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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 2022**

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 2022. This announcement, containing the full text of 2022/23 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 2023

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. 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 Listed 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.



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Third Quarterly Report

2022/23

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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.

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

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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 Listed Company Announcements” page for at least seven days from the date of its posting. 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 2022 (the “Reporting Period”) increased by approximately 51.1% from that for the nine months ended 31 December 2021 (the “Corresponding Period”) to approximately HK\$667.4 million.
- Gross profit for the Reporting Period increased by approximately 46.9% from the Corresponding Period to approximately HK\$105.1 million.
- Profit for the Reporting Period increased by approximately 41.4% to approximately HK\$19.9 million as compared to the Corresponding Period. Excluding one-off professional fees of approximately HK\$3.1 million in relation to the acquisition of 70% of the issued share capital of ServiceOne International Holdings Limited recorded in the Corresponding Period and the COVID-19 government subsidies of approximately HK\$5.2 million received from various governments during the Reporting Period (2021: HK\$0.3 million), the adjusted profit for the Reporting Period amounted to approximately HK\$14.7 million, representing a decrease of approximately 12.8% from HK\$16.9 million in the Corresponding Period.
- Basic earnings per share increased by approximately 32.1% from approximately HK1.56 cents for the Corresponding Period to approximately HK2.06 cents for the Reporting Period.

Condensed Consolidated Statement of Comprehensive Income

For the three months and the nine months ended 31 December 2022

	Notes	Three months ended 31 December		Nine months ended 31 December	
		2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Revenue	5	255,617	213,445	667,417	441,750
Cost of sales		(217,614)	(176,653)	(562,270)	(370,158)
Gross profit		38,003	36,792	105,147	71,592
Other income and gains	5	711	811	6,525	2,523
Selling expenses		(11,905)	(9,821)	(33,406)	(29,837)
Administrative expenses		(17,096)	(16,473)	(49,636)	(26,257)
Provision for expected credit losses on financial assets		(38)	(116)	(100)	(63)
Finance costs		(1,575)	(574)	(4,712)	(707)
Profit before income tax expense		8,100	10,619	23,818	17,251
Income tax expense	6	(1,398)	(1,595)	(3,964)	(3,209)
Profit for the period		6,702	9,024	19,854	14,042
Other comprehensive income for the period					
<i>Item that may be reclassified subsequently to profit or loss:</i>					
— Exchange difference arising from translation of foreign operations		2,263	523	(1,848)	523
Total comprehensive income for the period		8,965	9,547	18,006	14,565
Profit for the period attributable to:					
Owners of the Company		5,386	7,484	16,538	12,502
Non-controlling interests		1,316	1,540	3,316	1,540
		6,702	9,024	19,854	14,042
Total comprehensive income for the period attributable to:					
Owners of the Company		6,970	7,850	15,245	12,868
Non-controlling interests		1,995	1,697	2,761	1,697
		8,965	9,547	18,006	14,565
Earnings per share	8				
— Basic		HK0.67 cent	HK0.93 cent	HK2.06 cents	HK1.56 cents
— Diluted*		HK0.54 cent	HK0.63 cent	HK1.65 cents	HK1.03 cents

* Restated

Condensed Consolidated Statement of Changes in Equity

For the nine months ended 31 December 2022

	Reserves									
	Share capital HK\$'000	Share premium HK\$'000	Share options reserve HK\$'000	Merger reserve HK\$'000	Translation reserve HK\$'000	Convertible bonds equity reserve HK\$'000	Retained earnings HK\$'000	Total reserve HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 31 March 2022 and 1 April 2022 (audited)	8,033	56,581	885	(25,395)	570	20,750	90,453	143,844	19,000	170,877
Profit for the period	-	-	-	-	-	-	16,538	16,538	3,316	19,854
Exchange differences arising from translation of foreign operations	-	-	-	-	(1,293)	-	-	(1,293)	(555)	(1,848)
Total comprehensive income for the period	-	-	-	-	(1,293)	-	16,538	15,245	2,761	18,006
Recognition of equity-settled share-based payment	-	-	93	-	-	-	-	93	-	93
Share options lapsed	-	-	(8)	-	-	-	8	-	-	-
Dividend approved and paid in respect of the previous year (note 7)	-	(6,185)	-	-	-	-	-	(6,185)	-	(6,185)
Equity contribution from non-controlling interests	-	-	-	-	-	-	-	-	3	3
At 31 December 2022 (unaudited)	8,033	50,396	970	(25,395)	(723)	20,750	106,999	152,997	21,764	182,794
At 31 March 2021 and 1 April 2021 (audited)	8,000	63,219	970	(25,395)	-	-	75,201	113,995	-	121,995
Profit for the period	-	-	-	-	-	-	12,502	12,502	1,540	14,042
Exchange differences arising from translation of foreign operations	-	-	-	-	366	-	-	366	157	523
Total comprehensive income for the period	-	-	-	-	366	-	12,502	12,868	1,697	14,565
Share issued upon exercise of share options	33	592	(263)	-	-	-	-	329	-	362
Recognition of equity-settled share-based payment	-	-	161	-	-	-	-	161	-	161
Share options lapsed	-	-	(29)	-	-	-	29	-	-	-
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	17,109	17,109
Issue of convertible bonds	-	-	-	-	-	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	140,873	18,806	167,712

Notes to the Condensed Consolidated Financial Statements

For the nine months ended 31 December 2022

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 on 12 April 2016 (the “Listing Date”). The address of the Company’s registered office is Third 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 information technology (“IT”) infrastructure solutions, IT infrastructure management services and artificial intelligent business 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, Malaysia and Australia).

2. BASIS OF PREPARATION AND PRESENTATION

The unaudited condensed consolidated financial statements for the nine months ended 31 December 2022 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 2022 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 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

In the current period, the Group has applied, for the first time, the following new and amendments and interpretation to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 April 2022 for the preparation of the Group’s unaudited condensed consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020

The application of the new and amendments to HKFRSs in the current period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these unaudited condensed consolidated financial statements.

Notes to the Condensed Consolidated Financial Statements

For the nine months ended 31 December 2022

4. SEGMENT INFORMATION

The chief operating decision maker is identified as executive directors of the Company. The Group has identified its operating segments based on the regular internal financial information reported to the Company's executive directors for their decisions about resources allocation and review of performance.

The following are the Group's reportable segments under HKFRS 8 "Operating Segments":

- Provision of IT infrastructure solutions services ("IT infrastructure solutions");
- Provision of IT infrastructure management services ("IT infrastructure management services");
- Provision of Artificial Intelligent Business ("AI Business")

The following is an analysis of the Group's revenue and results by operating and reportable segment.

For the nine months ended 31 December 2022

	IT infrastructure solutions HK\$'000 (unaudited)	IT infrastructure management services HK\$'000 (unaudited)	AI Business HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Segment revenue	429,636	242,007	–	671,643
Less: Inter-segment revenue	(2,123)	(2,103)	–	(4,226)
Revenue from external customers	427,513	239,904	–	667,417
Segment profit/(loss)	18,053	14,091	(2,135)	30,009
Unallocated expenses				(6,191)
Profit before income tax expense				23,818

Notes to the Condensed Consolidated Financial Statements

For the nine months ended 31 December 2022

4. SEGMENT INFORMATION (Continued)

For the nine months ended 31 December 2021

	IT infrastructure solutions HK\$'000 (unaudited)	IT infrastructure management services HK\$'000 (unaudited)	AI Business HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Segment revenue	362,082	80,696	–	442,778
Less: Inter-segment revenue	(431)	(597)	–	(1,028)
Revenue from external customers	361,651	80,099	–	441,750
Segment profit	17,068	5,734	–	22,802
Unallocated expenses				(5,551)
Profit before income tax expense				17,251

Geographical information

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

	Three months ended 31 December		Nine months ended 31 December	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Hong Kong	207,252	172,770	549,539	400,047
Mainland China	36,331	35,237	91,797	35,237
Others	12,034	5,438	26,081	6,466
	255,617	213,445	667,417	441,750

Information about major customers

There was no single customer who contributed 10% or more of the Group's revenue for the Reporting Period (2021: nil).

Notes to the Condensed Consolidated Financial Statements

For the nine months ended 31 December 2022

5. REVENUE AND OTHER INCOME AND GAINS

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

	Three months ended		Nine months ended	
	31 December		31 December	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue from contracts with customers:				
Provision of IT infrastructure solutions	165,323	133,326	427,456	361,592
Provision of IT infrastructure management services	90,276	80,099	239,904	80,099
AI Business	–	–	–	–
	255,599	213,425	667,360	441,691
Revenue from other sources:				
Finance leases income	18	20	57	59
Total	255,617	213,445	667,417	441,750
Disaggregation of revenue from contracts with customers:				
At a point in time	182,887	146,601	462,138	374,867
Overtime	72,712	66,824	205,222	66,824
Total	255,599	213,425	667,360	441,691
Other income and gains:				
Interest income	199	47	435	141
Exchange gains, net	(216)	62	–	267
Gain on lease modification	–	103	–	654
Reversal of impairment loss of obsolete stocks	–	–	–	5
Government subsidy (note)	448	322	5,163	322
Management fee income	124	77	363	77
Rent concessions	–	1	–	1
Write back of other payables	–	–	–	551
Sundry income	156	199	564	505
Total	711	811	6,525	2,523

Notes to the Condensed Consolidated Financial Statements

For the nine months ended 31 December 2022

5. REVENUE AND OTHER INCOME AND GAINS (Continued)

Note:

The government subsidies of HK\$5.2 million for the Reporting Period included subsidy under Employment Support Scheme and COVID-19 related government subsidy launched by the Government of the Hong Kong Special Administrative Region and the Government of the Macau Special Administrative Region respectively (2021: The government subsidy represented a one-off subsidy launched by the Government of Macau Special Administrative Region).

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

	31 December 2022 HK\$'000 (unaudited)	31 March 2022 HK\$'000 (audited)
Trade receivables	172,012	145,812
Contract assets	16,687	19,025
Contract liabilities	(73,526)	(47,520)

Notes to the Condensed Consolidated Financial Statements

For the nine months ended 31 December 2022

6. INCOME TAX EXPENSE

	Three months ended 31 December		Nine months ended 31 December	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Current tax:				
— Hong Kong profits tax	1,509	1,665	3,726	3,279
— PRC Enterprise Income Tax ("EIT")	—	—	145	—
— Others	230	86	746	86
— Over provision in respect of prior year	(185)	—	(185)	—
Deferred tax	(156)	(156)	(468)	(156)
Total	1,398	1,595	3,964	3,209

Hong Kong Profits Tax has been provided at the rate of 16.5% (2021: 16.5%).

Under the Law of Mainland China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the standard EIT rate of Mainland China subsidiaries is 25%.

Pursuant to the rules and regulations of Cayman Islands, the Group is not subject to any taxation under the jurisdictions of Cayman Islands for the Reporting Period and the Corresponding Period.

Macau Complementary Tax is calculated at the rate of 12.0% (2021: 12.0%) on the estimated assessable profit for the Reporting Period.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

7. DIVIDENDS

A final dividend in respect of the year ended 31 March 2022 of HK0.77 cent (2021: HK0.90 cent) per ordinary share (tax exclusive) amounting to HK\$6,185,000 (2021: HK\$7,230,000) was proposed pursuant to a resolution passed by the Board of Directors on 24 June 2022 and was approved by the shareholders at the annual general meeting of the Company on 16 September 2022.

Other than disclosed above, no dividends were paid or declared by the Company during the Reporting Period (2021: nil).

Notes to the Condensed Consolidated Financial Statements

For the nine months ended 31 December 2022

8. EARNINGS PER SHARE

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

	Three months ended 31 December 2022		Nine months ended 31 December 2022	
	(unaudited)	2021* (unaudited)	(unaudited)	2021* (unaudited)
Earnings				
Profit for the purpose of basic earnings per share (HK\$'000)	5,386	7,484	16,538	12,502
Effect of dilutive potential ordinary shares:				
Interest on convertible bonds, net of income tax (HK\$'000)	1,366	440	4,112	440
Profit for the purpose of diluted earnings per share (HK\$'000)	6,752	7,924	20,650	12,942
Number of shares				
Weighted average number of ordinary shares for the purposes of basic earnings per share	803,280,000	803,280,000	803,280,000	801,346,618
Effect of dilutive potential ordinary shares:				
— Convertible bonds	450,000,000	450,000,000	450,000,000	450,000,000
— Share options	–	2,421,295	129,653	3,439,471
Weighted average number of ordinary shares for the purposes of diluted earnings per share	1,253,280,000	1,255,701,295	1,253,409,653	1,254,786,089
Basic earnings per share	HK0.67 cent	HK0.93 cent	HK2.06 cents	HK1.56 cents
Diluted earnings per share	HK0.54 cent	HK0.63 cent	HK1.65 cents	HK1.03 cents

*Restated

Management Discussion and Analysis

BUSINESS REVIEW AND OUTLOOK

The Group is principally engaged in the provision of IT infrastructure solutions and IT infrastructure management services in 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, Malaysia and Australia). During the Reporting Period, the Group established a joint venture with Dr. Keith C C Chan to develop and provide products, tools, solutions, services, and trainings to enable our customers the use of artificial intelligence.

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 2022 (the "Reporting Period") as compared to the last corresponding period ended 31 December 2021 (the "Corresponding Period"), the Group's revenue increased by approximately 51.1% and our gross profit increased by approximately 46.9%.

OUTLOOK

Our Group considers that the current business environment for the short-to-medium term continues to be challenging and the Group's performance is likely to be affected by the uncertain business sentiment, which depends on the progress on economic recovery from the coronavirus epidemic, the uncertain global economy due to the continuing US-China tensions, increasing inflation and interest rates, the prolonged shipment schedules of various IT hardware due to global component shortage, the Mainland China's economy slowed sharply in 2022 Q4 and the Hong Kong's GDP shrank worst-than-expected in 2022 Q4. 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 on the duration of the economic crisis and the shape of recovery, there is a wide range of possible outcomes for the year.

Management Discussion and Analysis

Our Group dynamically adjusts our business prioritization plans for the short-to-medium term to reflect the shift in current customer demand and capture new business opportunities that help our customers navigate their challenges.

Regarding our IT infrastructure solutions business, we believe that enterprises and institutions will continue to adopt digital transformation to enhance operational efficiency and create digital business models by digitalizing or doing business online. Therefore, we continue to strengthen our product portfolio and support resources to provide our customers with the best-valued solutions and services. We remain focused on our long-term plan to drive 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.

To capitalise on the opportunities mentioned above, we continue to strengthen our strategic relationship with our suppliers while enhancing our specialised technical expertise and domain know-how on the latest and proven infrastructure solutions to deliver larger-scale projects. We also strive to develop a more diversified customer base across private and public sectors.

Regarding our artificial intelligent business, we continue to develop and provide products, tools, solutions, services, and trainings to enable our customers the use of artificial intelligence in multiple business sectors and enterprises. Given the strong demand in artificial intelligence in the market, our artificial intelligence offerings will enhance the Group’s overall solutions portfolio and offerings, which aligns with the growth strategy of the Group.

Regarding our IT infrastructure management services business, we believe enterprises and institutions will continue to demand high-quality services across the growing Asia-Pacific region, including outsourcing, helpdesk, workflow automation services, project management, and hardware maintenance. Our recent expansion in Kuala Lumpur, Malaysia, improves our resources’ geographical distribution, providing resiliency to serve our customers in the uncertain global economy.

Management Discussion and Analysis

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 and vertical retail solutions.

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

Further to the successful completion of the Acquisition, we will continue to explore any appropriate merger and acquisition opportunities to enhance 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 continue to be cautious in managing the business risk; be well prepared to tackle the challenges in such an ever-changing economic and business environment; and monitor and execute the Group's strategy carefully to drive sustainable business growth. Furthermore, throughout the past three years' epidemic situation, we have taken prudent and decisive steps on cost optimization in line with the revenue model. We have further strengthened the Group to become a more resilient organization in dealing with the changing business environment as the local and global economy gradually recovers.

To conclude, we will continue to focus on our core businesses in providing innovative and integrated IT infrastructure solutions and IT infrastructure management services in both private and public sectors in the Greater China Area and the Asia-Pacific region in order to enable our customers to extract the maximum value from their IT investment and engagement.

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

The Group's revenue increased by approximately 51.1% from approximately HK\$441.8 million for the Corresponding Period to approximately HK\$667.4 million for the Reporting Period, which was primarily attributable to the net effect of the increase in demand from our customers and the additional contribution from the IT infrastructure management services during the Reporting Period as compared to the Corresponding Period.

Gross profit and gross profit margin

For the Reporting Period, our gross profit amounted to approximately HK\$105.1 million, representing an increase of approximately HK\$33.5 million, or approximately 46.9%, as compared to that of the Corresponding Period of approximately HK\$71.6 million.

The Group's gross profit margin for the Reporting Period was approximately 15.8%, representing a decrease of approximately 0.4 percentage point as compared to that of the Corresponding Period of approximately 16.2%. The decrease in the Group's gross profit margin was mainly the results of the change of sales mix during the Reporting Period.

Other income and gains

Other income and gains increased by approximately HK\$4.0 million, or approximately 158.6%, from approximately HK\$2.5 million for the Corresponding Period to approximately HK\$6.5 million for the Reporting Period. The increase was mainly due to the net effect of (i) the COVID-19 government subsidies of approximately HK\$5.2 million received from various governments during the Reporting Period; and (ii) non-recurrent gain on lease modification and write back of other payables totalling HK\$1.2 million recognised in the Corresponding Period.

Selling expenses

For the Reporting Period, the Group's selling expenses amounted to approximately HK\$33.4 million, representing an increase of approximately HK\$3.6 million (or approximately 12.0%) as compared to Corresponding Period of approximately HK\$29.8 million. Such increase was mainly attributed to the increase in our staff costs.

Administrative expenses

The Group's administrative expenses for the Reporting Period were approximately HK\$49.6 million, representing an increase of approximately HK\$23.3 million (or approximately 89.0%) from approximately HK\$26.3 million for the Corresponding Period. Such increase was mainly attributed to the net effect of (i) one-off professional fees of approximately HK\$3.1 million in relation to the Acquisition recorded in the Corresponding Period; (ii) increase in amortization cost of intangible assets related to the Acquisition by HK\$1.9 million; and (iii) increase in administrative expenses incurred by IT infrastructure management services approximately HK\$24.8 million which represented the full nine months effect for such expenses related to the Reporting Period, against the three months effect in the Corresponding Period.

Management Discussion and Analysis

Expected credit losses 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 HK\$0.1 million was charged for the Reporting Period (2021: an impairment loss of expected credit loss of less than HK\$0.1 million was recognised).

Finance costs

The Group's finance costs for the Reporting Period were approximately HK\$4.7 million, representing an increase of approximately HK\$4.0 million (or approximately 566.5%) from approximately HK\$0.7 million for the Corresponding Period.

Such increase was mainly caused by the recognition of interest expenses on convertible bonds of approximately HK\$4.1 million (2021: HK\$0.4 million) issued on 8 October 2021, for the purpose of the partial settlement of the Acquisition.

Income tax expense

The Group's income tax expense for the Reporting Period was approximately HK\$4.0 million, representing an increase of approximately 23.5% from approximately HK\$3.2 million for the Corresponding Period. After excluding the non-deductible interest expenses on convertible bonds of HK\$4.1 million (2021: HK\$0.4 million) and the non-assessable government subsidy of HK\$5.2 million (2021: HK\$0.3 million), the effective tax rate for the Reporting Period was 17.4% (2021: 15.8%).

Profit attributable to owners of the Company

The profit attributable to owners of the Company increased by approximately 32.3% from approximately HK\$12.5 million for the Corresponding Period to approximately HK\$16.5 million for the Reporting Period, which was primarily attributable to the above mentioned effects.

Basic earnings per share for profit attributable to owners of the Company for the period ended 31 December 2022 amounted to HK2.06 cents, as compared to HK1.56 cents in 2021.

Other Information

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

As at 31 December 2022, 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 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. 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 2022 (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 (the "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 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 bonds, 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 convertible bonds 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 2022, 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

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.

Other Information

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES OR UNDERLYING SHARES

As at 31 December 2022, 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 Dorathy 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 2022 (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 of the Company 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 of the Company 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 of the Company 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 of the Company 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 bonds 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 2022, 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 of the Company 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 2022 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 2022 are set out as follows:

Name of Grantee	Date of Grant	Exercise price per share (HK\$)	Outstanding as at 1 April 2022	Number of share options			Outstanding as at 31 December 2022
				Granted during the period	Exercised during the period	Lapsed/cancelled during the period	
Executive Directors							
Mr. Lau	15 April 19	0.111	2,000,000	-	-	-	2,000,000
Mr. Chan	15 April 19	0.111	500,000	-	-	-	500,000
Ms. Lau	15 April 19	0.111	1,200,000	-	-	-	1,200,000
Mr. So	15 April 19	0.111	2,000,000	-	-	-	2,000,000
Non-executive Directors							
Mr. Wong	15 April 19	0.111	500,000	-	-	-	500,000
Mr. Chu	15 April 19	0.111	500,000	-	-	-	500,000
Independent non-executive Directors							
Mr. Au	15 April 19	0.111	100,000	-	-	-	100,000
Mr. Chung Fuk Wing Danny (retired on 16 September 2022)	15 April 19	0.111	100,000	-	-	(100,000)	-
Mr. Ko	15 April 19	0.111	100,000	-	-	-	100,000
Mr. Mak	15 April 19	0.111	100,000	-	-	-	100,000
Other employees							
In aggregate	15 April 19	0.111	4,820,000	-	-	-	4,820,000
			11,920,000	-	-	(100,000)	11,820,000

Other Information

The outstanding share options granted on the 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 (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 C.6.1 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 2022 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 during 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 2023

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. Ko Man Fu

Mr. Mak Wai Sing