



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 REPORT

2017

## CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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*This annual 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 annual 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 annual report misleading.*

*This annual report will remain on the Stock Exchange’s website at [www.hkexnews.hk](http://www.hkexnews.hk), the GEM website at [www.hkgem.com](http://www.hkgem.com), on the “Latest Company Announcements” page for at least seven days from the date of its posting. This annual report will also be published on the Company’s website at [www.expertsystems.com.hk](http://www.expertsystems.com.hk).*

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# Corporate Information

## BOARD OF DIRECTORS

### Chairman and non-executive Director

Mr. Wong Chu Kee Daniel

### Chief executive officer and executive Director

Mr. Lau Wai Kwok

### Executive Directors

Ms. Lau Tsz Yan

Mr. So Cheuk Wah Benton

### Non-executive Directors

Mr. Chu Siu Sum Alex

Mr. Mok Chu Leung Terry

Mr. Cheung Nap Kai

Mr. Chan Kin Mei Stanley

### Independent non-executive Directors

Mr. Au Yu Chiu Steven

Mr. Chung Fuk Wing Danny

Mr. Ko Man Fu

Mr. Mak Wai Sing

## BOARD COMMITTEES

### Audit Committee

Mr. Au Yu Chiu Steven (*Chairman*)

Mr. Chan Kin Mei Stanley

Mr. Chung Fuk Wing Danny

Mr. Ko Man Fu

Mr. Mak Wai Sing

### Remuneration Committee

Mr. Ko Man Fu (*Chairman*)

Mr. Au Yu Chiu Steven

Mr. Chung Fuk Wing Danny

Mr. Mak Wai Sing

Mr. Wong Chu Kee Daniel

### Nomination Committee

Mr. Chung Fuk Wing Danny (*Chairman*)

Mr. Au Yu Chiu Steven

Mr. Ko Man Fu

Mr. Lau Wai Kwok

Mr. Mak Wai Sing

### Corporate Governance Committee

Mr. Chan Kin Mei Stanley (*Chairman*)

Mr. Au Yu Chiu Steven

Mr. Lau Wai Kwok

Mr. Wong Chu Kee Daniel

# Corporate Information

## AUDITOR

BDO Limited  
Certified Public Accountants  
25th Floor, Wing On Centre  
111 Connaught Road Central  
Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Conyers Trust Company (Cayman) Limited  
Cricket Square  
Hutchins Drive  
P. O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited  
Level 22  
Hopewell Centre  
183 Queen's Road East  
Hong Kong

## COMPANY SECRETARY

Mr. Lau Siu Ki

## AUTHORISED REPRESENTATIVES

Mr. Chan Kin Mei Stanley  
Mr. Lau Wai Kwok

## COMPLIANCE OFFICER

Mr. Lau Wai Kwok

## REGISTERED OFFICE

Cricket Square  
Hutchins Drive  
P. O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

## HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

17/F., AXA Tower, Landmark East  
100 How Ming Street  
Kwun Tong, Kowloon  
Hong Kong

## COMPLIANCE ADVISER

Ballas Capital Limited  
Unit 1802, 18/F., 1 Duddell Street  
Central  
Hong Kong

## PRINCIPAL BANKER

Industrial and Commercial Bank of China (Asia) Limited  
33/F., ICBC Tower  
3 Garden Road  
Central  
Hong Kong

## GEM STOCK CODE

8319

## COMPANY WEBSITE

[www.expertsystems.com.hk](http://www.expertsystems.com.hk)

# Chairman's Statement

Dear Shareholders,

On behalf of the board of directors (the "Board") of Expert Systems Holdings Limited (the "Company"), I am pleased to present the audited consolidated financial statements of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 March 2017.

2017 was a challenging and exciting year for our Group after listing on the Growth Enterprise Market (the "GEM") of the Stock Exchange of Hong Kong Limited (the "HKEX") on 12 April 2016 (the "Listing").

For financial year ended March 2017, the Group recorded a revenue of HK\$306.5 million with a 6.5% increase from HK\$287.9 million in FY2016 despite the economic slowdown in Hong Kong and Macau. In view of the challenging business environment, the Group proactively deployed more competitive pricing strategy to maintain our market share and the gross profit margin of the Group decreased from 15.1% in FY2016 to 13.9% in FY2017. On the other hand, our administrative expenses decreased by 47.1% in FY2017 compared to the corresponding year. The decrease in administrative expenses was mainly due to the net effect of (i) the non-recurring listing related expenses of approximately HK\$12.5 million incurred in FY2016 but no such expenses were incurred in FY2017; (ii) the decrease in exchange loss of approximately HK\$0.5 million; (iii) the increase in professional and compliance fees of approximately HK\$2.6 million following the Listing; and (iv) the increase in rental and related costs of approximately HK\$0.5 million. We recorded net profit of HK\$7.0 million in FY2017, as compared to net loss of HK\$1.8 million in FY2016. If the non-recurring listing expenses of HK\$12.5 million incurred in FY2016 were excluded, we would have recorded decrease in net profit of approximately HK\$3.8 million in FY2017, mainly due to the decrease in gross profit margin and increase in professional and compliance fees as mentioned above. Basic earnings per share was HK0.88 cent. The Board does not recommend any final dividends for the year ended 31 March 2017.

In the new page of corporate development, our Group with competent and experienced management team as well as good balanced of client base across private and public sectors enabled us to effectively manage the continual changes of economic situation in Hong Kong and Macau.

We are anticipating a challenging year ahead due to the slow economic growth in Hong Kong and Macau. Nevertheless we are confident that by maintaining the strategic relationship with the vendors; the proven infrastructure solutions; highly diversified customer base; well specialised technical expertise and dynamic management team, we are able to strengthen our position as one of preferred and trustworthy IT infrastructure solutions providers in Hong Kong and Macau.

In the year to come, our Group is to continue our strategies of riding on the latest technologies to provide the best IT infrastructure solutions to clients and at the same time we will explore any appropriate merger and acquisition opportunities. We will continually practice prudent management and corporate governance while capitalising market opportunities to stimulate our business growth.

We remain committed to the sustainable development of our Group in order to strive for the continuation of shareholder value enhancement.

On behalf of the board, I would like to take this opportunity to express our sincere thanks to all shareholders, customers, partners and business associates for their continued support, and last but not least, our dedicated staff for their valued contributions throughout the years.

**Wong Chu Kee Daniel**  
*Chairman and non-executive Director*

Hong Kong, 21 June 2017

# Management Discussion and Analysis

The shares of the Company (the "Shares") were successfully listed (the "Listing") on GEM of the Stock Exchange on 12 April 2016 (the "Listing Date"). 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.

## BUSINESS REVIEW

For the year ended 31 March 2017 ("FY2017") as compared to the last corresponding year ("FY2016"), the Group recorded a revenue increase of approximately 6.5%, whereas our gross profit was managed to approximately 1.8% decrease.

### Business in the Private Sector

The Group's revenue in the private sector increased by approximately 2.0% from approximately HK\$156.0 million, representing 54.2% of our total revenue, for FY2016 to approximately HK\$159.1 million, representing 51.9% of our total revenue, for FY2017.

The Group's gross profit in the private sector for FY2017 amounted to approximately HK\$22.8 million, representing 53.6% of our total gross profit and a decrease of approximately HK\$1.1 million, or approximately 4.7%, as compared to that of FY2016 of approximately HK\$23.9 million, representing 55.1% of our total gross profit. Moreover our gross profit margin in FY2017 was approximately 14.3%, representing a decrease of 1.0 percentage point as compared to that of FY2016 of approximately 15.3%.

We consider that the increase in revenue from the private sector was mainly due to the increase in demand for IT infrastructure solutions from our customers in the private sector. The slight decrease in gross profit margin was primarily because the Group proactively deployed the more competitive pricing strategy to maintain our market share in view of the relatively weakening economic outlook in Hong Kong.

### Business in the Public Sector

The Group's revenue in the public sector increased by approximately 11.7% from approximately HK\$131.9 million, representing 45.8% of our total revenue, for FY2016 to approximately HK\$147.4 million, representing 48.1% of our total revenue, for FY2017.

The Group's gross profit in the public sector for FY2017 amounted to approximately HK\$19.8 million, representing 46.4% of our total gross profit and an increase of approximately HK\$0.3 million, or approximately 1.8%, as compared to that of FY2016 of approximately HK\$19.5 million, representing 44.9% of our total gross profit. Our gross profit margin for FY2017 was approximately 13.5%, representing a decrease of 1.3 percentage points as compared to that of FY2016 of approximately 14.8%.

We consider that the increase in revenue from the public sector was mainly due to the increase in demand for IT infrastructure solutions from our customers in the public sector. As we deployed more competitive pricing strategy to maintain our market share, our gross profit margin from the public sector was reduced.

# Management Discussion and Analysis

## OUTLOOK AND PROSPECTS

Moving forward, as result of the latest technologies transformation, our Group has been focusing on the following business opportunities which are enabling us to grow our business continuously by providing the IT infrastructure solutions to the market.

### (1) Digital Transformation

In light of the availabilities of the latest technologies as well as the popularity of social media, mobile, web, cloud and big data applications, we believe that more enterprises and institutions will adopt digital transformation information technology to enhance their competitiveness and operations efficiency.

### (2) Cross Cloud Architecture

The Group believes that the IT infrastructure in most of enterprises and institutions will be in hybrid mode in near future. This means any workload could be shifted online to and fro between on-premises and cloud or between cloud and cloud. The maturity of Cross Cloud Architecture technology creates different usage now and more adoption can be expected in the future.

### (3) Information Security

The latest worldwide outbreak of ransomware well alerted enterprises and institutions the importance of Information Security. We believe that the enterprises and institutions would increase their expenditure on the overall information security infrastructure, not only ransomware, but others like anti-virus & anti-spam and firewall etc.

In order to capitalise the above mentioned opportunities, we are continuously strengthening our strategic relationship with our suppliers; our domain of specialised technical expertise on the latest and proven infrastructure solutions and a diversified customer base across private and public sectors.

While our Group has been focusing on the core IT infrastructure solutions business with the continual growth, we will explore any appropriate merger and acquisition opportunities for the enhancement of enterprise value. This will only be carried out in cautious manner and has to be for the benefit of our Group and the shareholders' best interest.

Last but not the least, our business has been, and is expected to be, challenged by the weak economic outlook. We believe that the market conditions remain uncertain due to continual slowdown in the growth of both the PRC and global economy. We consider that might have negative impact on our business volume and exert pressure on our pricing terms and hence on our profit margin and profitability.

In conclusion, in view of the uncertain business environment, the Group will be cautious in managing the business risk; prepare to respond to the changes in such economic and business environment, and aim to strategically develop the Group's business to mitigate the said impacts. The Group will continue to focus on its core businesses and provide innovative and integrated IT infrastructure solutions to customers in both private and public sectors, to enable its enterprise and institution customers to extract maximum value from their IT engagements.



# Management Discussion and Analysis

## FINANCIAL REVIEW

### Revenue

The Group's revenue increased by approximately 6.5% from approximately HK\$287.9 million for FY2016 to approximately HK\$306.5 million for FY2017, which was primarily attributable to the increase in demand from our customers for IT infrastructure solutions in FY2017 as compared to FY2016.

### Gross profit and gross profit margin

For FY2017, our gross profit amounted to approximately HK\$42.6 million, representing a decrease of approximately HK\$0.8 million, or approximately 1.8%, as compared to that of FY2016 of approximately HK\$43.4 million.

Our gross profit margin in FY2017 was approximately 13.9%, representing a decrease of 1.2 percentage points as compared to that of FY2016 of approximately 15.1%. The decrease in gross profit margin was mainly because the Group proactively deployed more competitive pricing strategy to maintain our market share.

### Other income and gains

Our other income decreased by approximately HK\$0.4 million (or approximately 39.6%) from approximately HK\$1.0 million for FY2016 to approximately HK\$0.6 million for FY2017. The decrease was mainly due to lesser amount in write back of other payables and interest income in FY2017.

### Selling expenses

For FY2017, our selling expenses amounted to approximately HK\$23.9 million, representing an increase of approximately HK\$0.6 million (or approximately 2.7%) as compared to FY2016 of approximately HK\$23.3 million. Such increase was mainly attributed by the increase in our staff cost.

### Administrative expenses

The Group's administrative expenses for FY2017 were approximately HK\$11.0 million, representing a decrease of approximately 47.1% from approximately HK\$20.8 million for FY2016. The decrease was primarily due to the net effect of (i) the non-recurring listing related expenses of approximately HK\$12.5 million incurred in FY2016 but no such expenses were incurred in FY2017; (ii) the decrease in exchange loss of approximately HK\$0.5 million; (iii) the increase in professional and compliance fees of approximately HK\$2.6 million following the Listing of the Company in April 2016; and (iv) the increase in rental and related costs of approximately HK\$0.5 million.

### Income tax expense

The Group's income tax expense for FY2017 was approximately HK\$1.4 million, representing a decrease of approximately 35.5% from approximately HK\$2.1 million for FY2016. The effective tax rate for FY2017 was approximately 16.2% which was comparable to that of 16.4% for FY2016 after excluding the abovementioned non-recurring Listing related expenses of HK\$12.5 million which was non-deductible.

# Management Discussion and Analysis

## Profit attributable to owners of the Company

The profit attributable to owners of the Company amounted to approximately HK\$7.0 million for FY2017 as compared with a net loss of approximately HK\$1.8 million for FY2016, which was primarily attributable to the abovementioned effects. However, if the abovementioned non-recurring Listing related expenses of HK\$12.5 million incurred in FY2016 were excluded from the Group's net profit, the Group's underlying net profit for FY2016 would amount to approximately HK\$10.7 million, and the Group would record a decrease of approximately HK\$3.8 million, or approximately 34.9%, in net profit for FY2017 as compared to the underlying net profit for FY2016, mainly due to the decrease in gross profit margin and increase in professional fees and compliance fees as mentioned above.

## LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

We financed our operations primarily through cash generated from our operating activities. During FY2017, we did not have any bank borrowings. As at 31 March 2016 and 2017, we had cash and cash equivalents of approximately HK\$50.5 million and HK\$103.3 million, respectively, which were cash at banks and in hand. As at 31 March 2016 and 2017, the bank deposit of HK\$4.2 million and HK\$2.1 million respectively were pledged to a bank for banker's guarantee of performance bonds which is one of the requirements for being an approved contractor of the Government for supplying IT products and provision of related services. Such banker's guarantee amounted to HK\$2.1 million (31 March 2016: HK\$4.2 million) and the banking facility granted to the Group amounted to HK\$10.8 million (31 March 2016: HK\$10.8 million), of which HK\$8.7 million was unutilised (31 March 2016: HK\$6.6 million).

The Group's gearing ratio, which is calculated by total debt (defined as bank and other debts incurred not in the ordinary course of business) divided by total equity, were nil as at 31 March 2016 and 2017. Going forward, we intend to use our capital for our operations and the expansion plans as stated in the prospectus of the Company dated 30 March 2016 (the "Prospectus").

## CAPITAL STRUCTURE

As at 31 March 2017, the capital structure of our Company comprised issued share capital and reserves.

## COMMITMENTS

Our contract commitments mainly involve leases of office and warehouse properties. As at 31 March 2017, the Group's operating lease commitments were approximately HK\$4.3 million (31 March 2016: approximately HK\$9.5 million).

## FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in the Prospectus, 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 FY2017.

## SIGNIFICANT INVESTMENTS

As at 31 March 2017, the Group did not hold any significant investments.

# Management Discussion and Analysis

## CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 March 2017 (31 March 2016: nil).

## EXPOSURE TO EXCHANGE RATE FLUCTUATION

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group mainly operates in Hong Kong with most of the transactions denominated and settled in HK\$. During FY2017, the Group's exposure to foreign currency risk primarily arose from certain financial instruments including trade receivables, cash and cash equivalents and held-to-maturity investments which are denominated in MOP and/or US\$. During FY2017, the Group did not adopt any hedging strategy but the management continuously monitored the foreign exchange risk exposure on a case-by-case basis. The Group did not use any hedging contracts to engage in speculative activities during FY2017.

## CHARGE ON GROUP'S ASSETS

Save as disclosed in Note 19 to the consolidated financial statements, the Group had no charges on the Group's assets.

## INFORMATION ON EMPLOYEES

As at 31 March 2017, the Group had 77 employees (31 March 2016: 73) working in Hong Kong. Employees are remunerated according to their performance and work experience. On top of basic salary, commission, 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 remuneration of the Directors and mandatory provident funds contributions) for FY2017 amounted to approximately HK\$27.7 million (FY2016: HK\$26.2 million).

The dedication and hard work of the Group's staff during FY2017 are generally appreciated and recognised.

## SHARE OPTION SCHEME

The Company has adopted the share option scheme (the "Scheme") on 15 March 2016 which will remain in force for a period of 10 years from the effective date of the Scheme. The purpose of the Scheme is to enable the Company to grant options to selected participants as incentives or rewards for their contribution to it. The Directors consider the Scheme, with its broadened basis of participation, will enable the Group to reward the employees, the Directors and other selected participants for their contributions to the Group. The principal terms of the Scheme are summarised in the section headed "Share Option Scheme" in Appendix IV to the Prospectus.

For FY2017, no share option was granted, exercised, expired or lapsed and there was no outstanding share option under the Scheme as at 31 March 2017.

# Biographical Details of the Directors and Senior Management

## CHAIRMAN AND NON-EXECUTIVE DIRECTOR

**Mr. Wong Chu Kee Daniel (黃主琦)**, aged 56, is our chairman and a non-executive Director. Mr. Wong is responsible for providing leadership to our Board and advising on the business strategies of our Group. He was appointed as a Director on 18 September 2015. Mr. Wong had been a director of our operating subsidiary, Expert Systems Limited ("Expert HK"), from October 2003 to September 2004. He was reappointed as a director of Expert HK in February 2007 and he has been holding such directorship up to now. On 15 March 2016, Mr. Wong was appointed as a non-executive Director and the chairman of our Board. He is also a member of both our remuneration committee and corporate governance committee.

Mr. Wong also holds directorships in a number of the other subsidiaries within our Group, namely Expert Systems Group Limited ("Expert BVI") and Expert Systems (Macau) Limited ("Expert Macau"). He is one of our Controlling Shareholders.

Mr. Wong graduated from the University of East Anglia in the United Kingdom with a Bachelor of Science degree in Computer Studies in July 1984. He has over 30 years of experience in the IT industry and previously held various senior managerial positions at AST Research (Far East) Limited ("AST"). Mr. Wong is one of the founders of ServiceOne Limited ("ServiceOne"), which is a connected person of our Company and is principally engaged in providing IT support services across Hong Kong, Macau and China. Currently he is the Chairman and Chief Executive Officer of ServiceOne.

## CHIEF EXECUTIVE OFFICER AND EXECUTIVE DIRECTOR

**Mr. Lau Wai Kwok (劉偉國)**, aged 48, is our chief executive officer and an executive Director. Mr. Lau is responsible for overseeing the business, corporate strategy, long-term planning all-round development and daily operations of our Group. He was appointed as a Director on 18 September 2015 and our chief executive officer and an executive Director on 15 March 2016. He is also the compliance officer of our Company and a member of both our nomination committee and corporate governance committee.

Mr. Lau was appointed as a director of our operating subsidiary, Expert HK, on 24 September 2004. He has been the general manager of Expert HK since October 2004, responsible for overseeing the business of our Group. Mr. Lau also holds directorships in other subsidiaries within our Group, namely Expert BVI and Expert Macau. He is one of our Controlling Shareholders.

Mr. Lau graduated from the University of Hong Kong with a degree of Bachelor of Science in November 1991. Mr. Lau has extensive experience in the IT industry, including sales, marketing and operational management. Previously Mr. Lau worked at System-Pro Computers Limited, an IT products reseller, from 1992 to 1995. He joined Dell Computer Asia Limited ("Dell") in January 1996, and he was general sales manager of the large corporate accounts division when he left the company in April 2002. He was manager — sales (public sector) of Hutchison Global Communications Limited before joined our Group in 2004.

# Biographical Details of the Directors and Senior Management

## EXECUTIVE DIRECTORS

**Ms. Lau Tsz Yan (劉紫茵)**, aged 44, is an executive Director and the general sales manager of the outside sales department of our Group. Ms. Lau was appointed as an executive Director on 15 March 2016. She is responsible for overseeing and managing the sales team of our Group with respect to our clients in the private sector.

Ms. Lau joined our Group in October 1996. Ms. Lau graduated from the Monash University in Australia with a Bachelor of Computing (Information Systems) degree in August 1995. Ms. Lau has 20 years of experience in the sales and marketing of IT infrastructure solutions to corporate clients.

**Mr. So Cheuk Wah Benton (蘇卓華)**, aged 43, is an executive Director and the senior sales manager of the outside sales department of our Group. Mr. So was appointed as an executive Director on 15 March 2016. He is responsible for overseeing and managing the sales team of our Group with respect to our clients in the public sector.

Mr. So joined our Group in September 2004. Mr. So graduated from the Hong Kong Technical Colleges with a Higher Diploma in Electronic Engineering in June 1997. Mr. So has over 17 years of experience in the IT industry. Previously he held various positions in IBM and a number of IT products resellers in Hong Kong before he joined our Group in 2003.

## NON-EXECUTIVE DIRECTORS

**Mr. Chu Siu Sum Alex (朱兆深)**, aged 56, was appointed as a non-executive Director on 15 March 2016. He is responsible for providing market and industry knowledge in assisting the strategic planning of our Group. Previously Mr. Chu had been a director of our operating subsidiaries, Expert HK and Expert Macau. He is one of our Controlling Shareholders.

Mr. Chu obtained a degree of Bachelor of Science in Computing Science from the University of Newcastle upon Tyne (currently the Newcastle University) in the United Kingdom in June 1984.

Mr. Chu has over 30 years of experience in the IT industry. Mr. Chu was the managing director of AST, responsible for overseeing the entire operation of marketing, sales and technical service in over 11 Asian countries, before he joined Dell in 1994. He was the Hong Kong/PRC sales director, when he left Dell in October 2001. Mr. Chu worked as an executive director in our operating subsidiary, Expert HK, from September 2004 to November 2007, overseeing the overall business and management of Expert HK. Mr. Chu has been working in ServiceOne, which is a connected person of our Company since December 2007. He is currently an executive director of ServiceOne, responsible for overseeing the overall management and sales function of ServiceOne.

**Mr. Mok Chu Leung Terry (莫柱良)**, aged 56, was appointed as a non-executive Director on 15 March 2016. He is responsible for providing market and industry knowledge in assisting the strategic planning of our Group. Mr. Mok had been a director of our operating subsidiary, Expert HK, from September 2004 to November 2015. He is one of our Controlling Shareholders.

Mr. Mok obtained a degree of Bachelor of Science from Queen Mary College, the University of London (currently the Queen Mary University of London) in the United Kingdom in August 1983.

Mr. Mok has more than 30 years of experience in the IT industry. Previously he worked in AST and held various senior managerial positions of IT related products resellers in Hong Kong. Mr. Mok has been working in ServiceOne since November 1999, of which he is one of the founders. ServiceOne is a connected person of our Company and is principally engaged in providing IT support services across Hong Kong, Macau and China. Mr. Mok is currently a senior vice president of ServiceOne, supervising and managing the sales and services operation in China.

## Biographical Details of the Directors and Senior Management

**Mr. Cheung Nap Kai (張立基)**, aged 57, was appointed as a non-executive Director on 15 March 2016. He is responsible for providing market and industry knowledge in assisting the strategic planning of our Group. Mr. Cheung had been a director of our operating subsidiary, Expert HK, from September 2004 to November 2015. He is one of our Controlling Shareholders.

Mr. Cheung obtained a degree of Bachelor of Science from Imperial College of Science and Technology, the University of London (currently the Imperial College London) in the United Kingdom in August 1982.

Mr. Cheung has over 25 years of experience in the IT industry. He joined Legend Technology Limited, an IT products manufacturer and a subsidiary of Legend, in 1988. He was a general manager, responsible for the distribution business in the PRC, when he left Legend Technology Limited in 1997. Mr. Cheung joined our operating subsidiary, Expert HK, as a senior vice president, from September 2004 to November 2007, responsible for overseeing the business development of Expert HK.

**Mr. Chan Kin Mei Stanley (陳健美)**, aged 45, is a non-executive Director, responsible for advising on the finance, accounting, risk management and corporate governance of our Group. He was appointed as a Director on 25 November 2015 and a non-executive Director on 15 March 2016. He is also the chairman of our corporate governance committee and a member of our audit committee.

Mr. Chan obtained a degree of Bachelor of Arts in Accountancy through distance learning from the University of Bolton in the United Kingdom in September 2007. He was admitted as an associate member of the Institute of Financial Accountants in February 2006.

Mr. Chan has around 26 years of experience in the accounting, finance and human resources fields. Previously Mr. Chan was the company secretary of our operating subsidiary, Expert HK, from March 2003 to September 2004 and was in senior managerial position before he joined ServiceOne in March 2016. Currently he is a vice president, head of finance of ServiceOne, responsible for overseeing the finance and accounting, and human resources and administration functions.

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Au Yu Chiu Steven (區裕釗)**, aged 58, was appointed as an independent non-executive Director on 15 March 2016. He is responsible for bringing an independent judgment to bear on issues of strategy, investment, policy, performance, accountability, resources, key appointments and standards of conduct. He is also the chairman of our audit committee and a member of our remuneration committee, nomination committee and corporate governance committee.

Mr. Au graduated from the University of East Anglia in the United Kingdom with a degree of Bachelor of Arts majoring in Economics in July 1982. He further received his degree of Master of Business Administration from the University of Western Ontario in Canada in October 2000. Mr. Au was admitted as a Chartered Accountant of the Institute of Chartered Accountants in England and Wales in November 1987. He is a fellow member of the Hong Kong Institute of Certified Public Accountants.

Mr. Au has more than 30 years of experience in the accounting and finance field. He worked as an accountant in the United Kingdom from 1982 to 1987 before he joined Arthur Andersen & Co. in Hong Kong in 1987. He then took up senior managerial positions with various companies in the finance industry. Mr. Au has been an executive director of finance and administration of Matilda International Hospital since October 2002. Mr. Au is also an independent non-executive director of Vincent Medical Holdings Limited (stock code: 1612), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited.

## Biographical Details of the Directors and Senior Management

**Mr. Chung Fuk Wing Danny (鍾福榮)**, aged 61, was appointed as an independent non-executive Director on 15 March 2016. He is responsible for bringing an independent judgment to bear on issues of strategy, investment, policy, performance, accountability, resources, key appointments and standards of conduct. He is also the chairman of our nomination committee and a member of both our audit committee and remuneration committee.

Mr. Chung graduated from the University of Windsor in Canada with a degree in Bachelor of Applied Science majoring in Civil Engineering in June 1981. He further received his degree of Master of Business Administration from the University of Western Sydney in Australia in August 1996. Mr. Chung has been registered as a Chartered Engineer with the Engineering Council in the United Kingdom since September 1987 and as a Civil (General) Engineer with the Institution of Engineers in Australia since July 1994. He has also been a member of the Institution of Engineering and Technology (formerly the Institution of Production Engineers) in the United Kingdom since April 1987, a member of the Institution of Engineers in Australia since August 1991 and a member of the Hong Kong Institution of Engineers since January 1997.

Mr. Chung has over 30 years of experience in the construction industry. He began his career with Shui On Plant and Equipment Services Ltd. ("Shui On"), in 1981. After he left Shui On in 1993, he was in senior managerial positions of a number of construction related companies in Hong Kong and China. Mr. Chung was general manager — regional head, eastern region construction materials in K. Wah Construction Materials (China) Limited ("K. Wah China") from April 2011 to October 2015, responsible for the entire operations of K. Wah China in eastern region of China.

**Mr. Ko Man Fu (高文富)**, aged 57, was appointed as an independent non-executive Director on 15 March 2016. He is responsible for bringing an independent judgment to bear on issues of strategy, investment, policy, performance, accountability, resources, key appointments and standards of conduct. He is also the chairman of our remuneration committee and a member of both our audit committee and nomination committee.

Mr. Ko obtained a degree of Bachelor of Laws and Postgraduate Certificate in Laws from the University of Hong Kong in 1986 and 1987 respectively. He was admitted as a solicitor of the High Court of Hong Kong in September 1989. He is a Reverse Mortgage Counsellor of the Law Society of Hong Kong.

Mr. Ko has been working as a solicitor in Hong Kong with various law firms for more than 27 years. He is currently working as a consultant at the law firm, Hau, Lau, Li & Yeung.

**Mr. Mak Wai Sing (麥偉成)**, aged 56, was appointed as an independent non-executive Director on 15 March 2016. He is responsible for bringing an independent judgment to bear on issues of strategy, investment, policy, performance, accountability, resources, key appointments and standards of conduct. He is also a member of our audit committee, remuneration committee and nomination committee.

Mr. Mak graduated from the University of Nottingham in the United Kingdom with a degree of Bachelor of Science majoring in civil engineering in July 1983. He further received his degree of Master of Business Administration from the Chinese University of Hong Kong in October 1986.

Mr. Mak has over 26 years of experience in the trading business. He began his career with Swire & Maclaine Ltd. ("Swire & Maclaine"), a trading company in 1986, he was group manager when he left Swire & Maclaine, and then joined Li & Fung (Trading) Limited ("Li & Fung") in June 2000. Mr. Mak was senior vice president when he left Li & Fung in January 2013.

# Biographical Details of the Directors and Senior Management

## SENIOR MANAGEMENT

**Mr. Yan Tsz Yin (甄子賢)**, aged 46, the senior manager of the business development department of our Group. Mr. Yan joined our Group in September 1999. He is responsible for managing our Group's business development and marketing functions. Mr. Yan graduated from the City Polytechnic of Hong Kong (currently the City University of Hong Kong) with a degree of Bachelor of Engineering majoring in Computer Engineering in December 1994. He has around 18 years of experience in the sales and marketing of IT products and services.

**Mr. Li Sui Wai, Soan (李歲偉)**, aged 55, the senior manager of the technology services department of our Group. Mr. Li joined our Group in January 2017. He leads our presales service team and project management team of the technology services department which is responsible for identifying the IT solutions that suit the needs of our customers, and preparing and presenting technical proposals together with our outside sales department and demonstrations of the IT solutions identified to our customers. He also leads our project management team of the technology services department to monitor and manage the project schedules and budget to achieve the project results.

Mr. Li graduated from the Open University of Hong Kong with a degree of Bachelor of Computing Science in December 1995. Mr. Li has more than 25 years of experience in working as management on technology services function in different IT companies.

**Mr. Chui Yuk Man (徐育民)**, aged 39, the professional services manager of the technology services department of our Group. Mr. Chui joined our Group in December 2007. He is responsible for managing our professional services team to ensure that our Group provides IT solutions to our customers on time and within budget and that the IT solutions have been implemented properly to address the needs of our customers.

Mr. Chui graduated from the Chinese University of Hong Kong with a degree of Bachelor of Engineering in December 2000. He has obtained various certifications and qualifications in systems administration and IT architecture, including Symantec Technical Specialist, VMware Certified Professional 5 Data Center Virtualisation and VMware Certified Advanced Professional 5 Data Center Design. Mr. Chui has around 15 years of experience in the IT industry.

**Ms. Wong Yuk Lam (黃鈺霖)**, aged 39, the senior finance manager of our Group. Ms. Wong Yuk Lam joined our Group in May 2005. She oversees the overall accounting and treasury functions of our Group. She is also the company secretary of Expert HK.

Ms. Wong Yuk Lam obtained a degree of Bachelor of Commerce majoring in Accounting through distance learning from the Curtin University of Technology in Australia in February 2007. She was admitted as a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants in January 2013. Ms. Wong Yuk Lam has over 19 years of experience in the accounting and finance field.

## COMPANY SECRETARY

**Mr. Lau Siu Ki (劉紹基)**, aged 58, is the company secretary of our Company and was appointed in March 2016. He graduated from the Hong Kong Polytechnic (now Hong Kong Polytechnic University) with a Higher Diploma in Accountancy in November 1981. He is a fellow member of both the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.

Mr. Lau Siu Ki has over ten years of experience in the corporate secretarial field. Prior to becoming a company secretary for listed companies in Hong Kong, he had worked in Ernst and Young, an international accounting firm, for over 15 years.



# Corporate Governance Report

## CORPORATE GOVERNANCE PRACTICE

The Shares were listed on the Stock Exchange on 12 April 2016 (the "Listing Date"), the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 15 to the GEM Listing Rules were therefore applicable to the Company for FY2017 since the Listing Date.

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 CG Code and, in the opinion of the Board, the Company has complied with the CG Code from the Listing Date to the date of this annual report, save for the deviation from such code disclosed below in accordance with the GEM Listing Rules.

Pursuant to code provision F.1.1 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. Wong Yuk Lam, the senior finance manager 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.

## BOARD OF DIRECTORS

The Board is responsible for the overall management of the business of the Group and ensures that it is managed in the best interests of the Company and the shareholders as a whole while taking into account the interest of other stakeholders. The Board focuses on formulating the overall business strategy, reviewing and monitoring the business performance, internal controls and risk management of the Group, approving the financial statements and directing and supervising the management of the Company. Execution of operational matters and the powers thereof are delegated to the senior management by the Board. The Board is provided with the management update report to give a balanced and understandable assessment of the performance, recent development and prospects of the Group regularly.

The Board delegates to the Corporate Governance Committee the responsibilities for the corporate governance functions under the code provision D.3.1 of the CG Code including professional development of the Directors and the senior management, and reviewing the Company's compliance with the CG Code and disclosure in this Corporate Governance Report. The Board has reviewed and discussed with the committee about the corporate governance policy of the Group and is satisfied with the effectiveness of the corporate governance policy.

# Corporate Governance Report

## Composition of the Board

The composition of the Board from the Listing Date up to the date of this annual report is set out as follows:

### Executive Directors

Mr. Lau Wai Kwok (*Chief Executive Officer*)

Ms. Lau Tsz Yan

Mr. So Cheuk Wah Benton

### Non-executive Directors

Mr. Wong Chu Kee Daniel (*Chairman*)

Mr. Chu Siu Sum Alex

Mr. Mok Chu Leung Terry

Mr. Cheung Nap Kai

Mr. Chan Kin Mei Stanley

### Independent non-executive Directors

Mr. Au Yu Chiu Steven

Mr. Chung Fuk Wing Danny

Mr. Ko Man Fu

Mr. Mak Wai Sing

Biographical details of the Directors are set out in “Biographical Details of the Directors and Senior Management” on pages 10 to 14 of this annual report.

In compliance with Rules 5.05A, 5.05(1) and (2) of the GEM Listing Rules, the Company has appointed four independent non-executive Directors representing not less than one-third of the Board and at least one of whom has appropriate professional qualifications, or accounting or related financial management expertise. The Company has received from each independent non-executive Director an annual confirmation of his independence, and the Company considers such Directors to be independent in accordance with Rule 5.09 of the GEM Listing Rules.

With the various experience of the executive Directors, the non-executive Directors and the independent non-executive Directors, the Board considered that the Board has a balance of skills, experience and expertise for the business of the Group given the nature of the Group’s business.

To the best knowledge of the Board members, there are no other relationship (including financial, business, family, and other material/relevant relationships) among the members of the Board.

## TERMS OF APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of our executive Directors entered into a service contract with our Company on 15 March 2016 and we signed letter of appointment with each of our non-executive Directors and independent non-executive Directors. The service contract with each of our executive Directors and the letter of appointment with each of our non-executive Directors and independent non-executive Directors is for an initial term of three years commencing 15 March 2016. The service contracts and the letters of appointment are subject to termination in accordance with their respective terms. The service contracts may be renewed in accordance with our articles of association and the applicable GEM Listing Rules.

# Corporate Governance Report

According to our articles of association, one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation at every annual general meeting of the Company, provided that every Director shall be subject to re-election at annual general meeting at least once every three years. Any Director who is appointed by the Board to fill casual vacancy shall hold office until the first general meeting after his appointment, and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election.

As such, each of Mr. Mok Chu Leung Terry, Mr. Cheung Nap Kai, Mr. Au Yu Chiu Steven and Mr. Chung Fuk Wing Danny will retire from office as Director. Mr. Mok Chu Leung Terry and Mr. Cheung Nap Kai have indicated that they do not intend to offer themselves for re-election at the forthcoming annual general meeting of the Company to be held on 22 September 2017 (the "2017 AGM"). Mr. Au Yu Chiu Steven and Mr. Chung Fuk Wing Danny being eligible, will offer themselves for re-election at the 2017 AGM pursuant to article 84(1) of our articles of association.

At the 2017 AGM, separate ordinary resolutions will be put forward to the shareholders of the Company in relation to the proposed re-election of Mr. Au Yu Chiu Steven and Mr. Chung Fuk Wing Danny as independent non-executive Directors, each for a term commencing from the date of the annual general meeting approving his appointment and ending at the conclusion of the annual general meeting of the Company to be held in 2020.

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The role of Chairman and Chief Executive Officer is separate and is not performed by the same individual to avoid power being concentrated in any one individual. Mr. Wong Chu Kee Daniel has been the Chairman of the Board and Mr. Lau Wai Kwok has been the chief executive officer of the Company since the Listing.

## DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

Every Director keeps abreast of responsibilities as a director of the Company and of the conduct, business activities and development of the Company.

The Directors are fully aware of the requirement under the code provision A.6.5 of the CG Code regarding continuous professional development. During the year ended 31 March 2017, all Directors received regular briefings and updates on the Group's business, operations, risk management, internal controls, corporate governance matters and relevant laws and regulations. They have also attended courses and seminars organised by external professional bodies and/or read materials on topics relevant to the duties and responsibilities of a director. All Directors have provided the Company with their respective training records pursuant to the CG Code.

# Corporate Governance Report

## BOARD COMMITTEE

The Board has established four Board committees, namely the Audit Committee, the Remuneration Committee, the Nomination Committee and the Corporate Governance Committee, for overseeing particular aspects of the Company's affairs. All Board committees have been established with defined written terms of reference, which are posted on the GEM's website [www.hkgem.com](http://www.hkgem.com) and the Company's website at [www.expertsystems.com.hk](http://www.expertsystems.com.hk). All the Board committees should report to the Board on their decisions or recommendations made.

The practices, procedures and arrangements in conducting meetings of Board committees follow in line with, so far as practicable, those of the Board meetings.

All Board committees are provided with sufficient resources to perform their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstance, at the Company's expense.

### Audit Committee

The chairman of the Audit Committee is Mr. Au Yu Chiu Steven, an independent non-executive Director, and other members include Mr. Chan Kin Mei Stanley, a non-executive Director, and Mr. Chung Fuk Wing Danny, 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 main objective of the Audit Committee is to assist the Board in fulfilling its fiduciary responsibilities to the Company and each of its subsidiaries to act in the interest of the Shareholders as a whole.

Its primary duties include: (a) to consider and make recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal; (b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards; (c) to discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences; (d) to develop and implement policy on engaging an external auditor to supply non-audit services; (e) to make recommendations to the Board as it deems appropriate on any area within its remit where action or improvement is needed; and (f) to monitor integrity of the Company's financial statements and the annual report and accounts, half-year report and quarterly reports, and to review significant financial reporting judgments contained in them.

The Company has complied with Rule 5.28 of the GEM Listing Rules in that the Audit Committee must comprise a minimum of three members and must be chaired by an independent non-executive Director who possesses appropriate professional qualifications or accounting or related financial management expertise as required in Rule 5.05(2) of the GEM Listing Rules.

The Group's financial statements for the year ended 31 March 2017 have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the financial statements of the Group for the year ended 31 March 2017 comply with the applicable accounting standards and the GEM Listing Rules.

### Remuneration Committee

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

# Corporate Governance Report

The main functions of the Remuneration Committee include: (a) to make recommendations to the Board on the Company's policy and structure for all of the Directors' and senior management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy; (b) to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives; (c) to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management; (d) to make recommendations to the Board on the remuneration of the non-executive Directors; (e) to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group; (f) to review and approve compensation payable to the executive Directors and the senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive; and (g) to review and approve compensation arrangements relating to dismissal or removal of the Directors for misconduct to ensure they are consistent with contractual terms and are otherwise reasonable and appropriate.

The remuneration of members of the senior management by band for the year ended 31 March 2017 is set out below:

| Remuneration band    | Number of individuals |
|----------------------|-----------------------|
| Nil to HK\$1,000,000 | 4                     |

Further particulars regarding Directors' remuneration and the five highest paid employees as required to be disclosed pursuant to the GEM Listing Rules are set out in Note 10 to the consolidated financial statements.

## Nomination Committee

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

The main objectives of the Nomination Committee are to implement a formal, transparent and objective procedure for appointing the Board members and to provide clear disclosure of the Company's policies on the nomination and evaluation of the Board members in the Company's annual report. Its primary functions include: (a) to review the structure, size and composition (including the skills, knowledge, experience and diversity of perspectives) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy; (b) to identify individuals suitably qualified to become the Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships; (c) to assess the independence of the independent non-executive Directors; and (d) to make recommendations to the Board on the appointment or re-appointment of the Directors and succession planning for the Directors, in particular the chairman and the chief executive.

## Corporate Governance Committee

The chairman of the committee is Mr. Chan Kin Mei Stanley, a non-executive Director. Other members include Mr. Lau Wai Kwok, our chief executive officer and executive Director, Mr. Wong Chu Kee Daniel, our chairman and non-executive Director and Mr. Au Yu Chiu Steven, an independent non-executive Director. The written terms of reference of the Corporate Governance Committee are posted on the GEM website and on the Company's website.

# Corporate Governance Report

The primary duties of the Corporate Governance Committee include: (a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board; (b) to review and monitor the training and continuous professional development of the directors and senior management of the Group; (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (d) to develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors; and (e) to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

No meeting of the Corporate Governance Committee has been held during the year ended 31 March 2017. Subsequent to 31 March 2017, a meeting of the Corporate Governance Committee was held on 19 June 2017.

## NUMBER OF MEETINGS AND DIRECTORS' ATTENDANCE

The Board meets regularly for considering, reviewing and/or approving matters relating to, among others, the financial and operating performance, as well as, the overall strategies and policies of the Company. Additional meetings are held when significant events or important issues are required to be discussed and resolved.

The individual attendance record of the Board meeting, committee meetings and general meeting for the year ended 31 March 2017 is set out as follows.

|  | Number of Board Meetings attended/eligible to attend | Number of General Meeting attended/eligible to attend | Number of Audit Committee Meetings attended/eligible to attend | Number of Remuneration Committee Meetings attended/eligible to attend | Number of Nomination Committee Meetings attended/eligible to attend | Number of Corporate Governance Committee Meetings attended/eligible to attend |
|--|--|---|--|---|---|---|
|--|--|---|--|---|---|---|

### Executive Directors:

|  |     |     |     |     |     |     |
|--|-----|-----|-----|-----|-----|-----|
| Mr. Lau Wai Kwok (Chief Executive Officer) | 4/4 | 1/1 | N/A | N/A | 1/1 | 0/0 |
| Ms. Lau Tsz Yan                            | 4/4 | 1/1 | N/A | N/A | N/A | N/A |
| Mr. So Cheuk Wah Benton                    | 4/4 | 1/1 | N/A | N/A | N/A | N/A |

### Non-executive Directors:

|                                    |     |     |     |     |     |     |
|------------------------------------|-----|-----|-----|-----|-----|-----|
| Mr. Wong Chu Kee Daniel (Chairman) | 4/4 | 1/1 | N/A | 2/2 | N/A | 0/0 |
| Mr. Chu Siu Sum Alex               | 4/4 | 1/1 | N/A | N/A | N/A | N/A |
| Mr. Mok Chu Leung Terry            | 3/4 | 1/1 | N/A | N/A | N/A | N/A |
| Mr. Cheung Nap Kai                 | 4/4 | 1/1 | N/A | N/A | N/A | N/A |
| Mr. Chan Kin Mei Stanley           | 4/4 | 1/1 | 5/5 | N/A | N/A | 0/0 |

### Independent non-executive Directors:

|                          |     |     |     |     |     |     |
|--------------------------|-----|-----|-----|-----|-----|-----|
| Mr. Au Yu Chiu Steven    | 4/4 | 1/1 | 5/5 | 2/2 | 1/1 | 0/0 |
| Mr. Chung Fuk Wing Danny | 4/4 | 1/1 | 5/5 | 2/2 | 1/1 | N/A |
| Mr. Ko Man Fu            | 4/4 | 1/1 | 5/5 | 2/2 | 1/1 | N/A |
| Mr. Mak Wai Sing         | 4/4 | 1/1 | 5/5 | 2/2 | 1/1 | N/A |

# Corporate Governance Report

## 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 during the period from the Listing Date to 31 March 2017.

## COMPANY SECRETARY

Mr. Lau Siu Ki of Hin Yan Consultants Limited, an external service provider, has been engaged by the Company as the Company Secretary. The primary contact person at the Company, whom Mr. Lau contacts for all matters relating to the duties and responsibilities of the company secretary, is Ms. Wong Yuk Lam, the senior finance manager of the Group.

During the year under review, Mr. Lau confirmed that he had taken no less than 15 hours of relevant professional training.

## INDEPENDENT AUDITOR'S REMUNERATION

BDO Limited is appointed as the external auditor of the Company. The fee paid or payable in respect of audit services for the year ended 31 March 2017 amounted to HK\$0.6 million.

The fee paid or payable to BDO Limited in respect of other permissible non-audit services amounted to HK\$0.1 million.

## DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for the preparation of financial statements which give a true and fair view of the state of affairs of the Group. In preparing the financial statements which give a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently. The statement of the external auditor about its reporting responsibilities on the consolidated financial statements is set out in the independent auditor's report on pages 38 to 39 of this annual report.

## INTERNAL CONTROL AND RISK MANAGEMENT

It is the responsibility of the Board to ensure that the Group maintains sound and effective internal control systems to safeguard the shareholders' investments and its assets at all times. During FY2017, the Company appointed an independent internal control consultant to undertake a review of the adequacy and effectiveness of its internal control systems. The Group has fully implemented all the internal control enhanced measures recommended by the said consultant.

The management has confirmed to the Board and the Audit Committee that the enhanced internal control measures adopted by the Group are adequate and effective in assisting the Group to enhance its internal control environment and corporate governance.

# Corporate Governance Report

The Group has also established a set of risk management policies and measures, which have been codified in its policies and adopted by it. Such policies and measures are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss. The ultimate goal of the Group's risk management policies and measures is to bring focus and effort to the issues in its business operations that create impediments to the Group's success. The Group's risk management process starts with identifying the major risks associated with its business, industry and market in the ordinary course of business. Depending on the likelihood and potential impacts of the relevant risks exposed to the Group, the management will prioritise the risks and will either take immediate mitigating action, devise contingency plan or conduct periodic review in accordance with the contingency plan. The Board and the senior management are responsible for identifying and analysing the risks associated with their respective function, preparing risk mitigation plans, measuring effectiveness of such risk mitigation plans and reporting status of risk management. Mr. Chan Kin Mei Stanley, our non-executive Director, is responsible for advising on risk management and corporate governance matters of the Group, while the Audit committee and ultimately the Board will supervise the implementation of the Group's risk management policies and measures.

In relation to the handling and dissemination of inside information in accordance with the GEM Listing Rules and the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong), the Group has adopted measures including raising awareness of confidentiality in the Group, issuing notices regarding "black-out" period and restrictions on dealings to Directors and employees on a regular basis to ensure compliance when handling and disclosing inside information.

## SHAREHOLDERS' RIGHT AND INVESTOR RELATIONS

As one of the measures to safeguard shareholders' interest and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors, for shareholders' consideration and voting. All resolutions put forward at shareholders' meeting will be voted by poll pursuant to the GEM Listing Rules and the poll voting results will be published on the GEM website and the Company's website after the relevant meeting.

Extraordinary general meeting may be convened by the Board on the written requisition of shareholders holding not less than one-tenth of the paid up capital of the Company or by such shareholders who made the requisition (the "Requisitionists") (as the case may be) pursuant to Article 58 of the articles of association. Such requisition must state the object of business to be transacted at the meeting and must be signed by the Requisitionists and deposited at the registered office of the Company or the Company's principal place of business in Hong Kong. Shareholders should follow the requirements and procedures as set out in such article for convening an extraordinary general meeting. Shareholders may put forward proposals at general meeting of the Company by sending the same to the Company's principal place of business in Hong Kong.

The Company has adopted shareholders communication policy with the objective of providing the shareholders of the Company with information about the Company and enabling them to engage actively with the Company and exercise their rights as shareholders in an informed manner.



# Corporate Governance Report

The Company has established several channels to communicate with the shareholders as follows:

- (I) information shall be communicated to the shareholders through the Company's financial reports (quarterly, half-year and annual reports), annual general meetings and other general meetings that may be convened, as well as by making available all the (i) corporate communication documents including, but not limited to, copy of annual reports, half-year reports, quarterly reports, notices of meeting, circulars, proxy forms ("Corporate Communication"); (ii) other documents issued by the Company which are published on the website of the Stock Exchange for the information or action of holders of any of its securities, including announcements, monthly returns on movements in the Company's securities for each month and next day disclosure returns; (iii) constitutional documents of the Company and the Board committees; (iv) corporate information including list of the Directors; and (v) other Corporate Communication, including the procedures the shareholders can use to propose a person for election as Director on the Company's website and/or the GEM website;
- (II) annual and special general meetings provide a forum for the shareholders to comment and exchange views with the Directors and the senior management; and
- (III) the Hong Kong share registrar of the Company serves the shareholders in respect of share registration, dividend payment and related matters.

Shareholders may at any time make a request for the Company's information to the extent such information is publicly available.

The Company welcomes enquiries and proposals from investors, stakeholders and the public. Enquires to the Board or the Company may be sent by post to the Company's principal place of business in Hong Kong.

Address: Expert Systems Holdings Limited  
17/F., AXA Tower, Landmark East  
100 How Ming Street  
Kwun Tong, Kowloon  
Hong Kong  
(For the attention to Directors' office)

For the avoidance of doubt, shareholders must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

## Articles of Association

During the year ended 31 March 2017, the Company has not made any amendment to its memorandum and articles of association.

The Company's articles of association is available on the Company's website and the Stock Exchange's website.

# Directors' Report

The Directors present their report and the audited consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2017.

## CORPORATE REORGANISATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 18 September 2015. The companies now comprising the Group underwent a reorganisation (the "Reorganisation") to rationalise the structure of the Group in preparation for the Listing on GEM of the Stock Exchange. Pursuant to the Reorganisation, the Company became the holding company of the subsidiaries now comprising the Group. Further details of the Reorganisation are set out in the section headed "History, Reorganisation and Group Structure" in the Company's prospectus dated 30 March 2016. The Shares were listed on the GEM of the Stock Exchange on 12 April 2016.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. 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. Details of the principal activities of its subsidiaries are set out in Note 14 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the financial year.

## BUSINESS REVIEW

A fair review of the Group's business and the analysis of the Group's performance for the year ended 31 March 2017 as well as outlook/prospects of the Group's business are provided in the sections "Chairman's Statement" on page 4, and "Management Discussion and Analysis" on pages 5 to 9 of this annual report.

## SEGMENTAL INFORMATION

An analysis of the Group's revenue from operations by geographical locations of customers for the year ended 31 March 2017 is set out in Note 6 to the consolidated financial statements.

## RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 March 2017 and its consolidated financial position as at that date are set out in the consolidated financial statements on pages 40 and 41 of this annual report respectively. The Directors do not recommend the payment of a final dividend for the year ended 31 March 2017.

## CLOSURE OF THE REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the forthcoming annual general meeting (the "AGM"), the transfer books and the register of members of the Company will be closed from Tuesday, 19 September 2017 to Friday, 22 September 2017, both days inclusive, during which period no transfer of the Shares 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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:00 p.m. on Monday, 18 September 2017.

## SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group for the last three financial years, as extracted from the audited financial statements and the Prospectus, is set out on page 35 in this annual report.

# Directors' Report

## PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the financial year are set out in Note 13 to the consolidated financial statements.

## SHARE CAPITAL

Details of the Company's share capital are set out in Note 24 to the consolidated financial statements.

## RESERVES

Details of the movements in the reserves of the Company and the Group are set out in Note 25 to the consolidated financial statements and the consolidated statement of changes in equity, respectively.

## PRE-EMPTIVE RIGHTS

There are no provision for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

## DISTRIBUTABLE RESERVES

As at 31 March 2017, the distributable reserves of the Company amounted to approximately HK\$57.8 million.

Under the Companies Law of the Cayman Islands, subject to the provisions of Articles of Association of the Company, the Company's share premium account may be applied to pay distributions or dividends to shareholders provided that immediately following the date of distribution or dividend is proposed to be paid, the Company is able to pay its debts as they fall due in the ordinary course of business.

## MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 March 2017, so far as the Company is aware, the aggregate revenue attributable to our five largest customers and the largest customer accounted for approximately 17.3% and 4.2%, respectively, of the Group's total revenue for the financial year. Purchases from the Group's five largest suppliers accounted for approximately 75.3% of the Group's total purchases for the financial year and the purchase from the largest supplier included therein amounted to approximately 25.7%.

None of the Directors, or any of his close associates (as defined under the GEM Listing Rules) or shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital), had any beneficial interest in the Group's five largest customers or suppliers during the financial year.

## TAX RELIEF AND EXEMPTION OF HOLDERS OF LISTED SECURITIES

The Company is not aware of any tax relief or exemption available to the shareholders of the Company by reason of their holding of the Company's securities.

# Directors' Report

## DIRECTORS

The Directors during the year and up to the date of this report were as follows:

### Executive Directors

Mr. Lau Wai Kwok (*Chief Executive Officer*)  
Ms. Lau Tsz Yan  
Mr. So Cheuk Wah Benton

### Non-executive Directors

Mr. Wong Chu Kee Daniel (*Chairman*)  
Mr. Chu Siu Sum Alex  
Mr. Mok Chu Leung Terry  
Mr. Cheung Nap Kai  
Mr. Chan Kin Mei Stanley

### Independent non-executive Directors

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

In accordance with Article 84 of the Company's articles of association, Mr. Au Yu Chiu Steven and Mr. Chung Fuk Wing Danny shall retire by rotation at the forthcoming annual general meeting of the Company, and being eligible, offer themselves, for re-election. Mr. Mok Chu Leung Terry and Mr. Cheung Nap Kai shall retire by rotation at the forthcoming annual general meeting of the Company and will not offer themselves for re-election.

## PERMITTED INDEMNITY PROVISION

Every Director shall be entitled under the Company's articles of association to be indemnified out of the assets of the Company against all actions, costs, charges, losses or liabilities incurred or sustained by him or her as a Director in the execution or discharge of his or her duty.

The Company has taken out insurance against the liability and costs associated with defending any proceedings which may be brought against the Directors.

## DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors entered into a service contract with the Company on 15 March 2016 and the Company entered into letter of appointment with each of the non-executive Directors and independent non-executive Directors. The service contract with each of the executive Directors and the letter of appointment with each of the non-executive Directors and independent non-executive Directors is for an initial term of three years commencing 15 March 2016. The service contracts and the letters of appointment are subject to termination in accordance with their respective terms. The service contracts may be renewed in accordance with our articles of association and the applicable GEM Listing Rules.

None of the Directors has or is proposed to have a service contract with the Company or any of its subsidiaries other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

# Directors' Report

## DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Company are set out on pages 10 to 14 of this annual report.

## EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the five highest paid individuals of the Group are set out in Note 10 to the consolidated financial statements.

## REMUNERATION POLICY

The Company's remuneration policy comprises primarily a fixed component (in the form of a base salary) and a variable component (which includes discretionary bonus and other merit payments), taking into account factors such as their experience, level of responsibility, individual performance, the profit performance of our Group and general market conditions.

The remuneration of the Directors is determined by reference to their respective qualification, experience and duties and responsibilities with the Group and the prevailing market rate.

The Remuneration Committee will meet at least once for each year to discuss remuneration related matters (including the remuneration of the Directors and the senior management of the Company) and review the remuneration policy of the Group.

## RETIREMENT BENEFITS PLAN

Particulars of retirement benefits plan of the Group for the year ended 31 March 2017 are set out in Note 4(j)(i) to the consolidated financial statements.

## MANAGEMENT CONTRACTS

During the financial year, the Company did not enter into or have any management and administration contracts in respect of the whole or any principal business of the Company.

## INTERESTS OF THE COMPLIANCE ADVISER

As notified by the compliance adviser of the Company, Ballas Capital Limited, save for the compliance adviser agreement dated 7 March 2017 entered into between the Company and Ballas Capital Limited, none of Ballas Capital Limited, its directors, employees and close associates had any interest in the securities of the Group which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules as at 31 March 2017.

## DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

At no time during the financial year 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.

# Directors' Report

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

As at 31 March 2017, 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 are taken 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:

### Long position

| Name of Director/<br>chief executive    | Name of<br>Group member/<br>associated<br>corporation | Nature of interest | Total number<br>of Shares | Approximate<br>percentage of<br>shareholding |
|---|---|--------------------|---------------------------|--|
| Mr. Chu Siu Sum Alex ("Mr. Chu")        | the Company   | Beneficial owner   | 226,380,000 Shares        | 28.3%  |
| Mr. Lau Wai Kwok ("Mr. Lau")            | the Company   | Beneficial owner   | 96,900,000 Shares         | 12.1%  |
| Mr. Mok Chu Leung Terry ("Mr. Mok")     | the Company   | Beneficial owner   | 91,800,000 Shares         | 11.5%  |
| Mr. Cheung Nap Kai ("Mr. Cheung")       | the Company   | Beneficial owner   | 89,760,000 Shares         | 11.2%  |
| Mr. Wong Chu Kee Daniel<br>("Mr. Wong") | the Company   | Beneficial owner   | 51,300,000 Shares         | 6.4%   |
| Mr. Chan Kin Mei Stanley                | the Company   | Beneficial owner   | 6,720,000 Shares          | 0.8%   |

Save as disclosed above, as at 31 March 2017, 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' Report

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

As at 31 March 2017, 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:

### Long position

| Name of shareholders             | Nature of interest | Total number of Shares  | Approximate percentage of shareholding |
|----------------------------------|--------------------|-------------------------|--|
| Ms. Luk Yuen Wah Nancy           | Interest of spouse | 226,380,000<br>(note 1) | 28.3%                                  |
| Ms. Keung Lai Wa Dorathy Linndia | Interest of spouse | 96,900,000<br>(note 2)  | 12.1%                                  |
| Ms. Yan Yihong                   | Interest of spouse | 91,800,000<br>(note 3)  | 11.5%                                  |
| Ms. Tuen Chi Keung               | Interest of spouse | 89,760,000<br>(note 4)  | 11.2%                                  |
| Ms. Lee Kit Ling Monita          | Interest of spouse | 51,300,000<br>(note 5)  | 6.4%                                   |

#### Notes:

1. Ms. Luk Yuen Wah Nancy, the spouse of Mr. Chu, is deemed to be interested in all the Shares in which Mr. Chu is interested by virtue of the SFO.
2. Ms. Keung Lai Wa Dorathy Linndia, the spouse of Mr. Lau, is deemed to be interested in all the Shares in which Mr. Lau is interested by virtue of the SFO.
3. Ms. Yan Yihong, the spouse of Mr. Mok, is deemed to be interested in all the Shares in which Mr. Mok is interested by virtue of the SFO.
4. Ms. Tuen Chi Keung, the spouse of Mr. Cheung, is deemed to be interested in all the Shares in which Mr. Cheung is interested by virtue of the SFO.
5. Ms. Lee Kit Ling Monita, the spouse of Mr. Wong, is deemed to be interested in all the Shares in which Mr. Wong is interested by virtue of the SFO.

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 March 2017 which required to be recorded pursuant to section 336 of the SFO.

# Directors' Report

## SHARE OPTION SCHEME

The Company has adopted a share option scheme (the "Share Option Scheme") on 15 March 2016. The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme shall not in aggregate exceed 80,000,000 Shares, being 10% of the total number of Shares in issue at the time dealings in the Shares first commenced on the Stock Exchange. The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option scheme of the Group (including both exercised and outstanding options) to each participant in any 12-month period shall not exceed 1.0% of the Shares in issue as at the date of grant.

The purpose of the Share Option Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group. The Directors consider the Share Option Scheme will enable the Group to reward the employees, Directors and other selected participants for their contributions to the Group. The Board may, at its discretion, grant an option to the eligible participants to subscribe for Shares at an exercise price (note 2) and subject to the other terms of the Share Option Scheme.

The Share Option Scheme will remain in force for a period of ten years commencing on the date on which the Share Option Scheme is adopted. Subject to certain restrictions contained in the Share Option Scheme, an option may be exercised in accordance with the terms of the Share Option Scheme and the terms of grant thereof at any time during the applicable option period, which is not more than ten years from the date of grant of option. There is no general requirement on the minimum period under the Share Option Scheme for the holding of an option before it can be exercised. However, at the time of granting any option, the Board may, on a case by case basis, make such grant subject to such conditions, restrictions or limitations including (without limitation) those in relation to the minimum period of the options to be held and/or the performance targets to be achieved as the Board may determine in its absolute discretion.

A nominal consideration of HK\$1.0 is payable on acceptance of the grant of an option.

The Board confirms that the Share Option Scheme is in compliance with Chapter 23 of the GEM Listing Rules. As at 31 March 2017, no option had been granted, exercised, cancelled or lapsed under the Share Option Scheme. A total of 80,000,000 Shares are available for issue under the Share Option Scheme, representing 10% of the total issued capital of the Company immediately after the Listing.

For FY2017, no share option was granted, exercised, expired or lapsed and there are no outstanding share option under the Scheme as at 31 March 2017.

Notes:

1. "Eligible Participant" includes:
  - (i) any employee (whether full-time or part-time) of the Company, any of its subsidiaries or any entity ("Invested Entity") in which any member of the Group holds any equity interest;
  - (ii) any directors (including non-executive directors and independent non-executive directors) of our Company, any of its subsidiaries or any Invested Entity;
  - (iii) any supplier of goods or services to any member of the Group or any Invested Entity;
  - (iv) any customer of any member of the Group or any Invested Entity;
  - (v) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity;
  - (vi) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;
  - (vii) any adviser (professional or otherwise), consultant, individual or entity who in the opinion of the Directors has contributed or will contribute to the growth and development of any member of the Group; and
  - (viii) any other group or class of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group,
2. The subscription price for Shares under the Share Option Scheme will be a price determined by our Directors, but shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of a Share.



# Directors' Report

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

The Shares were listed on GEM on 12 April 2016. Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities from the date of Listing to the date of this annual report.

## 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 year ended 31 March 2017.

## DEED OF NON-COMPETITION

Mr. Chu, Mr. Lau, Mr. Mok, Mr. Cheung and Mr. Wong (collectively the "Controlling Shareholders") have confirmed to the Company of their compliance with the non-competition undertakings provided to the Company under a deed of non-competition dated 15 March 2016. The independent non-executive Directors have reviewed the status of compliance and confirmed that all the undertakings under the deed of non-competition have been complied with by the Controlling Shareholders during FY2017.

## RELATED PARTY TRANSACTIONS

Save as disclosed in Note 28 to the consolidated financial statements, no other related party transactions were conducted by the Group during the year ended 31 March 2017.

## CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 March 2017, the Group had had the following non-exempt continuing connected transaction:

The Company (for itself and as trustee for the benefit of its subsidiaries) entered into the Framework IT Support Agreement with ServiceOne Global Holdings Limited ("ServiceOne" and together with its subsidiaries the "ServiceOne Group"), an associate of the Controlling Shareholders as defined in the GEM Listing Rules, dated 1 March 2016. Pursuant to the Framework IT Support Agreement, the ServiceOne Group shall provide IT support services to the Group for the implementation of IT infrastructure solutions for its customers, which services the Group generally does not carry out on its own but outsources to sub-contractors. The service fees of such outsourcing services will be determined from time to time by the parties on arm's length basis and normal commercial terms and with reference to, among others, the requirements of the Group in respect of the outsourcing services to be provided, the prevailing market prices for the same or similar services obtained from independent service providers, the prevailing market competitive conditions, and any other factors which may affect the terms and conditions at the material time. The Framework IT Support Agreement commenced on 1 March 2016 and will expire on 31 March 2018. For the year ended 31 March 2017 the total service fees paid for such outsourcing services by the Group to the ServiceOne Group amounted to HK\$2,371,000.

For FY2017, the annual cap for the total amount of the service fees for the said outsourcing services shall not exceed HK\$4,200,000.

Further details of the Framework IT Support Agreement were disclosed in the Prospectus.

# Directors' Report

Pursuant to Rule 20.53 of the GEM Listing Rules, the independent non-executive Directors have reviewed the non-exempt continuing connected transaction and confirmed that it has been entered into:

- (i) in the ordinary and usual course of business of the Group;
- (ii) on normal commercial terms or better; and
- (iii) according to the agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Directors confirm that the Company has complied with the disclosure requirements in accordance with Chapter 20 of the GEM Listing Rules during the year under review.

The Company has also received a letter from BDO Limited, the Company's auditor, to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and with reference to Practice Note 740 *Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules* issued by the Hong Kong Institute of Certified Public Accountants. BDO Limited have issued the letter containing their findings and conclusions in respect of the non-exempt continuing connected transaction disclosed above in accordance with Rule 20.54 of the GEM Listing Rules confirming that nothing has come to their attention that causes them to believe the non-exempt continuing connected transaction:

- (i) has not been approved by the Company's board of directors;
- (ii) was not entered into, in all material respects, in accordance with the relevant agreements governing the transactions; and
- (iii) has exceeded the maximum aggregate annual caps disclosed in the Prospectus.

## DIRECTORS'/CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as the related party transactions disclosed in Note 28 to the consolidated financial statements, no Director or Controlling Shareholder had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party and subsisted as at 31 March 2017 or during the financial year.

# Directors' Report

## USE OF PROCEEDS FROM LISTING

The Shares were listed on GEM on 12 April 2016. The net proceeds from the Listing (after deducting the underwriting fees and related expenses) amounted to approximately HK\$32.2 million and have been utilised as follows:

|  | As set out<br>in the<br>Prospectus<br>HK\$' million | Amount<br>expected to be<br>used up to<br>31 March 2017<br>HK\$' million | Amount<br>actually used<br>up to<br>31 March 2017<br>HK\$' million |
|--|---|--|--|
| Expanding and training our sales, technical and supporting workforce | 6.8   | 1.6  | 0.8  |
| Expansion of our IT infrastructure solutions business                | 11.0  | 3.0  | 0  |
| Strengthening our marketing efforts                                  | 6.0   | 1.0  | 0.1  |
| Enhancement of management information systems                        | 5.5   | 1.9  | 0.4  |
| Working capital and general corporate purposes                       | 2.9   | 1.4  | 1.4  |
|  | 32.2  | 8.9  | 2.7  |

## CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 15 to 23 of this annual report.

## SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, the Company has maintained the public float as required under the GEM Listing Rules since the Listing.

## INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors in writing an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules and the Company considers all the independent non-executive Directors to be independent.

## INDEPENDENT AUDITOR

The financial statements of the Company for the year ended 31 March 2017 were audited by BDO Limited. A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint BDO Limited as auditor of the Company.

## CHANGES IN INFORMATION OF DIRECTORS

The changes in information of Directors are set out below pursuant to Rule 17.50A of the GEM Listing Rules:

Mr. Au Yu Chiu Steven has been appointed as an independent non-executive director and chairman of audit committee of Vincent Medical Holdings Limited (stock code: 1612), a company listed on the Main Board of the Stock Exchange.

# Directors' Report

## EVENTS AFTER THE REPORTING PERIOD

There is no significant event after the reporting period of the Group.

ON BEHALF OF THE BOARD

**Mr. Wong Chu Kee Daniel**  
*Chairman and Non-Executive Director*

Hong Kong, 21 June 2017

## Summary of Financial Information

|   | For the year ended 31 March |                  |                  |                  |
|---|-----------------------------|------------------|------------------|------------------|
|   | 2017<br>HK\$'000            | 2016<br>HK\$'000 | 2015<br>HK\$'000 | 2014<br>HK\$'000 |
| Revenue   | 306,453                     | 287,881          | 317,002          | 274,789          |
| Gross profit  | 42,621                      | 43,384           | 44,225           | 33,784           |
| Profit before income tax expense                          | 8,342                       | 332              | 18,362           | 9,533            |
| Profit/(loss) and total comprehensive income for the year | 6,987                       | (1,769)          | 15,599           | 7,965            |

  

|                   | As at 31 March   |                  |                  |                  |
|-------------------|------------------|------------------|------------------|------------------|
|                   | 2017<br>HK\$'000 | 2016<br>HK\$'000 | 2015<br>HK\$'000 | 2014<br>HK\$'000 |
| Total assets      | 160,049          | 104,592          | 154,777          | 117,045          |
| Total liabilities | 81,984           | 78,274           | 93,690           | 67,067           |
| Total equity      | 78,065           | 26,318           | 61,087           | 49,978           |

# Independent Auditor's Report



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## TO THE MEMBERS OF EXPERT SYSTEMS HOLDINGS LIMITED

*(incorporated in Cayman Islands with limited liability)*

### OPINION

We have audited the consolidated financial statements of Expert Systems Holdings Limited (the "Company") and its subsidiaries (hereafter referred as to the "Group") set out on pages 40 to 78, which comprise the consolidated statement of financial position as at 31 March 2017, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code") and we have fulfilled our other ethical responsibilities in accordance with and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements as at and for the year ended 31 March 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### Impairment assessment of trade receivables

*Refer to Notes 5 and 17 to the consolidated financial statements.*

The carrying amount of the Group's gross trade receivables as at 31 March 2017 was approximately HK\$47,525,000.

Management reviews trade receivables for objective evidence of impairment on a periodic basis. In determining this, management makes significant judgement on the credit worthiness of the debtors, including whether there have been significant adverse changes in the debtors' financial condition affecting the debtors' ability to settle the debts. Where there is objective evidence of impairment, management estimates the amount of impairment loss that should be made against the receivables, taking into consideration the ages of trade receivables and the estimation of future cash flows of these receivables.

# Independent Auditor's Report

We have identified the impairment assessment of trade receivables as a key audit matter because of significance of the carrying amount of trade receivables to the consolidated financial statements and because applying the Group's accounting policies in this area involves a significant degree of judgement by management in identification of impairment indicators and the determination of the amount of impairment loss.

Our response:

Our procedures in relation to management's impairment assessment of trade receivables included:

- Analysing and testing, on a sample basis, the accuracy of the ageing profiles of trade receivables by checking to the underlying sales invoices and other source documents, to ensure that it was appropriate for management to use them for impairment assessment;
- Conducting a detailed discussion with management on significant overdue trade receivables as to whether these aged receivables were impaired; and
- Reviewing the adequacy and appropriateness of the provision for impairment made by management with reference to the ageing profiles, settlement records, subsequent settlements and other facts and circumstances currently available for the significant overdue receivables.

## OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises all the information in the Group's 2017 annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The audit committee of the Company (the "Audit Committee") assists the directors in discharging their responsibility in this regard.

# Independent Auditor's Report

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



# Independent Auditor's Report

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**BDO Limited**

*Certified Public Accountants*

**Li Yin Fan**

Practising Certificate Number P03113

Hong Kong, 21 June 2017

# Consolidated Statement of Comprehensive Income

For the Year ended 31 March 2017

|   | Notes | 2017<br>HK\$'000 | 2016<br>HK\$'000 |
|---|-------|------------------|------------------|
| Revenue   | 7     | 306,453          | 287,881          |
| Cost of sales   |       | (263,832)        | (244,497)        |
| Gross profit  |       | 42,621           | 43,384           |
| Other income and gains                                    | 7     | 616              | 1,020            |
| Selling expenses  |       | (23,879)         | (23,250)         |
| Administrative expenses                                   |       | (11,016)         | (20,822)         |
| Profit before income tax expense                          | 8     | 8,342            | 332              |
| Income tax expense  | 9     | (1,355)          | (2,101)          |
| Profit/(loss) and total comprehensive income for the year |       | 6,987            | (1,769)          |
| Earnings/(loss) per share<br>— Basic and diluted          | 12    | HK0.88 cent      | HK(0.29) cent    |

# Consolidated Statement of Financial Position

As at 31 March 2017

|  | Notes | 2017<br>HK\$'000 | 2016<br>HK\$'000 |
|--|-------|------------------|------------------|
| <b>Non-current assets</b>                      |       |                  |                  |
| Property, plant and equipment                  | 13    | 433              | 535              |
| Finance lease receivables                      | 15    | 824              | 45               |
| Prepayments                                    | 18    | 356              | –                |
|  |       | <b>1,613</b>     | <b>580</b>       |
| <b>Current assets</b>                          |       |                  |                  |
| Inventories                                    | 16    | 1,850            | 1,465            |
| Trade receivables                              | 17    | 47,524           | 44,200           |
| Prepayments, deposits and other receivables    | 18    | 2,792            | 3,592            |
| Finance lease receivables                      | 15    | 643              | 14               |
| Tax recoverable                                |       | 247              | –                |
| Pledged bank deposits                          | 19    | 2,100            | 4,200            |
| Cash and cash equivalents                      | 20    | 103,280          | 50,541           |
|  |       | <b>158,436</b>   | <b>104,012</b>   |
| <b>Current liabilities</b>                     |       |                  |                  |
| Trade payables                                 | 21    | 68,418           | 63,147           |
| Accruals, deposits received and other payables | 22    | 12,851           | 13,746           |
| Amounts due to related companies               | 23    | 159              | 788              |
| Tax payables                                   |       | –                | 37               |
|  |       | <b>81,428</b>    | <b>77,718</b>    |
| <b>Net current assets</b>                      |       | <b>77,008</b>    | <b>26,294</b>    |
| <b>Total assets less current liabilities</b>   |       | <b>78,621</b>    | <b>26,874</b>    |
| <b>Non-current liabilities</b>                 |       |                  |                  |
| Other payables                                 | 22    | 556              | 556              |
| <b>Net assets</b>                              |       | <b>78,065</b>    | <b>26,318</b>    |
| <b>EQUITY</b>                                  |       |                  |                  |
| Share capital                                  | 24    | 8,000            | 100              |
| Reserves                                       |       | 70,065           | 26,218           |
|  |       | <b>78,065</b>    | <b>26,318</b>    |

On behalf of the board of directors

Wong Chu Kee, Daniel  
Director

Lau Wai Kwok  
Director

# Consolidated Statement of Changes in Equity

For the Year ended 31 March 2017

|  | Share capital<br>HK\$'000<br>(Note 24) | Share premium<br>HK\$'000<br>(Note 25) | Merger reserve<br>HK\$'000<br>(Note 25) | Retained earnings<br>HK\$'000 | Total<br>HK\$'000 |
|--|--|--|---|-------------------------------|-------------------|
| At 31 March 2015 and 1 April 2015                  | 8,024                                  | –                                      | –                                       | 53,063                        | 61,087            |
| Loss and total comprehensive income for the year   | –                                      | –                                      | –                                       | (1,769)                       | (1,769)           |
| Arising from the reorganisation                    | (8,024)                                | –                                      | (25,395)                                | –                             | (33,419)          |
| Allotment of shares (Note 24(a) and (b))           | 100                                    | 33,319                                 | –                                       | –                             | 33,419            |
| Dividend declared and paid (Note 11)               | –                                      | –                                      | –                                       | (33,000)                      | (33,000)          |
| At 31 March 2016 and 1 April 2016                  | 100                                    | 33,319                                 | (25,395)                                | 18,294                        | 26,318            |
| Profit and total comprehensive income for the year | –                                      | –                                      | –                                       | 6,987                         | 6,987             |
| Capitalisation issue of shares (Note 24(d))        | 5,900                                  | (5,900)                                | –                                       | –                             | –                 |
| Issuance of new shares by placing (Note 24(e))     | 2,000                                  | 48,000                                 | –                                       | –                             | 50,000            |
| Shares issue expenses (Note 24(e))                 | –                                      | (5,240)                                | –                                       | –                             | (5,240)           |
| At 31 March 2017                                   | 8,000                                  | 70,179                                 | (25,395)                                | 25,281                        | 78,065            |

# Consolidated Statement of Cash Flows

For the Year ended 31 March 2017

|   | Notes | 2017<br>HK\$'000 | 2016<br>HK\$'000 |
|---|-------|------------------|------------------|
| <b>Cash flows from operating activities</b>                           |       |                  |                  |
| Profit before income tax expense                                      |       | 8,342            | 332              |
| Adjustments for:  |       |                  |                  |
| Interest income   | 7     | (336)            | (537)            |
| Depreciation of property, plant and equipment                         | 13    | 349              | 319              |
| Write back of other payables  | 7     | (28)             | (238)            |
| Provision/(reversal) of impairment loss of trade receivables          | 8     | 1                | (14)             |
| Reversal of impairment loss of inventories                            | 8     | –                | (18)             |
| Listing expenses  | 8     | –                | 12,510           |
| <b>Operating profit before working capital changes</b>                |       | <b>8,328</b>     | <b>12,354</b>    |
| (Increase)/decrease in inventories                                    |       | (385)            | 1,253            |
| (Increase)/decrease in trade receivables                              |       | (3,325)          | 10,870           |
| Decrease in prepayments, deposits and other receivables               |       | 800              | 1,552            |
| Increase in finance lease receivables                                 |       | (1,408)          | (59)             |
| Decrease in amounts due to related companies                          |       | (629)            | (491)            |
| Increase/(decrease) in trade payables                                 |       | 5,271            | (9,037)          |
| Increase/(decrease) in accruals, deposits received and other payables |       | 1,236            | (2,139)          |
| <b>Cash generated from operations</b>                                 |       | <b>9,888</b>     | <b>14,303</b>    |
| Income tax paid   |       | (1,639)          | (3,667)          |
| <b>Net cash generated from operating activities</b>                   |       | <b>8,249</b>     | <b>10,636</b>    |
| <b>Cash flows from investing activities</b>                           |       |                  |                  |
| Purchase of property, plant and equipment                             |       | (247)            | (402)            |
| Decrease of pledged bank deposits                                     |       | 2,100            | –                |
| Prepayment for purchase of property, plant and equipment              |       | (356)            | –                |
| Interest received   |       | 336              | 537              |
| <b>Net cash generated from investing activities</b>                   |       | <b>1,833</b>     | <b>135</b>       |
| <b>Cash flows from financing activities</b>                           |       |                  |                  |
| Repayment to a related company  |       | –                | (4,048)          |
| Dividends paid  |       | –                | (33,000)         |
| Net proceeds from issue of ordinary shares                            |       | 44,760           | –                |
| Payment of listing expenses   |       | (2,103)          | (10,407)         |
| <b>Net cash generated from/(used in) financing activities</b>         |       | <b>42,657</b>    | <b>(47,455)</b>  |
| <b>Net increase/(decrease) in cash and cash equivalents</b>           |       | <b>52,739</b>    | <b>(36,684)</b>  |
| <b>Cash and cash equivalents at beginning of the year</b>             |       | <b>50,541</b>    | <b>87,225</b>    |
| <b>Cash and cash equivalents at end of the year</b>                   | 20    | <b>103,280</b>   | <b>50,541</b>    |

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

## 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 Growth Enterprise Market ("GEM") of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 12 April 2016. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business in Hong Kong is 17/F, AXA Tower, Landmark East, 100 How Ming Street, Kowloon, Hong Kong.

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the "Group") is principally engaged in the provision of IT infrastructure solutions in Hong Kong and Macau.

Pursuant to a group reorganisation (the "Reorganisation") to rationalise the structure of the Group in preparation for the listing of the Company's shares on the GEM of the Stock Exchange, the Company became the holding company of the Group. Details of the Reorganisation are set out in the section headed "History, Reorganisation and Group Structure" to the prospectus of the Company dated 30 March 2016.

## 2. BASIS OF PRESENTATION AND PREPARATION

### (a) Basis of presentation

As a result of the Reorganisation mentioned above, the Group is regarded as a continuing entity resulting from the Reorganisation since management of the entities comprising the Group which took part in the Reorganisation remained the same before and after the Reorganisation, there was a continuation of the risks and benefits to the controlling shareholders that existed prior to the Reorganisation.

Accordingly, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group for the years ended 31 March 2017 and 2016 have included the results, changes in equity and cash flows of the companies now comprising the Group from the earliest date presented or since their respective dates of incorporation, whichever was shorter, as if the current group structure had been in existence throughout the reporting periods. The consolidated statement of financial position of the Group as of 31 March 2017 and 2016 have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence at the reporting dates. No adjustment is made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation. All significant intragroup transactions and balances have been eliminated on consolidation.

### (b) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") issued by the Hong Kong Institute of Certified Public Accountants and Interpretations (hereinafter collectively referred to as the "HKFRS") 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.

### (c) Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

## 2. BASIS OF PRESENTATION AND PREPARATION (Continued)

### (d) Functional and presentation currency

The consolidated financial statements are presented in Hong Kong dollars (“HK\$”), which is also the functional currency of the Company and its subsidiaries, and all values are rounded to the nearest thousands, except when otherwise indicated.

## 3. ADOPTION OF HKFRSs

### (a) Adoption of new/revised HKFRSs — effective 1 April 2016

|  |  |
|--|--|
| HKFRSs (Amendments)                          | Annual Improvements 2012–2014 Cycle                                  |
| Amendments to HKAS 1                         | Disclosure Initiative  |
| Amendments to HKAS 16 and HKAS 38            | Clarification of Acceptable Methods of Depreciation and Amortisation |
| Amendments to HKAS 16 and HKAS 41            | Agriculture: Bearer Plants   |
| Amendments to HKAS 27                        | Equity Method in Separate Financial Statements                       |
| Amendments to HKFRS 10, HKFRS 12 and HKAS 28 | Investment Entities: Applying the Consolidation Exception            |
| Amendments to HKFRS 11                       | Accounting for Acquisitions of Interests in Joint Operations         |
| HKFRS 14                                     | Regulatory Deferral Accounts   |

The adoption of these amendments has no material impact on the Group’s financial statements.

### (b) New/revised HKFRSs that have been issued but are not yet effective

The Group has not early applied the following new/revised HKFRSs that have been issued, potentially relevant to the Group’s operations, but are not yet effective, in preparing the consolidated financial statements.

|                        |   |
|------------------------|---|
| Amendments to HKAS 7   | Disclosure Initiative <sup>1</sup>  |
| Amendments to HKAS 12  | Recognition of Deferred Tax Assets for Unrealised Losses <sup>1</sup>           |
| HKFRS 9                | Financial Instruments <sup>2</sup>  |
| HKFRS 15               | Revenue from Contracts with Customers <sup>2</sup>                              |
| Amendments to HKFRS 15 | Revenue from Contracts with Customers (Clarifications to HKFRS 15) <sup>2</sup> |
| HKFRS 16               | Leases <sup>3</sup>   |

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2017

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2019

#### *Amendments to HKAS 7 — Disclosure Initiative*

The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

#### *Amendments to HKAS 12 — Recognition of Deferred Tax Assets for Unrealised Losses*

The amendments relate to the recognition of deferred tax assets and clarify some of the necessary considerations, including how to account for deferred tax assets related to debt instruments measured of fair value.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

## 3. ADOPTION OF HKFRSs (Continued)

### (b) New/revised HKFRSs that have been issued but are not yet effective (Continued)

#### *HKFRS 9 — Financial Instruments*

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("FVTOCI") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss ("FVTPL").

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

The directors anticipate that the application of HKFRS 9 in the future will have an impact on amounts reported in respect of the Group's financial performance and financial assets (e.g. impairment on trade receivables) resulting from early provision of credit losses using the expected loss impairment model under HKFRS 9 instead of incurred loss model under HKAS 39. Currently, the directors are in the midst of assessing the financial impact of the application of HKFRS 9 and a reasonable estimate of the effect will be available once the detailed review is completed.

#### *HKFRS 15 — Revenue from Contracts with Customers*

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and related interpretations.

HKFRS 15 requires the application of a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

## 3. ADOPTION OF HKFRSs (Continued)

### (b) New/revised HKFRSs that have been issued but are not yet effective (Continued)

#### *HKFRS 15 — Revenue from Contracts with Customers (Continued)*

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

The directors anticipate that the application of HKFRS 15 in the future may have an impact on the amounts reported on revenue as the timing of revenue recognition may be affected by the new standard, and more disclosures relating to revenue is required. Currently, the directors are in the midst of assessing the financial impact of the application of HKFRS 15 and a reasonable estimate of the effect will be available once the detailed review is completed.

#### *Amendments HKFRS 15 — Revenue from Contracts with Customers (Clarifications to HKFRS 15)*

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

#### *HKFRS 16 — Leases*

HKFRS 16, which upon the effective date will supersede HKAS 17 “Leases” and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

As at 31 March 2017, the amount of operating lease commitment of the Group was approximately HK\$4,264,000 as disclosed in Note 27. The directors of the Company do not expect the adoption of HKFRS 16 would result in significant impact on the Company’s financial performance but it is expected that certain portion of these lease commitments will be required to be recognised in the statement of financial position as right-of-use assets and lease liabilities.

The directors are currently assessing the potential impact of these pronouncements, and they are not yet in a position to state whether these new pronouncements will result in substantial changes to the Group’s accounting policies and financial statements.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

## 4. SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries now comprising the Group. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

### (b) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: (1) power over the investee; (2) exposure, or rights, to variable returns from the investee; and (3) the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

### (c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The estimated useful lives are as follows:

|                                 |         |
|---------------------------------|---------|
| Leasehold improvements          | 3 years |
| Furniture and fixtures          | 3 years |
| Computer software and equipment | 3 years |

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (d) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

### (e) Financial instruments

#### (i) *Financial assets*

The Group's financial assets are mainly classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

#### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade receivables), and also other types of contractual monetary assets. Loans and receivables are initially recognised at fair value plus directly attributable transaction costs that are directly attributable to the acquisition of the financial assets. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method, less any impairment losses.

#### (ii) *Impairment loss on financial assets*

The Group assesses, at the end of each reporting period, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (as incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Objective evidence of impairment may include:

- significant financial difficulty of the debtor or the group of debtors;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor's financial difficulty; or
- it becoming probable that the debtor or the group of debtors will enter bankruptcy or other financial reorganisation.

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (e) Financial instruments (Continued)

#### (iii) *Financial liabilities*

Financial liabilities at amortised cost include trade and other payables, accruals and deposits received, and amounts due to related companies. They are initially recognised at fair value, net of directly attributable transaction costs incurred, and are subsequently measured at amortised cost using the effective interest method. The related interest expense is recognised in profit or loss. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

#### (iv) *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

#### (v) *Equity instruments*

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

#### (vi) *Derecognition*

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

### (f) Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, demand deposits with banks and short-term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

### (g) Leasing

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All other leases are classified as operating leases.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (g) Leasing (Continued)

#### *The Group as lessor*

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

#### *The Group as lessee*

Assets held under finance leases are initially recognised as assets at their fair value or, if lower, the present value of the minimum lease payments. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to profit or loss over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

The land and buildings elements of property leases are considered separately for the purposes of lease classification. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of land and buildings as a finance lease of property, plant and equipment.

### (h) Provision and contingent liabilities

A provision is recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the Group are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (i) Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of assets (other than inventories and financial assets) to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased.

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

### (j) Employee benefits

#### (i) *Defined contribution retirement plan*

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are recognised as an expense in profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

#### (ii) *Short-term employee benefits*

Short-term employee benefits are recognised when they accrue to employees. In particular, a provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of each reporting period. Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

#### (iii) *Termination benefits*

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

### (k) Foreign currencies

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which they operate (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of each reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (l) Income taxes

Income tax comprises current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

### (m) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and rendering of services, net of rebates and discounts. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

- (a) Revenue from sales of goods is recognised when the Group has delivered the goods to the customers and the customer has accepted the goods together with the risks and rewards of ownership of the goods.
- (b) Revenue from systems integration services included hardware, software and service components. Generally, engagements of this nature are negotiated, priced and invoiced as one product because the provision of consulting, installation and configuration forms an integral part of completing the engagement. Revenue from systems integration is recognised upon completion of the project.
- (c) Interest income is recognised on a time-proportion basis using the effective interest method.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (n) Related parties

- (a) A person or a close member of that person's family is related to the Group if that person:
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of key management personnel of the Group.
- (b) An entity is related to the Group if any of the following conditions apply:
  - (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
  - (iii) Both entities are joint ventures of the same third party;
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group;
  - (vi) The entity is controlled or jointly controlled by a person identified in (a);
  - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity); or
  - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (o) Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major product and service lines.

The measurement policies the Group uses for reporting segment results under HKFRS 8 are the same as those used in its financial statements prepared under HKFRSs, except interest income, unallocated finance costs, and unallocated corporate expenses, which are not directly attributable to the business activities of any operating segment, are not included in arriving at the operating results of the operating segment.

The only operating segment of the Group is the provision of enterprise solutions and integration services.

## 5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### Impairment loss for trade receivables

As explained in Note 4(e), the Group's trade receivables are measured on initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired.

In making the estimate, management considers detailed procedures are in place to monitor this risk as a significant proportion of the Group's working capital is devoted to trade receivables. In determining whether an allowance for bad and doubtful debts is required, the Company takes into consideration the aging status and the likelihood of collection. Following the identification of doubtful debts, the responsible sale personnel discuss with the relevant customers and report on the recoverability. Specific allowance is only made for trade receivables that are unlikely to be collected. In this regard, the management of the Group are satisfied that this risk is properly managed and adequate allowance for doubtful debts has been made in the financial statements in light of the historical records of the Group and the circumstances of the information technology industry as a whole.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

## 6. SEGMENT INFORMATION

The chief operating decision maker is identified as executive directors of the Company. The Group has identified its operating segment based on the regular internal financial information reported to the Company's executive directors for their decisions about resources allocation and review of performance. For the reporting period, the executive directors have considered the only operating segment of the Group to be the provision of IT infrastructure solutions and finance leases income.

### Geographical information

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

|           | 2017<br>HK\$'000 | 2016<br>HK\$'000 |
|-----------|------------------|------------------|
| Hong Kong | 297,178          | 280,874          |
| Macau     | 9,275            | 7,007            |
|           | <b>306,453</b>   | <b>287,881</b>   |

During the year, all of the Group's non-current assets are located in Hong Kong.

### Information about major customers

There is no single customer who contributed to 10% or more revenue to the Group for the year.

## 7. REVENUE AND OTHER INCOME AND GAINS

The Group's principal activities are the provision of IT infrastructure solutions and finance leases income.

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

|  | 2017<br>HK\$'000 | 2016<br>HK\$'000 |
|--|------------------|------------------|
| Revenue:   |                  |                  |
| Provision of IT infrastructure solutions         | 306,397          | 287,877          |
| Finance leases income                            | 56               | 4                |
| Total  | <b>306,453</b>   | <b>287,881</b>   |
| Other income and gains:                          |                  |                  |
| Interest income                                  | 336              | 537              |
| Write back of other payables                     | 28               | 238              |
| Reversal of impairment loss of trade receivables | –                | 14               |
| Exchange gains, net                              | 97               | –                |
| Sundry income                                    | 155              | 231              |
| Total  | <b>616</b>       | <b>1,020</b>     |

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

## 8. PROFIT BEFORE INCOME TAX EXPENSE

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

|  | 2017<br>HK\$'000 | 2016<br>HK\$'000 |
|--|------------------|------------------|
| Costs of inventories recognised as expenses                  | 224,586          | 210,596          |
| Auditor's remuneration                                       | 570              | 500              |
| Depreciation of property, plant and equipment                | 349              | 319              |
| Reversal of impairment loss of inventories                   | –                | (18)             |
| Provision/(reversal) of impairment loss of trade receivables | 1                | (14)             |
| Staff costs (including directors' remuneration (Note 10(a))) |                  |                  |
| — Wages, salaries and other benefits                         | 26,694           | 25,298           |
| — Contribution to defined contribution pension plans         | 986              | 940              |
| Exchange (gains)/losses, net                                 | (97)             | 470              |
| Listing expenses   | –                | 12,510           |
| Operating leases rental expenses                             | 2,236            | 2,035            |

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

## 9. INCOME TAX EXPENSE

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

|   | 2017<br>HK\$'000 | 2016<br>HK\$'000 |
|---|------------------|------------------|
| Current tax — Hong Kong profits tax     |                  |                  |
| Tax for the year                        | 1,357            | 2,121            |
| Over-provision in respect of prior year | (2)              | (20)             |
| Income tax expense                      | 1,355            | 2,101            |

Hong Kong profits tax is calculated at 16.5% (2016: 16.5%) of the estimated assessable profits for the year. Overseas taxation is calculated at tax rates applicable to jurisdictions in which the Group operates.

Pursuant to the rules and regulations of Cayman Islands, the Group is not subject to any taxation under the jurisdictions of Cayman Islands during the year ended 31 March 2017 (2016: Nil).

No provision for Macau income tax has been made as the Group did not generate any assessable profits arising in Macau during the year ended 31 March 2017 (2016: Nil).

The income tax expense for the year can be reconciled to the profit before income tax expense in the consolidated statement of comprehensive income as follows:

|   | 2017<br>HK\$'000 | 2016<br>HK\$'000 |
|---|------------------|------------------|
| Profit before income tax expense                      | 8,342            | 332              |
| Tax calculated at the statutory rate of 16.5%         | 1,376            | 55               |
| Effect of different tax rates in other jurisdiction   | 4                | 16               |
| Tax effect of expenses not deductible for tax purpose | 1                | 2,149            |
| Tax effect of revenue not taxable for tax purpose     | (55)             | (91)             |
| Tax effect of temporary differences not recognised    | 12               | 14               |
| Tax effect of tax loss not recognised                 | 8                | –                |
| Over-provision in respect of prior years              | (2)              | (20)             |
| Others  | 11               | (22)             |
| Income tax expense                                    | 1,355            | 2,101            |

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

## 10. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

### (a) Directors' remuneration

Directors' remuneration is disclosed as follows:

|   | Fees<br>HK\$'000 | Salaries and<br>other benefits<br>HK\$'000 | Contribution<br>to defined<br>contribution<br>pension plans<br>HK\$'000 | Total<br>HK\$'000 |
|---|------------------|--|---|-------------------|
| <b>Year ended 31 March 2017</b>             |                  |  |   |                   |
| <i>Executive directors:</i>                 |                  |  |   |                   |
| Mr. Lau Wai Kwok ("Mr. Lau")                | –                | 2,030                                      | 18  | 2,048             |
| Ms. Lau Tsz Yan                             | –                | 1,032                                      | 18  | 1,050             |
| Mr. So Cheuk Wah, Benton                    | –                | 724  | 18  | 742               |
| <i>Non-executive directors:</i>             |                  |  |   |                   |
| Mr. Wong Chu Kee, Daniel ("Mr. Wong")       | 150              | –  | –   | 150               |
| Mr. Chu Siu Sum, Alex ("Mr. Chu")           | –                | –  | –   | –                 |
| Mr. Mok Chu Leung, Terry                    | –                | –  | –   | –                 |
| Mr. Cheung Nap Kai                          | –                | –  | –   | –                 |
| Mr. Chan Kin Mei, Stanley                   | 150              | –  | –   | 150               |
| <i>Independent non-executive directors:</i> |                  |  |   |                   |
| Mr. Au Yu Chiu Steven                       | 150              | –  | –   | 150               |
| Mr. Chung Fuk Wing Danny                    | 150              | –  | –   | 150               |
| Mr. Ko Man Fu                               | 150              | –  | –   | 150               |
| Mr. Mak Wai Sing                            | 150              | –  | –   | 150               |
|   | <b>900</b>       | <b>3,786</b>                               | <b>54</b>   | <b>4,740</b>      |
| <b>Year ended 31 March 2016</b>             |                  |  |   |                   |
| <i>Executive directors:</i>                 |                  |  |   |                   |
| Mr. Lau (note (i))                          | –                | 1,933                                      | 18  | 1,951             |
| Ms. Lau Tsz Yan (note (i))                  | –                | 1,169                                      | 18  | 1,187             |
| Mr. So Cheuk Wah, Benton (note (i))         | –                | 604  | 18  | 622               |
| <i>Non-executive directors:</i>             |                  |  |   |                   |
| Mr. Wong (note (i))                         | 7                | –  | –   | 7                 |
| Mr. Chu (note (i))                          | –                | –  | –   | –                 |
| Mr. Mok Chu Leung, Terry (note (i))         | –                | –  | –   | –                 |
| Mr. Cheung Nap Kai (note (i))               | –                | –  | –   | –                 |
| Mr. Chan Kin Mei, Stanley (note (i))        | 7                | 338  | 5   | 350               |
| <i>Independent non-executive directors:</i> |                  |  |   |                   |
| Mr. Au Yu Chiu Steven (note (ii))           | 7                | –  | –   | 7                 |
| Mr. Chung Fuk Wing Danny (note (ii))        | 7                | –  | –   | 7                 |
| Mr. Ko Man Fu (note (ii))                   | 7                | –  | –   | 7                 |
| Mr. Mak Wai Sing (note (ii))                | 7                | –  | –   | 7                 |
|   | <b>42</b>        | <b>4,044</b>                               | <b>59</b>   | <b>4,145</b>      |

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

## 10. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

### (a) Directors' remuneration (Continued)

Notes:

(i) The amounts represented remuneration paid or payable during the reporting periods by the entities comprising the Group to those directors or key management of subsidiaries who were appointed as directors of the Company on 18 December 2015, 25 November 2015 or 15 March 2016.

(ii) Appointed on 15 March 2016.

### (b) Five highest-paid individuals

The five highest paid individuals of the Group included three directors (2016: Two) whose emoluments are reflected in the analysis presented above.

The analysis of the emoluments to the remaining two (2016: three) individuals is set out below:

|  | 2017<br>HK\$'000 | 2016<br>HK\$'000 |
|--|------------------|------------------|
| Salaries and allowances                            | 1,464            | 2,002            |
| Contribution to defined contribution pension plans | 36               | 54               |
|  | <u>1,500</u>     | <u>2,056</u>     |

Their remuneration fell within the following bands:

|                      | 2017     | 2016     |
|----------------------|----------|----------|
| Nil to HK\$1,000,000 | <u>2</u> | <u>3</u> |

During the year, no director or any of the highest-paid individuals waived or agreed to waive any emoluments (2016: Nil). No emoluments were paid by the Group to the directors or any of the highest paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

## 11. DIVIDENDS

During the year ended 31 March 2016, an interim dividend in respect of the year ended 31 March 2015 of HK\$1.2308 per ordinary share, or in aggregation of HK\$8,000,000 was paid by Expert Systems Limited ("Expert HK"), a wholly-owned subsidiary of the Company, to its then shareholders.

During the year ended 31 March 2016, a dividend in respect of the period ended 31 October 2015 of HK\$3.846 per ordinary share, or in aggregation of HK\$25,000,000 was paid by Expert HK to its then shareholders.

The directors did not recommend the payment of a final dividend for the year ended 31 March 2016.

No dividends were declared by the Board of the Company for the year ended 31 March 2017.

## 12. EARNINGS/(LOSS) PER SHARE

For the year ended 31 March 2017, the calculation of basic earnings per share is based on the profit for the year attributable to the owners of the Company of HK\$6,987,000 and on the basis of the weighted average number of 793,972,603 ordinary shares in issue.

For the year ended 31 March 2016, the calculation of the basic loss per share is based on the loss attributable to owners of the Company of HK\$1,769,000, and on the basis of 600,000,000 ordinary shares in issue, which represents the number of shares of the Company immediately after the Reorganisation and the capitalisation issue (Note 24(d)) as if these shares had been issued on 1 April 2015.

Diluted earnings per share are same as the basic earnings per share as there are no dilutive potential ordinary shares in existence during the years ended 31 March 2017 and 2016.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

## 13. PROPERTY, PLANT AND EQUIPMENT

|   | Leasehold<br>improvements<br>HK\$'000 | Furniture &<br>fixtures<br>HK\$'000 | Computer<br>equipment<br>HK\$'000 | Total<br>HK\$'000 |
|---|---------------------------------------|-------------------------------------|-----------------------------------|-------------------|
| <b>At 1 April 2015</b>                      |                                       |                                     |                                   |                   |
| Cost  | 481                                   | 8                                   | 2,004                             | 2,493             |
| Accumulated depreciation                    | (481)                                 | (5)                                 | (1,555)                           | (2,041)           |
| Net book amount                             | –                                     | 3                                   | 449                               | 452               |
| <b>Year ended 31 March 2016</b>             |                                       |                                     |                                   |                   |
| Opening net book amount                     | –                                     | 3                                   | 449                               | 452               |
| Additions                                   | 274                                   | –                                   | 128                               | 402               |
| Depreciation                                | (38)                                  | (3)                                 | (278)                             | (319)             |
| Closing net book amount                     | 236                                   | –                                   | 299                               | 535               |
| <b>At 31 March 2016 and at 1 April 2016</b> |                                       |                                     |                                   |                   |
| Cost  | 755                                   | 8                                   | 2,132                             | 2,895             |
| Accumulated depreciation                    | (519)                                 | (8)                                 | (1,833)                           | (2,360)           |
| Net book amount                             | 236                                   | –                                   | 299                               | 535               |
| <b>Year ended 31 March 2017</b>             |                                       |                                     |                                   |                   |
| Opening net book amount                     | 236                                   | –                                   | 299                               | 535               |
| Additions                                   | 6                                     | 31                                  | 210                               | 247               |
| Depreciation                                | (93)                                  | (8)                                 | (248)                             | (349)             |
| Closing net book amount                     | 149                                   | 23                                  | 261                               | 433               |
| <b>At 31 March 2017</b>                     |                                       |                                     |                                   |                   |
| Cost  | 761                                   | 39                                  | 2,342                             | 3,142             |
| Accumulated depreciation                    | (612)                                 | (16)                                | (2,081)                           | (2,709)           |
| Net book amount                             | 149                                   | 23                                  | 261                               | 433               |



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

## 14. INVESTMENTS IN SUBSIDIARIES

The particulars of the Company's subsidiaries as at 31 March 2017 are as follows:

| Name  | Country and date of incorporation/ establishment and form of business structure | Description of shares held                                    | Attributable equity interest |          | Principal activities and place of operations        |
|---|---|---|------------------------------|----------|---|
|   |   |   | direct                       | indirect |   |
| Expert Systems Group Limited ("Expert BVI")     | British Virgin Islands, 24 September 2015, limited liability company            | Ordinary, United States Dollars ("USD") 1                     | 100%                         | –        | Investment holding, Hong Kong                       |
| Expert HK                                       | Hong Kong, 10 September 1985, limited liability company                         | Ordinary, HK\$6,500,000<br>Deferred non-voting, HK\$1,500,000 | –                            | 100%     | Provision of IT infrastructure solutions, Hong Kong |
| Expert Systems (Macau) Limited ("Expert Macau") | Macau, 27 July 2006, limited liability company                                  | Ordinary, Macau Pataca ("MOP") 25,000                         | –                            | 100%     | Provision of IT infrastructure solutions, Macau     |

## 15. FINANCE LEASE RECEIVABLES

|                                       | 2017<br>HK\$'000 | 2016<br>HK\$'000 |
|---------------------------------------|------------------|------------------|
| Current finance lease receivables     | 643              | 14               |
| Non-current finance lease receivables | 824              | 45               |
|                                       | <b>1,467</b>     | <b>59</b>        |

### Leasing arrangements

Certain of the group's equipments are leased out under finance leases. All leases are denominated in Hong Kong dollars. The term of finance leases enter into ranged from 2 to 5 years.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

## 15. FINANCE LEASE RECEIVABLES (Continued)

Amounts receivables under finance leases

|   | Minimum lease payments |                  | Present value of minimum lease payments |                  |
|---|------------------------|------------------|---|------------------|
|   | 2017<br>HK\$'000       | 2016<br>HK\$'000 | 2017<br>HK\$'000                        | 2016<br>HK\$'000 |
| Not later than one year                             | 853                    | 19               | 643                                     | 14               |
| Later than one year and not later than five years   | 1,090                  | 63               | 824                                     | 45               |
|   | 1,943                  | 82               | 1,467                                   | 59               |
| Less: unearned finance income                       | (476)                  | (23)             | –                                       | –                |
| Present value of minimum lease payments receivables | 1,467                  | 59               | 1,467                                   | 59               |

The interest rate inherent in the leases is fixed at the contract date for the entire lease term. The average effective interest rate is approximately 8% per annum.

Finance lease receivable balances are secured over the equipment leased. The Group is not permitted to sell or repledge the collateral in the absence of default by the lessee.

The finance lease receivables at the end of the each reporting period are neither past due nor impaired.

## 16. INVENTORIES

|             | 2017<br>HK\$'000 | 2016<br>HK\$'000 |
|-------------|------------------|------------------|
| Merchandise | 1,850            | 1,465            |

During the year ended 31 March 2017, no reversal of impairment loss on inventories (2016: approximately HK\$18,000) has been recognised and included in cost of sales.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

## 17. TRADE RECEIVABLES

|                                | 2017<br>HK\$'000 | 2016<br>HK\$'000 |
|--------------------------------|------------------|------------------|
| Trade receivables, gross       | 47,525           | 44,200           |
| Less: Provision for impairment | (1)              | –                |
|                                | <b>47,524</b>    | <b>44,200</b>    |

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:

|   | 2017<br>HK\$'000 | 2016<br>HK\$'000 |
|---|------------------|------------------|
| Within 1 month                                | 21,398           | 23,512           |
| More than 1 month but not more than 3 months  | 20,032           | 15,063           |
| More than 3 months but not more than 6 months | 3,194            | 3,093            |
| More than 6 months but not more than a year   | 1,185            | 1,209            |
| More than a year                              | 1,715            | 1,323            |
|   | <b>47,524</b>    | <b>44,200</b>    |

At the end of each reporting period, the management review receivables for evidence of impairment on both an individual and collective basis. Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly. The movement in the allowance for impairment of trade receivables during each reporting period is as follows:

|   | 2017<br>HK\$'000 | 2016<br>HK\$'000 |
|---|------------------|------------------|
| At beginning of the year                          | –                | 14               |
| Provision of impairment loss for the year         | 1                | –                |
| Recovery of impairment loss previously recognised | –                | (14)             |
| At the end of the year                            | <b>1</b>         | <b>–</b>         |

At 31 March 2017, the management had determined a provision of impairment loss of trade receivables to be approximately HK\$1,000 (2016: Nil), and there was no reversal of impairment loss provided in year ended 31 March 2017 (2016: HK\$14,000).

The Group did not hold any collateral as security or other credit enhancements over the impaired trade receivables.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

## 17. TRADE RECEIVABLES (Continued)

An ageing analysis of the Group's trade receivables as at the end of each reporting period that are not impaired is as follows:

|  | 2017<br>HK\$'000 | 2016<br>HK\$'000 |
|--|------------------|------------------|
| Neither past due nor impaired (note (a))                       | 17,302           | 24,698           |
| Not more than 3 months past due (note (b))                     | 25,890           | 16,069           |
| 3 to 6 months past due (note (b))                              | 1,516            | 3,126            |
| More than 6 months but less than 12 months past due (note (b)) | 2,816            | 307              |
|  | <b>47,524</b>    | <b>44,200</b>    |

Notes:

- (a) Trade receivables that were neither past due nor impaired relate to certain customers for whom there was no recent history of default.
- (b) Trade receivables that were past due but not impaired relate to customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

## 18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

|                               | 2017<br>HK\$'000 | 2016<br>HK\$'000 |
|-------------------------------|------------------|------------------|
| Other deposits                | 1,642            | 1,219            |
| Other receivables             | 138              | 114              |
| Prepayments                   | 1,368            | 2,259            |
|                               | <b>3,148</b>     | <b>3,592</b>     |
| Less: Non-current prepayments | (356)            | –                |
|                               | <b>2,792</b>     | <b>3,592</b>     |

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

## 19. PLEDGED BANK DEPOSITS

|  | 2017<br>HK\$'000 | 2016<br>HK\$'000 |
|--|------------------|------------------|
| Bank deposit for tenders of Hong Kong Government projects (note) | 2,100            | 4,200            |

Note:

As at 31 March 2017, the bank deposit of HK\$2,100,000 (2016: HK\$4,200,000) was pledged to a bank for a tender (2016: two tenders) from Logistics Department of Hong Kong Government as banker's guarantee. Such banker's guarantee amounted to HK\$2,100,000 (2016: HK\$4,200,000) and the banking facility granted to the Group amounted to HK\$10,800,000 (2016: HK\$10,800,000), of which HK\$8,700,000 (2016: HK\$6,600,000) was unutilised at the year end date. The Group is not entitled to withdraw the deposits before maturity date.

## 20. CASH AND CASH EQUIVALENTS

Cash and cash equivalents represent cash at banks and in hand. Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

## 21. TRADE PAYABLES

|                | 2017<br>HK\$'000 | 2016<br>HK\$'000 |
|----------------|------------------|------------------|
| Trade payables | 68,418           | 63,147           |

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:

|   | 2017<br>HK\$'000 | 2016<br>HK\$'000 |
|---|------------------|------------------|
| Within 1 month                                | 29,747           | 26,885           |
| More than 1 month but not more than 3 months  | 31,045           | 29,437           |
| More than 3 months but not more than 6 months | 6,709            | 4,579            |
| More than 6 months but not more than a year   | 810              | 1,991            |
| More than a year                              | 107              | 255              |
|   | 68,418           | 63,147           |

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

## 22. ACCRUALS, DEPOSITS RECEIVED AND OTHER PAYABLES

|                                     | 2017<br>HK\$'000 | 2016<br>HK\$'000 |
|-------------------------------------|------------------|------------------|
| Other payables and accrued expenses | 3,816            | 4,939            |
| Staff commission                    | 3,654            | 4,786            |
| Other deposits received             | 646              | 528              |
| Customers' deposits received        | 5,291            | 4,049            |
|                                     | 13,407           | 14,302           |
| Less: Non-current other payables    | (556)            | (556)            |
|                                     | 12,851           | 13,746           |

## 23. AMOUNTS DUE TO RELATED COMPANIES

Breakdowns of amounts due to related parties are disclosed as follows:

|  | 2017<br>HK\$'000 | 2016<br>HK\$'000 |
|--|------------------|------------------|
| ServiceOne Limited (note (i))                            | 159              | 533              |
| ServiceOne Technology Services Macau Limited (note (ii)) | –                | 255              |
|  | 159              | 788              |

Notes:

- (i) Mr. Chu and Mr. Wong being directors of ServiceOne Limited, are also the directors of the Company.
- (ii) Mr. Wong being the director of ServiceOne Technology Services Macau Limited, is also the director of the Company.
- (iii) The amounts due to related companies are unsecured, interest-free and repayable on demand.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

## 24. SHARE CAPITAL

|  | Number         | Amount<br>HK\$'000 |
|--|----------------|--------------------|
| <b>Authorised:</b>                               |                |                    |
| Ordinary shares of HK\$0.01 each                 |                |                    |
| Upon incorporation (note (a))                    | 10,000,000     | 100                |
| Increase of authorised shares (note (c))         | 9,990,000,000  | 99,900             |
|  |                |                    |
| At 31 March 2016, 1 April 2016 and 31 March 2017 | 10,000,000,000 | 100,000            |
| <b>Issued and fully paid:</b>                    |                |                    |
| Ordinary shares of HK\$0.01 each                 |                |                    |
| Upon incorporation (note (a))                    | 1              | –                  |
| Allotment of shares (note (b))                   | 9,999,999      | 100                |
|  |                |                    |
| At 31 March 2016 and 1 April 2016                | 10,000,000     | 100                |
|  |                |                    |
| Capitalisation issue (note (d))                  | 590,000,000    | 5,900              |
| Issuance of new shares by placing (note (e))     | 200,000,000    | 2,000              |
|  |                |                    |
| At 31 March 2017                                 | 800,000,000    | 8,000              |

### Notes:

- (a) The Company was incorporated on 18 September 2015 in the Cayman Islands with an authorised share capital of HK\$100,000 divided into 10,000,000 shares of HK\$0.01 each, of which one share was allotted and issued to Mr. Lau at par value.
- (b) On 13 October 2015, in accordance with the Reorganisation, Expert BVI acquired entire equity interest of Expert Macau settled by allotted and issued 142,000 shares of the Company, credited as fully paid, to the then ultimate shareholders of Expert Macau. Expert Macau thus became an indirect wholly-owned subsidiary of the Company.
- On 9 November 2015, in accordance with the Reorganisation, Expert BVI acquired entire equity interest of Expert HK settled by allotted and issued 9,857,999 shares of the Company, credited as fully paid, to the then ultimate shareholders of Expert HK. Expert HK thus became an indirect wholly-owned subsidiary of the Company.
- (c) On 15 March 2016, the shareholders of the Company resolved to increase the authorised share capital of the Company from HK\$100,000 to HK\$100,000,000, divided into 10,000,000,000 shares each by the creation of an additional 9,990,000,000 shares of HK\$0.01 each.
- (d) Pursuant to the resolutions passed by the shareholders of the Company on 15 March 2016, conditional on the share premium account of the Company being credited as a result of the issue of the shares by the Company pursuant to the placing as mentioned below, a total 590,000,000 ordinary shares were issued to the shareholders of the Company on a pro-rata basis by way of capitalising an amount of HK\$5,900,000 from the share premium account of the Company on 12 April 2016.
- (e) On 12 April 2016, the Company issued 200,000,000 ordinary shares pursuant to the Company's listing on the GEM of the Stock Exchange by way of placing at a price of HK\$0.25 per share.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

## 25. RESERVES

Details of the movements on the Group's reserves for the years ended 31 March 2017 and 2016 are presented in the consolidated statement of changes in equity. Movements on the Company's reserve are as follows:

### The Company

|  | Share<br>premium<br>HK\$'000<br>(note (b)) | Accumulated<br>losses<br>HK\$'000 | Total<br>HK\$'000 |
|--|--|-----------------------------------|-------------------|
| At 1 April 2015                                    | –  | –                                 | –                 |
| Loss and total comprehensive income for the year   | –  | (12,552)                          | (12,552)          |
| Allotment of shares (Note 24(a) and (b))           | 33,319                                     | –                                 | 33,319            |
| At 31 March 2016 and 1 April 2016                  | 33,319                                     | (12,552)                          | 20,767            |
| Profit and total comprehensive income for the year | –  | 141                               | 141               |
| Capitalisation issue (Note 24(d))                  | (5,900)                                    | –                                 | (5,900)           |
| Issuance of new shares by placing (Note 24 (e))    | 48,000                                     | –                                 | 48,000            |
| Shares issue expenses (Note 24 (e))                | (5,240)                                    | –                                 | (5,240)           |
| At 31 March 2017                                   | 70,179                                     | (12,411)                          | 57,768            |

#### (a) Merger reserve

The merger reserve of the Group represents the difference between the investment costs in subsidiaries and the nominal value of the issued share capital of the Group's subsidiaries.

#### (b) Share premium

Amount subscribed for share capital in excess of nominal value, less of share issuing costs.



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

## 26. HOLDING COMPANY STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2017

|  | Notes | 2017<br>HK\$'000 | 2016<br>HK\$'000 |
|--|-------|------------------|------------------|
| <b>ASSETS AND LIABILITIES</b>  |       |                  |                  |
| <b>Non-current assets</b>  |       |                  |                  |
| Investment in a subsidiary   |       | –                | –                |
| <b>Current assets</b>  |       |                  |                  |
| Prepayments  |       | 195              | –                |
| Amount due from a subsidiary   |       | 35,519           | 33,419           |
| Cash and cash equivalents  |       | 30,377           | –                |
|  |       | <b>66,091</b>    | <b>33,419</b>    |
| <b>Current liabilities</b>   |       |                  |                  |
| Accruals   |       | 323              | 2,103            |
| Amount due to a subsidiary   |       | –                | 10,449           |
|  |       | <b>323</b>       | <b>12,552</b>    |
| <b>Net current assets</b>  |       | <b>65,768</b>    | <b>20,867</b>    |
| <b>Net current liabilities and total assets less current liabilities</b> |       | <b>65,768</b>    | <b>20,867</b>    |
| <b>Net assets</b>  |       | <b>65,768</b>    | <b>20,867</b>    |
| <b>EQUITY</b>  |       |                  |                  |
| Share capital  | 24    | 8,000            | 100              |
| Reserve  | 25    | 57,768           | 20,767           |
| <b>Total equity</b>  |       | <b>65,768</b>    | <b>20,867</b>    |

On behalf of the board of directors

Wong Chu Kee, Daniel  
Director

Lau Wai Kwok  
Director

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

## 27. COMMITMENTS

### Operating lease commitments — Group as lessee

The Group leased its warehouse and office property under operating lease arrangements which were negotiated for terms of 3 years.

The total future minimum lease payments under non-cancellable operating leases are due as follows:

|   | 2017<br>HK\$'000 | 2016<br>HK\$'000 |
|---|------------------|------------------|
| Not later than one year                           | 3,725            | 5,242            |
| Later than one year and not later than five years | 539              | 4,264            |
|   | 4,264            | 9,506            |

### Capital commitments — Acquisition of property, plant and equipment

|                                 | 2017<br>HK\$'000 | 2016<br>HK\$'000 |
|---------------------------------|------------------|------------------|
| Contracted but not provided for | 165              | –                |

## 28. RELATED PARTY TRANSACTIONS

### (a) Related party transactions

Save as disclosed elsewhere in these financial statements, the Group had the following material related party transactions:

|   | Nature of transactions                             | 2017<br>HK\$'000 | 2016<br>HK\$'000 |
|---|--|------------------|------------------|
| ServiceOne Limited                              | Cost of sales — Purchase of goods                  | –                | 138              |
| ServiceOne Limited                              | Cost of sales — Outsourcing<br>IT support services | 2,215            | 2,422            |
|   |  | 2,215            | 2,560            |
| ServiceOne Limited                              | Sales  | 333              | 600              |
| ServiceOne Limited                              | Maintenance services                               | 48               | 47               |
| ServiceOne Technology<br>Services Macau Limited | Cost of Sales — Outsourcing<br>IT support services | 156              | 1,042            |

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

## 28. RELATED PARTY TRANSACTIONS (Continued)

### (b) Compensation of key management personnel

Remuneration for key management personnel of the Group, including amounts paid to the directors as disclosed in Note 10(a), is as follows:

|   | 2017<br>HK\$'000 | 2016<br>HK\$'000 |
|---|------------------|------------------|
| Salaries, allowances and benefits in kind | 6,932            | 6,304            |
| Retirement scheme contributions           | 125              | 127              |
|   | <b>7,057</b>     | <b>6,431</b>     |

Their remuneration fell within the following bands:

|                                | 2017 | 2016 |
|--------------------------------|------|------|
| Nil to HK\$1,000,000           | 11   | 11   |
| HK\$1,000,001 to HK\$1,500,000 | 2    | 2    |

- (c) During the year, the Group and ServiceOne Limited entered into an arrangement to share certain office expenses ("Shared Office Expenses"), including recruitment expenses, communication charges and office repair and maintenance expenses incurred by the Group. The Shared Office Expenses incurred during the year were allocated based on the ratio of the staff headcount of the Group to that of ServiceOne Limited. Shared Office Expenses allocated to ServiceOne Limited for the year ended 31 March 2017 were approximately HK\$138,000 (2016: HK\$2,628,000).
- (d) During the year, the Group and ServiceOne Limited entered into an arrangement to share cleaning, sanitation and utilities expenses ("Shared Premises Expenses") incurred by the Group. The Shared Premises Expenses incurred during the year were allocated based on the ratio of the office area occupied by the Group to that of ServiceOne Limited. Shared Premises Expenses allocated to ServiceOne Limited for the year ended 31 March 2017 were approximately HK\$121,000 (2016: HK\$132,000).

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

## 29. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The carrying amounts presented in the consolidated statement of financial position relate to the following categories of financial assets and financial liabilities.

|  | 2017<br>HK\$'000 | 2016<br>HK\$'000 |
|--|------------------|------------------|
| <b>Financial assets</b>                        |                  |                  |
| Loans and receivables:                         |                  |                  |
| Trade receivables                              | 47,524           | 44,200           |
| Other receivables and deposits                 | 1,780            | 1,333            |
| Finance lease receivables                      | 1,467            | 59               |
| Pledged bank deposits                          | 2,100            | 4,200            |
| Cash and cash equivalents                      | 103,280          | 50,541           |
|  | <b>156,151</b>   | <b>100,333</b>   |
| <b>Financial liabilities</b>                   |                  |                  |
| Measured at amortised cost:                    |                  |                  |
| Trade payables                                 | 68,418           | 63,147           |
| Accruals, deposits received and other payables | 12,851           | 13,746           |
| Amounts due to related companies               | 159              | 788              |
|  | <b>81,428</b>    | <b>77,681</b>    |
|  | <b>74,723</b>    | <b>22,652</b>    |

## 30. FINANCIAL RISK MANAGEMENT

The Group's financial assets that derive directly from its operations are trade and other receivables, amounts due from related companies and cash and cash equivalents. Principal financial liabilities of the Group include trade and other payables and amounts due to related companies. The main purpose of these financial liabilities is to finance the Group's operations.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk, and currency risk. The Group does not enter into or trade financial instruments for speculative purposes.

The Group's financial risk management policy seeks to ensure that adequate resources are available to manage the above risks and to create value for its shareholders.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

## 30. FINANCIAL RISK MANAGEMENT (Continued)

### (a) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its business.

The Group continuously monitors defaults of customers and other counterparties, identifies either individually or by group, and incorporates this information into its credit risk controls. The Group's policy is to deal only with creditworthy counterparties.

The Group's management considers that all financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due.

The Group has a certain concentration of credit risk, the balance due from the Group's largest customer amounted to 0.6% and 16% of the total trade receivables at 31 March 2017 and 2016 respectively. The balances due from the Group's five largest customers amounted to 16% and 36% of the total trade receivables at 31 March 2017 and 2016 respectively.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in Note 17. The credit risk for cash at bank is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

### (b) Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities. The Group is exposed to liquidity risk in respect of settlement of trade and other payables, and also in respect of its cash flow management. The Group's objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and longer term.

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major banks and financial institutions to meet its liquidity requirements in the short and longer terms.

The liquidity policies have been followed by the Group during the reporting periods and are considered to have been effective in managing liquidity risks.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

## 30. FINANCIAL RISK MANAGEMENT (Continued)

### (b) Liquidity risk (Continued)

The following tables show the remaining contractual maturities at the end of each reporting period of the Group's financial liabilities, based on undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the reporting date) and the earliest date the Group can be required to pay.

|  | Carrying amount<br>HK\$'000 | Total contractual undiscounted cash flow<br>HK\$'000 | Within 1 year or on demand<br>HK\$'000 |
|--|-----------------------------|--|--|
| <b>At 31 March 2017</b>                        |                             |  |  |
| Trade payables                                 | 68,418                      | 68,418   | 68,418                                 |
| Accruals, deposits received and other payables | 12,851                      | 12,851   | 12,851                                 |
| Amounts due to related companies               | 159                         | 159  | 159                                    |
|  | <b>81,428</b>               | <b>81,428</b>  | <b>81,428</b>                          |
| <b>At 31 March 2016</b>                        |                             |  |  |
| Trade payables                                 | 63,147                      | 63,147   | 63,147                                 |
| Accruals, deposits received and other payables | 13,746                      | 13,746   | 13,746                                 |
| Amounts due to related companies               | 788                         | 788  | 788                                    |
|  | <b>77,681</b>               | <b>77,681</b>  | <b>77,681</b>                          |

### (c) Currency risk

#### *Transactions in foreign currencies and the Group's risk management policies*

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group mainly operates in Hong Kong with most of the transactions denominated and settled in HK\$. The Group's exposure to foreign currency risk primarily arises from certain financial instruments including trade receivables, and cash and cash equivalents which are denominated in RMB, MOP and USD. During the reporting periods, the Group has not adopted any hedging strategy in the long run but management continuously monitors the foreign exchange risk exposure on a case-by-case basis. The Group has not used any hedging contracts to engage in speculative activities.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

## 30. FINANCIAL RISK MANAGEMENT (Continued)

### (c) Currency risk (Continued)

#### *Transactions in foreign currencies and the Group's risk management policies* (Continued)

Foreign currency denominated financial assets and liabilities, translated into HK\$ at the prevailing closing rates at the end of each reporting period, are as follows:

|                           | MOP   | HK\$'000<br>RMB | USD   |
|---------------------------|-------|-----------------|-------|
| <b>At 31 March 2017</b>   |       |                 |       |
| Cash and cash equivalents | 1,984 | –               | 1,571 |
| Overall net exposure      | 1,984 | –               | 1,571 |
| <b>At 31 March 2016</b>   |       |                 |       |
| Cash and cash equivalents | 445   | –               | 1,125 |
| Overall net exposure      | 445   | –               | 1,125 |

#### *Sensitivity analysis*

The following table indicates the approximate change in the Group's profit after tax (and retained earnings) and other components of consolidated equity in response to reasonably possible changes in the foreign exchange rates of RMB to which the Group has significant exposure at the end of each reporting period.

|                         | Increase/<br>(decrease) in<br>foreign<br>exchange rates | Effect on profit<br>after tax and<br>retained<br>earnings<br>HK\$'000 |
|-------------------------|---|---|
| <b>At 31 March 2017</b> |   |   |
| RMB                     | 8%  | –   |
| RMB                     | (8)%  | –   |
| <b>At 31 March 2016</b> |   |   |
| RMB                     | 8%  | –   |
| RMB                     | (8)%  | –   |

The sensitivity analysis of the Group's exposure to foreign currency risk at the reporting date has been determined based on the assumed percentage changes in foreign exchange rates taking place at the beginning of the financial year and held constant throughout the reporting periods. The assumed changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next reporting date.

A reasonable change in foreign exchange rates for MOP and USD in the next twelve months is assessed to result in immaterial change in the Group's profit after tax, retained earnings and other components of equity.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

## 30. FINANCIAL RISK MANAGEMENT (Continued)

### (c) Currency risk (Continued)

#### *Sensitivity analysis* (Continued)

Exposures to foreign exchange rates vary during the year depending on the volume of transactions denominated in foreign currency. Nevertheless, the analysis above is considered to be representative of the Group's exposure to foreign currency risk.

### (d) Fair value

The carrying amounts of the financial assets and financial liabilities carried at amortisation cost in the consolidated financial statements approximate their fair values due to the relative short term maturity of these financial instruments.

## 31. CAPITAL MANAGEMENT

The Group's capital management objectives include:

- (i) to safeguard the Group's ability to continue as a going concern, so that it continues to provide returns for owners and benefits for other stakeholders;
- (ii) to support the Group's stability and growth; and
- (iii) to provide capital for the purpose of strengthening the Group's risk management capability.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder's returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities.

Management regards total equity attributable to owners of the Company as capital. The amount of capital as at 31 March 2017 and 2016 amounted to approximately HK\$78,065,000 and HK\$26,318,000 respectively.

## 32. NOTES SUPPORTING THE CONSOLIDATED STATEMENT OF CASH FLOWS

- (a) For the year ended 31 March 2016, pursuant to the group reorganisation of the Group mentioned in Note 1, the Company has issued and allotted 9,999,999 shares of the Company, credited as fully paid at par, to the then ultimate shareholders of Expert Macau and Expert HK for acquiring the entire equity interest of Expert Macau and Expert HK. Meanwhile, there was no cashflow effect for these acquisitions pursuant to the Reorganisation of the Group.
- (b) For the year ended 31 March 2017, pursuant to the capitalisation issue of the Group mentioned in Note 24(d), a total 590,000,000 ordinary shares were issued to the shareholders of the Company on a pro-rata basis by way of capitalising an amount of HK\$5,900,000 from the share premium account of the Company. Meanwhile, there was no cashflow effect for the issue of shares pursuant to the capitalisation issue of the Group.

## 33. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 21 June 2017.