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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)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 MARCH 2024**

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 of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

*This announcement, 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 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 at least seven days from the date of its posting. This announcement will also be published and remains on the Company’s website at www.expertsystems.com.hk.

HIGHLIGHTS

- Revenue for the year ended 31 March 2024 (the “**Reporting Year**” or “**FY2024**”) increased by approximately 11.8% from that for the year ended 31 March 2023 (the “**Corresponding Year**” or “**FY2023**”) to approximately HK\$991.0 million.
- Gross profit for the Reporting Year increased by approximately 9.6% from the Corresponding Year to approximately HK\$152.7 million.
- Profit for the year attributable to owners of the Company for the Reporting Year decreased by approximately 21.8% to approximately HK\$15.4 million as compared to the Corresponding Year. *(Note)*
- Basic earnings per share decreased by approximately 22.0% from approximately HK2.45 cents for the Corresponding Year to approximately HK1.91 cents for the Reporting Year.

Note: The decrease was primarily attributable to the non-recurrent of the COVID-19 related Government subsidies recognised in the Corresponding Year, the Group did not receive any relevant subsidies during the Reporting Year. In additional, we have increased the investment to our AI business during the Reporting Year.

ANNUAL RESULTS

The board of Directors (the “**Board**”) of Expert Systems Holdings Limited is pleased to announce the consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 March 2024, together with comparative audited figures for the preceding financial year, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2024

	<i>Notes</i>	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Revenue	4	990,956	886,538
Cost of sales		(838,284)	(747,202)
Gross profit		152,672	139,336
Other income and gains	4	6,224	8,551
Selling expenses		(54,790)	(45,307)
Administrative expenses		(74,628)	(68,262)
Provision for expected credit loss on financial assets		(150)	(22)
Finance costs		(6,428)	(6,259)
Profit before income tax expense	5	22,900	28,037
Income tax expense	6	(5,780)	(5,350)
Profit for the year		17,120	22,687
Other comprehensive loss for the year			
Item that may be reclassified subsequently to profit or loss:			
— Exchange difference arising from translation of foreign operations		(2,388)	(2,153)
Total comprehensive income for the year		14,732	20,534

	<i>Notes</i>	2024 HK\$'000	2023 HK\$'000
Profit for the year attributable to:			
Owners of the Company		15,370	19,652
Non-controlling interests		1,750	3,035
		<u>17,120</u>	<u>22,687</u>
Total comprehensive income for the year attributable to:			
Owner of the Company		13,698	18,145
Non-controlling interests		1,034	2,389
		<u>14,732</u>	<u>20,534</u>
Earnings per share			
— Basic	8	<u>HK1.91 cents</u>	<u>HK2.45 cents</u>
— Diluted		<u>HK1.69 cents</u>	<u>HK2.00 cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2024

	<i>Notes</i>	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		10,225	17,355
Intangible assets		9,642	13,556
Goodwill		100,078	100,078
Finance lease receivables		–	3
Restricted bank deposits		1,483	1,483
Other deposits	<i>10</i>	4,615	6,116
		<u>126,043</u>	<u>138,591</u>
Current assets			
Inventories		1,718	7,190
Trade receivables	<i>9</i>	121,310	110,974
Prepayments, deposits and other receivables	<i>10</i>	36,025	38,960
Finance lease receivables		3	70
Bank deposits		218	602
Restricted bank deposits		2,021	2,021
Cash and cash equivalents		218,911	196,795
		<u>380,206</u>	<u>356,612</u>
Current liabilities			
Trade payables	<i>11</i>	116,136	117,579
Accruals, deposits received and other payables	<i>12</i>	118,167	111,941
Lease liabilities		6,876	6,294
Tax payables		3,418	1,371
		<u>244,597</u>	<u>237,185</u>
Net current assets		<u>135,609</u>	<u>119,427</u>
Total assets less current liabilities		<u>261,652</u>	<u>258,018</u>

	<i>Notes</i>	2024 HK\$'000	2023 <i>HK\$'000</i>
Non-current liabilities			
Other payables	<i>12</i>	2,070	1,972
Lease liabilities		1,914	8,442
Convertible bonds		64,001	60,067
Deferred tax liabilities		1,560	2,184
		<u>69,545</u>	<u>72,665</u>
Net assets		<u>192,107</u>	<u>185,353</u>
EQUITY			
Share capital	<i>13</i>	8,033	8,033
Reserves		161,648	155,928
		<u>169,681</u>	<u>163,961</u>
Equity attributable to owners of the Company		<u>169,681</u>	<u>163,961</u>
Non-controlling interests		22,426	21,392
		<u>192,107</u>	<u>185,353</u>
Total equity		<u>192,107</u>	<u>185,353</u>

NOTES

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 were listed on the GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 12 April 2016 (the “**Listing Date**”).

The registered office of the Company is located at 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 in the development and provision of artificial intelligence (“**AI**”) products and AI solutions for corporate and institutional customers in the Asia-Pacific region.

2 BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRS**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

The consolidated financial statements have been prepared on a historical cost basis.

The 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.

(b) Amended standards adopted by the Group

Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosures of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform — Pillar Two Model Rules

The amendments to standards listed above did not have significant impact on the Group’s results and financial position or any substantial changes in Group’s accounting policies.

(c) New and amended standards and interpretations not yet adopted

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (Revised) ¹
Amendments to HKAS 1	Non-current Liabilities with Covenants ¹
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ¹
HK Int 5 (revised)	Hong Kong Interpretation 5 (revised) Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ¹
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements ¹
Amendments to HKAS 21	Lack of Exchangeability ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³

¹ Effective for annual periods beginning on or after 1 January 2024

² Effective for annual periods beginning on or after 1 January 2025

³ The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined

Amendments to HKAS 1, Classification of Liabilities as Current or Non-current, Non-current Liabilities with Covenants and related amendments to Hong Kong Interpretation 5 (Revised)

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

The amendments also deal with the classification of long-term loan arrangements with covenants by specifying that covenants to be complied with after the reporting date do not affect the classification of loan arrangements as current or non-current at the reporting date. Instead, companies are required to disclose information about these covenants in the notes to the financial statements.

The Company anticipate that the amendments to HKAS 1 will not affect the classification on the Group's convertible bonds.

Except for the above, the directors of the Company anticipate that the application of all other amendments and interpretations to existing standards will have no material impact on the consolidated financial statements of the Group.

3. 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 Mainland China, Hong Kong, Macau, Singapore and Malaysia and the Group's consolidated assets and liabilities are primarily either located in Mainland China and Hong Kong.

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

- Provision of IT infrastructure solutions services ("**IT infrastructure solutions**") include trading of IT hardware and software, IT hardware and software installation and configuration services;
- Provision of IT infrastructure management services ("**IT infrastructure management services**") include IT hardware maintenance, helpdesk, IT outsourcing and workflow automation services; and
- Development and provision of AI products and AI solutions ("**AI products & AI solutions**") to enable customers the use of AI.

The following is an analysis of the Group's revenue, results, assets and liabilities by reportable segments from continuing operations.

For the year ended 31 March 2024

	IT infrastructure solutions <i>HK\$'000</i>	IT infrastructure management services <i>HK\$'000</i>	AI products & AI solutions <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue	652,998	344,968	105	998,071
Inter segment revenue	(3,663)	(3,452)	–	(7,115)
	<hr/>	<hr/>	<hr/>	<hr/>
Total segment revenue from external customers	649,335	341,516	105	990,956
Segment results	22,944	15,802	(6,949)	31,797
	<hr/>	<hr/>	<hr/>	<hr/>
Unallocated expenses				(8,897)
				<hr/>
Profit before income tax expense				22,900
				<hr/> <hr/>
Segment assets				
IT infrastructure solutions				224,810
IT infrastructure management services				276,061
AI products & AI solutions				4,088
Unallocated assets				
— Cash and cash equivalents				1,203
— Others				87
				<hr/>
Total assets				506,249
				<hr/> <hr/>
Segment liabilities				
IT infrastructure solutions				157,181
IT infrastructure management services				91,285
AI products & AI solutions				973
Unallocated liabilities				
— Convertible bonds				64,001
— Others				702
				<hr/>
Total liabilities				314,142
				<hr/> <hr/>
Other segment information				
Interest income	2,878	1,851	65	4,794
Interest expenses	(155)	(415)	(34)	(604)
Depreciation of property, plant and equipment	(1,828)	(5,340)	(854)	(8,022)
Amortisation of intangible assets	–	(3,896)	–	(3,896)
Provision for expected credit loss on financial assets	(150)	–	–	(150)
Income tax expenses	(2,918)	(2,862)	–	(5,780)
Additions to property, plant and equipment	160	831	310	1,301
	<hr/>	<hr/>	<hr/>	<hr/>

For the year ended 31 March 2023

	IT infrastructure solutions <i>HK\$'000</i>	IT infrastructure management services <i>HK\$'000</i>	AI products & AI solutions <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue	576,639	315,018	–	891,657
Inter segment revenue	(2,429)	(2,690)	–	(5,119)
Total segment revenue from external customers	574,210	312,328	–	886,538
Segment results	25,117	15,011	(3,571)	36,557
Unallocated expenses				(8,520)
Profit before income tax expense				28,037
Segment assets				
IT infrastructure solutions				214,476
IT infrastructure management services				276,339
AI products & AI solutions				3,099
Unallocated assets				
— Cash and cash equivalents				1,174
— Others				115
Total assets				495,203
Segment liabilities				
IT infrastructure solutions				146,280
IT infrastructure management services				101,641
AI products & AI solutions				1,131
Unallocated liabilities				
— Convertible bonds				60,067
— Others				731
Total liabilities				309,850
Other segment information				
Interest income	377	834	–	1,211
Interest expenses	(224)	(553)	(19)	(796)
Depreciation of property, plant and equipment	(1,942)	(5,362)	(376)	(7,680)
Amortisation of intangible assets	–	(4,068)	–	(4,068)
Provision for expected credit loss on financial assets	(22)	–	–	(22)
Income tax expenses	(3,106)	(2,244)	–	(5,350)
Additions to property, plant and equipment	164	3,267	2,427	5,858
Additions to intangible assets	–	332	–	332

Geographical information

The following is an analysis of the Group's revenue by the geographical locations of customers:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Hong Kong	826,325	729,041
Mainland China	124,240	120,007
Singapore	23,559	20,538
Malaysia	9,213	6,367
Macau	6,023	7,789
Others	1,596	2,796
	<u>990,956</u>	<u>886,538</u>

Information about the Group's non-current assets by geographical location of the assets (except for financial assets) are presented below:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Hong Kong	116,011	123,424
Mainland China	2,953	5,656
Macau	153	320
Others	828	1,589
	<u>119,945</u>	<u>130,989</u>

Information about major customers

There is no single external customer who contributed 10% or more of the Group's revenue for the year ended 31 March 2024 (2023: Nil).

4 REVENUE AND OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Revenue from contracts with customers:		
Provision of IT infrastructure solutions	649,312	574,146
Provision of IT infrastructure management services	341,516	312,328
Development and provision of AI products and AI solutions	105	–
	<u>990,933</u>	886,474
Revenue from other sources:		
Finance leases income	23	64
	<u>990,956</u>	<u>886,538</u>
Total		
	<u>990,956</u>	<u>886,538</u>
Disaggregation of revenue from contracts with customers:		
At a point in time	682,129	622,207
Overtime	308,804	264,267
	<u>990,933</u>	<u>886,474</u>
Total		
	<u>990,933</u>	<u>886,474</u>

An analysis of other income and gains is as follows:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Other income and gains:		
Interest income	4,807	1,234
Write back of other payables	7	135
Government subsidy (<i>note (a)</i>)	–	5,712
Management fee income	514	488
Sundry income	896	982
	<u>6,224</u>	<u>8,551</u>
Total	<u>6,224</u>	<u>8,551</u>

- (a) During the year ended 31 March 2023, COVID-19 related government grants from the Government of the People's Republic of China, Hong Kong Government and Macau Government amounting to HK\$5,712,000 was received by the Group.

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Trade receivables (<i>note 9</i>)	121,310	110,974
Contract assets	23,687	23,279
Contract liabilities (<i>note 12(a)</i>)	(72,252)	(73,900)
	<u>72,745</u>	<u>60,353</u>

The contract liabilities mainly relate to the advance consideration received from customers. Contract liabilities as of 1 April 2023 of HK\$ 73,900,000 (1 April 2022: HK\$84,802,000) have been recognised as revenue for the year ended 31 March 2024 from performance obligations satisfied in the year due to the delivery of goods and services accepted by customers.

5 PROFIT BEFORE INCOME TAX EXPENSE

The Group's profit before income tax expense is arrived at after charging/(crediting):

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Costs of inventories recognised as expenses	566,774	491,586
Auditor's remuneration	1,090	1,065
Depreciation of property, plant and equipment	8,022	7,680
Amortisation of intangible assets	3,896	4,068
Write off of intangible assets	(29)	–
Exchange (gain)/losses, net	(114)	148
Short-term lease with application of recognition exemption	200	259
(Reversal of write-down)/write-down of inventories to net realisable value	(34)	25
Staff costs (including directors' remuneration)		
— Wages, salaries and other benefits	206,903	179,383
— Contribution to defined contribution pension plans	29,238	25,656
— Equity-settled share-based payment expenses	55	124
	<u>236,196</u>	<u>205,163</u>

6 INCOME TAX EXPENSE

The income tax expense in the consolidated statement of comprehensive income represents:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Current tax		
Hong Kong profits tax	4,690	4,669
People's Republic of China ("PRC") Enterprise income tax	450	145
Others	1,264	1,114
	<u>6,404</u>	<u>5,928</u>
Under-provision in respect of prior year	–	46
	<u>6,404</u>	<u>5,974</u>
Deferred tax	(624)	(624)
Total income tax expense	<u>5,780</u>	<u>5,350</u>

7 DIVIDENDS

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Dividends for ordinary shareholders of the Company recognised as distribution during the year		
2023 final of HK1.00 cent per share was declared and paid	8,033	–
2022 final of HK0.77 cent per share was declared and paid	<u>–</u>	<u>6,185</u>
	<u>8,033</u>	<u>6,185</u>

A final dividend in respect of the year ended 31 March 2024 of HK0.82 cent (2023: HK1.00 cent) per ordinary share amounting to HK\$6,587,000 (2023: HK\$8,033,000) was proposed pursuant to a resolution passed by the Board of Directors on 25 June 2024 and subject to the approval by the shareholders at the annual general meeting of the Company to be held on 17 September 2024 or any adjournment thereof. This proposed dividend is not reflected as dividend payable in the consolidated financial statements.

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:

	2024	2023
Earnings		
Profit for the purposes of basic earnings per share (<i>HK\$'000</i>)	15,370	19,652
Effect of dilutive potential ordinary shares:		
— Interest on convertible bonds (<i>HK\$'000</i>)	<u>5,824</u>	<u>5,463</u>
Profit for the purposes of diluted earnings per share (<i>HK\$'000</i>)	<u>21,194</u>	<u>25,115</u>
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	803,280,000	803,280,000
Effect of dilutive potential ordinary shares:		
— Convertible bonds	<u>450,000,000</u>	<u>450,000,000</u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>1,253,280,000</u>	<u>1,253,280,000</u>
Basic earnings per share	<u>HK1.91 cents</u>	<u>HK2.45 cents</u>
Diluted earnings per share	<u>HK1.69 cents</u>	<u>HK2.00 cents</u>

9 TRADE RECEIVABLES

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Trade receivables, gross	121,715	111,229
Less: Provision for impairment	<u>(405)</u>	<u>(255)</u>
	<u>121,310</u>	<u>110,974</u>

The credit period is generally 7 to 60 days.

An ageing analysis of the Group's trade receivables, net of impairment and based on invoice date, is as follows:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Within 1 month	49,629	50,743
More than 1 month but not more than 3 months	42,416	37,097
More than 3 months but not more than 6 months	16,088	17,409
More than 6 months but not more than a year	9,957	3,280
More than a year	<u>3,220</u>	<u>2,445</u>
	<u>121,310</u>	<u>110,974</u>

10 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Other deposits	8,192	7,667
Other receivables	358	610
Contract assets	23,687	23,279
Prepayments	<u>8,403</u>	<u>13,520</u>
	40,640	45,076
Less: non-current portion of other deposits	<u>(4,615)</u>	<u>(6,116)</u>
	<u>36,025</u>	<u>38,960</u>

11 TRADE PAYABLES

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Trade payables	<u>116,136</u>	<u>117,579</u>

The credit period ranges from approximately 30 to 90 days.

An ageing analysis of the Group's trade payables, based on invoice date, is as follows:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Within 1 month	51,617	64,660
More than 1 month but not more than 3 months	58,991	46,482
More than 3 months but not more than 6 months	2,324	4,298
More than 6 months but not more than a year	2,155	1,334
More than a year	<u>1,049</u>	<u>805</u>
	<u>116,136</u>	<u>117,579</u>

12 ACCRUALS, DEPOSITS RECEIVED AND OTHER PAYABLES

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Other payables and accrued expenses	39,596	31,828
Staff commission	7,268	7,331
Other tax payable	1,121	854
Contract liabilities (<i>note (a)</i>)	<u>72,252</u>	<u>73,900</u>
	120,237	113,913
Less: Non-current portion other payables	<u>(2,070)</u>	<u>(1,972)</u>
	<u>118,167</u>	<u>111,941</u>

Note:

(a) Contract liabilities

	2024	2023
	HK\$'000	HK\$'000
<i>Contract liabilities arising from:</i>		
— Provision of IT infrastructure solutions	38,162	25,368
— Provision of IT infrastructure management services	34,090	48,532
	<u>72,252</u>	<u>73,900</u>

Contract liabilities represent deposits received from customers in relation to their contracts placed with the Group.

Changes in contract liabilities primarily relate to the Group's performance of services under the contracts. Revenue of the Group of HK\$73,900,000 recognised for the year ended 31 March 2024 (2023: HK\$84,802,000) were included in the contract liabilities at the beginning of the year.

13 SHARE CAPITAL

	Number	Amount
		<i>HK\$'000</i>
Authorised:		
Ordinary shares of HK\$0.01 each		
At 1 April 2022, 31 March 2023, 1 April 2023 and 31 March 2024	<u>10,000,000,000</u>	<u>100,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.01 each		
At 1 April 2022, 31 March 2023, 1 April 2023 and 31 March 2024	<u>803,280,000</u>	<u>8,033</u>

14 EVENTS AFTER REPORTING DATE

There is no significant event after the reporting date.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is principally engaged in the provision of IT infrastructure solutions, IT infrastructure management services, and in the development and provision of AI products and AI solutions for corporate and institutional customers in the Asia-Pacific region. The Group strives to provide one-stop solution for our customers to meet their diverse needs.

BUSINESS REVIEW AND OUTLOOK

Our Group recognises that the business environment for the short-to-medium term will continue to be challenging. The Group's performance is likely to be affected by the negative business sentiments resulted from continuing US-China competitions, the high interest rates, economic slowdown in Mainland China and Hong Kong, and the talent shortage in Hong Kong. The new phenomenon of Hong Kong resident's change in their spending habits and crossing the border into Mainland China for spending regularly since its reopening has put further pressure to Hong Kong's overall economy. All these factors might have adverse effects on our business volume and costing model, exert pressure on our pricing terms and hence on our profit margin and profitability. Given the level of uncertainty on the economic situation and the shape of recovery, there is a wide range of possible outcomes for the year.

Our Group dynamically adjusts our business prioritisation strategies for the short-to-medium term to align with the evolving customer demand and capture new business opportunities that assist our customers to tackle their challenges.

Regarding our IT infrastructure solutions business, we believe that enterprises and institutions will continue to adopt digital transformation to enhance operational efficiency, to optimise their data for insightful business analysis and decision-making and create digital business models through digitalising or doing business online. Therefore, we will continue to strengthen our product portfolio and support resources to provide our customers with the best-valued solutions and services.

We remain unwaveringly focus on our long-term plan to drive strategic development and foster growth. Amongst our several business lines, we will prioritise resources in two key business opportunities in response to the significant market demands, namely:

- (i) Cybersecurity
- (ii) Generative AI (“**GenAI**”)

Given the escalating cybersecurity incidents, we are committed to persistently deploying world-class cybersecurity solutions to safeguard our customers' valuable IT assets. Furthermore, our IT infrastructure solutions business unit will build robust IT infrastructure tailored for GenAI applications developed by our AI business unit. This collaborative effort will bring together both business units to provide a comprehensive one-stop solution to meet the diverse needs of our customers.

These technologies enable us to provide higher value and more comprehensive total solutions to our customers through their digital transformation journey.

To seize on the opportunities mentioned above, we continue to strengthen our strategic relationship with suppliers. Simultaneously, we are enhancing our specialised technical expertise and domain know-how in the latest and proven infrastructure solutions to deliver larger-scale projects. We also strive to develop a broader customer base across private and public sectors, thus ensuring diversification in our clientele.

Regarding our AI business, we have successfully developed a range of GenAI products based on cloud and on-premises large language models (“LLM”) for our corporate and institutional customers. Our GenAI product series, namely ChatSeries, encompasses a variety of GenAI functions, including but not limited to ChatEnquiry, ChatServiceDesk and ChatMinutes. Even during the prelaunch phase, we have received numerous enquiries which demonstrates enthusiastic interest in our offerings. In response to the rapid advancements in AI technology and the substantial market demand, we will dedicate to continually developing diverse GenAI products to meet the market needs.

In addition, we are delighted to announce the establishment of the strategic partnership with Lenovo Hong Kong in August 2023, with a specific focus on serving the primary and secondary school markets. Our AI business has developed a series of AI products namely SmartSeries, which encompasses a range of offerings, including but not limited to SmartAqua, SmartRetail and SmartHome. They facilitate our provision of AI labs setup and relevant training courses tailored for primary and secondary schools. Through this collaboration, both parties co-market our SmartSeries AI products.

The strong market demand for AI applications further strengthens our AI offerings, which in turn enhances the overall product and solution portfolios and aligns with the growth strategy of our 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 IT outsourcing, helpdesk, workflow automation services and IT hardware maintenance.

In the upcoming year, we have planned to extend our services into Managed Professional Service (“MPS”) in order to further enhance our range of managed services offerings. This dedicated facility will leverage the existing resources of our service desk centres, enabling us to extend the managed services from endpoints and devices to encompass network systems and server host systems for our valued customers.

Moreover, we plan to expand the capacity of our service desk centre in Guangzhou, China and relocate it to a new facility, creating a synergistic effect with our service desk centre in Kuala Lumpur, Malaysia. This will effectively balance our resources across different regions, ensuring resilience in serving our customers. This move will provide our customers with more options and improved services, further enhancing our ability to meet diverse customer needs.

These strategic initiatives are aimed at delivering higher value and a more comprehensive suite of services to a broader clientele across diverse geographical locations.

Following the successful acquisition of ServiceOne International Holdings Limited in 2021 (the “Acquisition”) and the establishment of Expert AI Enabling Limited in 2022, our Group dedicates to further invest in the technology industry with the aim of delivering exceptional value to our stakeholders. In this pursuit, we will continue to explore any appropriate merger and acquisition opportunities to augment our enterprise value. However, we will approach such endeavours with caution, ensuring they are conducted in a manner that benefits our Group and aligns with the best interests of our shareholders.

In view of the swift changing business environment, the Group will be cautious in managing the business risk to tackle the challenges in such an ever-changing economic and business landscape. We carefully monitor and execute the Group’s strategy to drive sustainable business growth. Moreover, we will take prudent and decisive measures for cost optimization in line with the revenue model, therefore reinforcing the Group’s resilience in navigating the evolving business environment.

To conclude, we will continue to focus on our core businesses in providing innovative and integrated IT infrastructure solutions, IT infrastructure management services, and AI products and solutions in both private and public sectors in the Asia-Pacific region. We are dedicated to enabling our customers to extract the maximum value from their IT investments and engagements.

FINANCIAL REVIEW

Revenue

The Group's revenue increased by approximately 11.8% from approximately HK\$886.5 million for the Corresponding Year to approximately HK\$991.0 million for the Reporting Year, which was primarily attributable to the increase in demand from our customers during the Reporting Year as compared to the Corresponding Year.

Gross profit and gross profit margin

For the Reporting Year, our gross profit amounted to approximately HK\$152.7 million, representing an increase of approximately HK\$13.4 million, or approximately 9.6%, as compared to that of the Corresponding Year of approximately HK\$139.3 million.

The Group's gross profit margin decreased by 0.3 percentage point to approximately 15.4%, as compared to approximately 15.7% in the Corresponding Year.

Such decrease was primarily due to the fact that the Group's recorded larger contribution from a few projects with lower profit margins during the Reporting Year.

Other income and gains

Other income and gains decreased by approximately HK\$2.4 million, or approximately 27.2%, from approximately HK\$8.6 million for the Corresponding Year to approximately HK\$6.2 million for the Reporting Year. Such decrease was mainly attributed to the recognition of non-recurrent COVID-19 related government subsidies of approximately HK\$5.7 million received from various governments during the Corresponding Year, partly offset by the increase in interest income by approximately HK\$3.6 million.

Operating expenses

Total operating expenses of the Group for the Reporting Year was approximately HK\$129.4 million, representing an increase of approximately HK\$15.8 million or approximately 14.0% as compared to approximately HK\$113.6 million for the Corresponding Year. The increase was mainly attributable to (i) a salary increment in line with the employment market and additional costs incurred from recruiting additional talented staff, and (ii) an increase in investment expenditures on our AI business in the Reporting Year.

Finance costs

The Group's finance costs for the Reporting Year were approximately HK\$6.4 million, representing a slight increase of approximately HK\$0.1 million, or approximately 2.7%, from approximately HK\$6.3 million for the Corresponding Year. The finance costs for both years consisted primarily of 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 Year was approximately HK\$5.8 million, representing an increase of approximately 8.0% from approximately HK\$5.4 million for the Corresponding Year. After excluding the non-deductible interest expenses on convertible bonds of HK\$5.8 million (2023: HK\$5.5 million) incurred for the Acquisition, the effective tax rate for the Reporting Year was 20.1% (2023: 19.3%).

Profit attributable to owners of the Company

The profit attributable to owners of the Company decreased by approximately 21.8% from approximately HK\$19.7 million for the Corresponding Year to approximately HK\$15.4 million for the Reporting Year, which was primarily attributable to the above mentioned effects.

Basic earnings per share for profit attributable to owners of the Company for the Reporting Year amounted to HK1.91 cents, as compared to HK2.45 cents in the Corresponding Year.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

We financed our operations primarily through cash generated from our operating activities. As at 31 March 2024 and 2023, we had cash and cash equivalents of approximately HK\$218.9 million and HK\$196.8 million respectively, which were cash at banks and in hand. As at 31 March 2024, HK\$3.5 million was pledged for government projects (2023: HK\$3.5 million).

The banking facility granted to the Group as at 31 March 2024 amounted to HK\$10.0 million (31 March 2023: HK\$10.0 million), of which HK\$3.5 million was utilised (31 March 2023: HK\$3.5 million).

During the Reporting Year, we did not take any bank borrowings and the Company had issued the Convertible Bonds on 8 October 2021. The Convertible Bonds shall mature on the fifth anniversary of the issue date and subject to annual interest rate of 2.5%, payable annually in arrears.

As at 31 March 2024, the gearing ratio of the Group was 0.43 (31 March 2023: 0.46), which was calculated based on total debts including the Convertible Bonds and lease liabilities divided by equity attributable to owners of the Company.

CAPITAL STRUCTURE

As at 31 March 2024, the capital structure of our Company comprised issued share capital and reserves.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group did not have other plans for material investments and capital assets.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

The Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies during Reporting Year.

SIGNIFICANT INVESTMENTS

As at 31 March 2024, the Group did not hold any significant investments (31 March 2023: nil).

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 March 2024 (31 March 2023: nil).

EXPOSURE TO EXCHANGE RATE FLUCTUATION

The Group's sales and costs transactions are mainly denominated in Hong Kong dollars, United States Dollars and Renminbi. We are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Renminbi. The Group will continue to take proactive measures and closely monitor its exposure to such currency movement.

CHARGE ON GROUP'S ASSETS

As at 31 March 2024, an amount of HK\$3.5 million (31 March 2023: HK\$3.5 million) was pledged for government projects. Save as disclosed above, there was no charge on the Group's assets as at 31 March 2024.

INFORMATION ON EMPLOYEES

As at 31 March 2024, the Group employed a total of 1,033 employees (31 March 2023: 984). Employees are remunerated according to their performance and work experience. On top of basic salary, variable income, discretionary bonus and share option may be granted to eligible staff by reference to the Group's performance as well as individual's performance. The total staff cost (including directors' remuneration) for the Reporting Year amounted to approximately HK\$236.2 million (2023: HK\$205.2 million). The dedication and hard work of the Group's staff during Reporting Year are generally appreciated and recognised.

CORPORATE GOVERNANCE PRACTICE

The Board recognises the importance of good corporate governance in management and internal control procedures so as to achieve accountability. Therefore, the Company is committed to establish and maintain good corporate governance practices and procedures. The Company has adopted the code provisions of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix C1 to the GEM Listing Rules and, in the opinion of the Board, the Company has complied with the CG Code for Reporting Year, save for the deviation from such code disclosed below.

Pursuant to code provision C.6.1 of the CG 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. Yung Pik Man, chief financial officer 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.

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. The Company had also made specific enquiry of all the Directors and the Company was not aware of any non-compliance with the required standard of dealings regarding securities transactions by the Directors for the Reporting Year.

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 Year.

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors and directors of the Company's subsidiaries, or any of their respective 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 of the Company and/or its subsidiaries and their respective associates) during the Reporting Year.

DIVIDEND

The Board has resolved to recommend the payment of a final dividend of HK0.82 cent per ordinary share (2023: HK1.00 cent) for the year ended 31 March 2024 subject to the approval of the shareholders at the forthcoming annual general meeting (the "AGM"). The final dividend will be paid on or about Thursday, 10 October 2024 to shareholders whose names appear on the register of members of the Company at the close of business on Friday, 27 September 2024.

CLOSURE OF THE REGISTER OF MEMBERS

The AGM is scheduled to be held on Tuesday, 17 September 2024. For determining the entitlement to attend and vote at the AGM, the transfer books and the register of members of the Company will be closed from Thursday, 12 September 2024 to Tuesday, 17 September 2024, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to establish the right to attend and vote at the AGM, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, located at 17 Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 11 September 2024.

The proposed final dividend is subject to the approval of the shareholders at the AGM. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed on Wednesday, 25 September 2024 to Friday, 27 September 2024, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, for registration not later than 4:30 p.m. on Tuesday, 24 September 2024.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 March 2024 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by PricewaterhouseCoopers on the preliminary announcement.

AUDIT COMMITTEE

The chairman of the Audit Committee is Mr. Au Yu Chiu Steven, an independent non-executive Director, and other members include Mr. Ko Man Fu and Mr. Mak Wai Sing, each being an independent non-executive Director. The written terms of reference of the Audit Committee as suggested under the CG Code are posted on the GEM website and on the Company's website.

The Group's financial statements for the Reporting Year have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the financial statements of the Group for the Reporting Year comply with the applicable accounting standards and the GEM Listing Rules.

APPRECIATION

On behalf of the Board, 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, 25 June 2024

As at the date of this announcement, the Board comprises of (1) Executive Directors: Mr. Lau Wai Kwok, Mr. Chan Kin Mei Stanley, Ms. Lau Tsz Yan and Mr. So Cheuk Wah Benton; (2) Non-executive Directors: Mr. Wong Chu Kee Daniel and Mr. Chu Siu Sum Alex; and (3) Independent non-executive Directors: Mr. Au Yu Chiu Steven, Mr. Ko Man Fu and Mr. Mak Wai Sing.