



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



First Quarterly Report

2022/23

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

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.

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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 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 three months ended 30 June 2022 (the “Reporting Period”) increased by approximately 56.7% from that for the three months ended 30 June 2021 (the “Corresponding Period”) to approximately HK\$181.5 million.
- Gross profit for the Reporting Period increased by approximately 84.3% from the Corresponding Period to approximately HK\$31.9 million.
- Profit for the period attributable to owners of the Company for the Reporting Period increased by approximately 16.0% to approximately HK\$4.7 million as compared to the Corresponding Period. Excluding the government subsidy of HK\$1.9 million from the Employment Support Scheme under the Anti-Epidemic Fund recognised for the Reporting Period, the adjusted profit attributable to owners of the Company for the Reporting Period amounted to HK\$2.8 million (the Corresponding Period: HK\$4.0 million), representing a decrease of approximately 31.7% as compared with that of the Corresponding Period.
- Basic earnings per share increased by approximately 16.0% from approximately HK0.50 cent for the Corresponding Period to approximately HK0.58 cent for the Reporting Period.

Condensed Consolidated Statement of Comprehensive Income

For the three months ended 30 June 2022

	Notes	Three months ended 30 June	
		2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Revenue	5	181,506	115,835
Cost of sales		(149,652)	(98,549)
Gross profit		31,854	17,286
Other income and gains	5	2,935	1,016
Selling expenses		(10,510)	(9,779)
Administrative expenses		(16,290)	(3,581)
Reversal of/(Provision for) expected credit losses on financial assets		12	(36)
Finance costs		(1,532)	(73)
Profit before income tax expense		6,469	4,833
Income tax expense	6	(872)	(804)
Profit for the period		5,597	4,029

Condensed Consolidated Statement of Comprehensive Income

For the three months ended 30 June 2022

	Notes	Three months ended 30 June	
		2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
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		(1,361)	–
Total comprehensive income for the period		4,236	4,029
Profit for the period attributable to:			
Owners of the Company		4,673	4,029
Non-controlling interests		924	–
		5,597	4,029
Total comprehensive income for the period attributable to:			
Owners of the Company		3,720	4,029
Non-controlling interests		516	–
		4,236	4,029
Earnings per share	8		
— Basic		HK0.58 cent	HK0.50 cent
— Diluted		HK0.48 cent	HK0.50 cent

Condensed Consolidated Statement of Changes in Equity

For the three months ended 30 June 2022

	Share capital HK\$'000	Share premium HK\$'000	Share options reserve HK\$'000	Merger reserve HK\$'000	Translation reserve HK\$'000	Convertible bonds 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	–	–	–	–	–	–	4,673	4,673	924	5,597
Recognition of equity-settled share-based payment	–	–	31	–	–	–	–	31	–	31
Exchange differences arising from translation of foreign operations	–	–	–	–	(953)	–	–	(953)	(408)	(1,361)
Equity contribution from non-controlling interests	–	–	–	–	–	–	–	–	3	3
At 30 June 2022 (unaudited)	8,033	56,581	916	(25,395)	(383)	20,750	95,126	147,595	19,519	175,147
At 31 March 2021 and 1 April 2021 (audited)	8,000	63,219	970	(25,395)	–	–	75,201	113,995	–	121,995
Profit and total comprehensive income for the period	–	–	–	–	–	–	4,029	4,029	–	4,029
Share issued upon exercise of share option	4	40	–	–	–	–	–	40	–	44
Recognition of equity-settled share-based payment	–	–	54	–	–	–	–	54	–	54
At 30 June 2021 (unaudited)	8,004	63,259	1,024	(25,395)	–	–	79,230	118,118	–	126,122

Notes to the Condensed Consolidated Financial Statements

For the three months ended 30 June 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 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 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, Malaysia and Australia).

2. BASIS OF PREPARATION AND PRESENTATION

The unaudited condensed consolidated financial statements for the three months ended 30 June 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.

Notes to the Condensed Consolidated Financial Statements

For the three months ended 30 June 2022

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 January 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.

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 Group's consolidated revenue and results are primarily attributable to the markets in Hong Kong, Mainland China and Macau and all of the Group's consolidated assets and liabilities are located in Hong Kong, Mainland China and Macau.

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")

Notes to the Condensed Consolidated Financial Statements

For the three months ended 30 June 2022

The following is an analysis of the Group's revenue by reportable segments from continuing operations.

	Three months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Segment revenue		
IT infrastructure solutions	113,354	115,835
IT infrastructure management services	68,152	–
Total	181,506	115,835
Segment results		
IT infrastructure solutions	5,553	5,432
IT infrastructure management services	3,045	–
Unallocated expenses	(2,129)	(599)
Profit before income tax expense	6,469	4,833

Geographical information

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

	Three months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Hong Kong	152,465	115,750
Mainland China	24,686	–
Macau	852	85
Others	3,503	–
Total	181,506	115,835

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 three months ended 30 June 2022

5. REVENUE AND OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Three months ended 30 June	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Revenue from contracts with customers:		
Provision of IT infrastructure solutions	113,334	115,815
Provision of IT infrastructure management services	68,152	–
	181,486	115,815
Revenue from other sources:		
Finance leases income	20	20
Total	181,506	115,835
Disaggregation of revenue from contracts with customers:		
At a point in time	118,442	115,815
Overtime	63,044	–
Total	181,486	115,815

An analysis of other income and gains is as follows:

	Three months ended 30 June	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Other income and gains:		
Interest income	83	44
Exchange gains, net	177	89
Reversal of impairment loss of obsolete stock	–	12
Government subsidy (note)	2,446	–
Management fee income	116	–
Sundry income	113	871
Total	2,935	1,016

Note:

The government subsidy represented a one-off subsidy under Employment Support Scheme launched by the Government of the Hong Kong Special Administrative Region.

Notes to the Condensed Consolidated Financial Statements

For the three months ended 30 June 2022

6. INCOME TAX EXPENSE

	Three months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current tax:		
— Hong Kong profits tax	1,017	804
— Others	11	—
Deferred tax	(156)	—
Total	872	804

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\$2.0 million of assessable profits of corporations is lowered to 8.25% with the excess assessable profits continue to be taxed at 16.5%. The Hong Kong profits tax for the Reporting Period and 2021 is provided based on the Regime.

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 (2021: HK\$nil).

Macau Complementary Tax is calculated at the rate of 12% (2021: 12%) on the estimated assessable profit for the Reporting Period (2021: HK\$nil).

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 subject to the approval by the shareholders at the annual general meeting of the Company to be held on 16 September 2022 or any adjournment thereof. This proposed dividend is not reflected as dividend payable in the unaudited condensed consolidated financial statements.

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 three months ended 30 June 2022

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:

	2022	2021
Earnings		
Profit for the purpose of basic earnings per share (HK\$'000)	4,673	4,029
Effect of dilutive potential ordinary shares:		
Interest on convertible bonds, net of income tax (HK\$'000)	1,366	—
Profit for the purpose of diluted earnings per share (HK\$'000)	6,039	4,029
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	803,280,000	800,000,000
Effect of dilutive potential ordinary shares:		
— Convertible bonds	450,000,000	—
— Share options	414,609	—
Weighted average number of ordinary shares for the purposes of diluted earnings per share	1,253,694,609	800,000,000
Basic earnings per share	HK0.58 cent	HK0.50 cent
Diluted earnings per share	HK0.48 cent	HK0.50 cent

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 Ltd ("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 three months ended 30 June 2022 (the "Reporting Period") as compared to the last corresponding period ended 30 June 2021 (the "Corresponding Period"), the Group's revenue increased by approximately 56.7% and our gross profit increased by approximately 84.3%.

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, the slowed global supply chain due to China's COVID-19 lockdowns, the contraction in China's economy, 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 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.

The Group is pleased to announce that it has formed a joint venture company, Expert AI Enabling Limited, with Dr. Keith C C Chan. Expert AI Enabling Limited will develop and provide products, tools, solutions, services, and trainings to enable the use of artificial intelligence. Given the strong demand for artificial intelligence in the market, the establishment of Expert AI Enabling Limited aligns with the growth strategy of the Group.

Regarding our IT infrastructure management services, 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 establishment of our second Service Desk Centre in Kuala Lumpur, Malaysia, in addition to the one in Guangzhou, China, has enhanced the geographical coverage and provided the resiliency of our services which enables us to better 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 two years' epidemic situation, we have taken prudent but decisive steps on cost optimization in line with the business model. We 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.

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 across 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 56.7% from approximately HK\$115.8 million for the Corresponding Period to approximately HK\$181.5 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 amounted to approximately HK\$68.2 million. Such business has been included in the consolidated results of the Group since the completion of the Acquisition in October 2021.

Gross profit and gross profit margin

For the Reporting Period, our gross profit amounted to approximately HK\$31.9 million, representing an increase of approximately HK\$14.6 million, or approximately 84.3%, as compared to that of the Corresponding Period of approximately HK\$17.3 million.

The Group's gross profit margin for the Reporting Period was approximately 17.5%, representing an increase of approximately 2.6 percentage points as compared to that of the Corresponding Period of approximately 14.9%. The increase in the Group's gross profit margin was mainly due to the higher gross profit margin generated from IT infrastructure management services.

Other income and gains

Other income and gains increased by approximately HK\$1.9 million, or approximately 188.9%, from approximately HK\$1.0 million for the Corresponding Period to approximately HK\$2.9 million for the Reporting Period. The increase was mainly due to the net effect of (i) government subsidy from the Employment Support Scheme under the Anti-Epidemic Fund to the Group of which HK\$2.4 million recognised during the Reporting Period and (ii) a decrease in write back of other payable under sundry income of HK\$0.6 million for Reporting Period.

Selling expenses

For the Reporting Period, the Group's selling expenses amounted to approximately HK\$10.5 million, representing an increase of approximately HK\$0.7 million (or approximately 7.5%) as compared to Corresponding Period of approximately HK\$9.8 million. Such increase was mainly attributed by the increase in our staff cost.

Management Discussion and Analysis

Administrative expenses

The Group's administrative expenses for the Reporting Period were approximately HK\$16.3 million, representing an increase of approximately HK\$12.7 million (or approximately 354.9%) from approximately HK\$3.6 million for the Corresponding Period. Such increase was mainly attributed by (i) decrease in staff cost by HK\$0.6 million; (ii) increase in amortization cost of intangible assets related to the Acquisition by HK\$0.9 million; and (iii) HK\$12.3 million of administrative expenses incurred by IT infrastructure management services.

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, a reversal of impairment loss of less than HK\$0.1 million was made for the Reporting Period (2021: an impairment loss of less than HK\$0.1 million was recognised).

Finance costs

The Group's finance costs for the Reporting Period were approximately HK\$1.5 million, representing an increase of approximately HK\$1.4 million (or approximately 1,998.6%) from approximately HK\$0.1 million for the Corresponding Period.

Such increase was mainly caused by the recognition of interest expenses on convertible bonds 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\$0.9 million, representing an increase of approximately 8.5% from approximately HK\$0.8 million for the Corresponding Period. The effective tax rate for the Reporting Period was 16.1%, after excluding the non-deductible interest expenses on convertible bonds of HK\$1.4 million incurred for the Acquisition and the non-assessable government subsidy of HK\$2.4 million, which was comparable to that of 16.7% for the Corresponding Period.

Profit attributable to owners of the Company

The profit attributable to owners of the Company increased by approximately 16.0% from approximately HK\$4.0 million for the Corresponding Period to approximately HK\$4.7 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 30 June 2022 amounted to HK0.58 cent, as compared to HK0.50 cent in 2021.

Other Information

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

As at 30 June 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. 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 30 June 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 30 June 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 30 June 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 30 June 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 30 June 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 30 June 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 three months ended 30 June 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 30 June 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	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	–	–	–	11,920,000

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 three months ended 30 June 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 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 August 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