Lee Kit Ling Monita ("Ms. Lee") | Interest of spouse (note 2) | 53,300,000 | 6.6% | 500,000 | 0.1% |

Notes:

1. The approximate percentage is calculated based on the total number of issued shares of the Company as at 31 December 2021, that is, 803,280,000 shares.
2. Under the SFO, Ms. Lee, the spouse of Mr. Wong, is deemed to be interested in all the shares and underlying shares in which Mr. Wong is interested.

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 2021 which were required to be recorded pursuant to section 336 of the SFO.

Other Information

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 2021 are set out as follows:

| Name of Grantee | Date of Grant | Exercisable period | Exercise price per share (HK\$) | Outstanding as at 1 April 2021 | Number of share options | | | |
|--|---------------|--------------------------------|---------------------------------|--------------------------------|---------------------------|-----------------------------|-------------------------------------|------------------------------------|
| | | | | | Granted during the period | Exercised during the period | Lapsed/ cancelled during the period | Outstanding as at 31 December 2021 |
| Executive Directors | | | | | | | | |
| Mr. Lau | 15-Apr-19 | 15 April 2020 to 14 April 2029 | 0.111 | 2,000,000 | - | - | - | 2,000,000 |
| Mr. Chan | 15-Apr-19 | 15 April 2020 to 14 April 2029 | 0.111 | 500,000 | - | - | - | 500,000 |
| Ms. Lau | 15-Apr-19 | 15 April 2020 to 14 April 2029 | 0.111 | 2,000,000 | - | 800,000 | - | 1,200,000 |
| 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 |
| 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 | - | 2,480,000 | 600,000 | 4,920,000 |
| | | | | 15,900,000 | - | 3,280,000 | 600,000 | 12,020,000 |

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 the Reporting Period.

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 the Reporting Period.

Other Information

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 the Reporting Period.

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 the Reporting Period, 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 2021 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.

Other Information

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, 9 February 2022

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:

Mr. Chan Kin Mei Stanley

Ms. Lau Tsz Yan

Mr. So Cheuk Wah Benton

Non-executive Director:

Mr. Chu Siu Sum Alex

Independent non-executive Directors:

Mr. Au Yu Chiu Steven

Mr. Chung Fuk Wing Danny

Mr. Ko Man Fu

Mr. Mak Wai Sing