



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
2018



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

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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

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

This 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, the GEM website at 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 and remains on the Company’s website at www.expertsystems.com.hk.

Contents

Corporate Information	2
Chairman’s Statement	4
Management Discussion and Analysis	6
Biographical Details of the Directors and Senior Management	11
Corporate Governance Report	16
Directors’ Report	25
Summary of Financial Information	36
Independent Auditor’s Report	37
Consolidated Statement of Comprehensive Income	41
Consolidated Statement of Financial Position	42
Consolidated Statement of Changes in Equity	43
Consolidated Statement of Cash Flows	44
Notes to the Consolidated Financial Statements	45



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. 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

Tricor Services (Cayman Islands) Limited
P. O. Box 10008
Willow House
Cricket Square
Grand Cayman KY1-1001
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

P. O. Box 10008
Willow House
Cricket Square
Grand Cayman KY1-1001
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

22/F., Yen Sheng Centre
64 Hoi Yuen Road
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

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 2018 ("FY2018").

For financial year ended 31 March 2018, the Group recorded a revenue of HK\$337.2 million with a 10.0% increase from HK\$306.5 million in FY2017 despite the continuous 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 at the expense of gross profit margin of the Group which decreased from 13.9 % in FY2017 to 12.8% in FY2018. Basic earnings per share was HK0.86 cent. The Board does not propose any final dividends for the year ended 31 March 2018.

Looking back, it was the second year after listing (the "Listing") on the GEM of the Stock Exchange of Hong Kong Limited on 12 April 2016 (the "Listing Date"), we still experienced the slow economic growth in Hong Kong and Macau in the first half of FY2018. The Group had been decisively adjusting the fixed cost structure in order to maximise the Group's financial performance. During FY2018, the Company has relocated the main office to a more cost effective building.

During the unfavorable market situation, the Group continued focusing on the strategy maintaining the business from the private sector as well as strengthening our presence in the public sector which increased expenditures such as investment in technologies for improvement of operating efficiency according to the government policies and initiatives. The strategy enabled us to capitalise more business opportunities during the energetic economic situation of Hong Kong in the second half of FY2018 and the Group has successfully achieved the annual sales target as well as built up a relative strong sales backlog for coming year.

Once again, we demonstrated our Group with competent and experienced management team in executing the business strategy and remained committed to our prudent management with good corporate governance. Over the year, the increasing numbers of projects awarded in both private and public sectors indicated our Group's continuous efforts in strengthening our market position as one of the leading IT infrastructure solutions providers in Hong Kong and Macau.

Due to the increasing attentions and adoptions of the latest technologies such as Cloud Computing, Big Data, Internet of Things and Artificial Intelligence, the market has been demanding more powerful and reliable infrastructure solutions which is our Group's core business. We are looking forward to working closely with the global and local technology partners in providing the latest and best infrastructure solutions to our clients for their advancement during the digital transformation journey.

Our Group is rooted in Hong Kong and eyes on the development of this region. We believe Hong Kong as one of the global commercial and financial cities would definitely benefit from the nation's initiatives, such as the construction of the Guangdong-Hongkong-Macau Greater Bay Area and One Belt One Road initiative, both have been positioned as the national strategic development projects.

Chairman's Statement

We are confident that our Group would be in a good position of capitalising the business opportunities generated from the aforementioned development projects with our advantage of being long established in Hong Kong and Macau; good reputation in both private and public sectors; strong customer base across various industries; good business relationship with state-owned and private Chinese enterprises in Hong Kong; comprehensive experiences with multinational corporations and regional large enterprises. We will strive our best to leverage our unique position in Hong Kong and Macau and will continue the business development for the enhancement of shareholder value.

On behalf of the Board, I would like to take this opportunity to express our sincere thanks to all employees, shareholders, customers and business partners for their supports to the Group during the reporting year.

Wong Chu Kee Daniel
Chairman and non-executive Director

Hong Kong, 20 June 2018

Management Discussion and Analysis

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 2018 ("FY2018") as compared to the last corresponding year ("FY2017"), the Group recorded a revenue increase of approximately 10.0% and our gross profit increased by approximately 1.5%.

Business in the Private Sector

The Group's revenue in the private sector decreased by approximately 3.8% from approximately HK\$159.1 million, representing 51.9% of our total revenue, for FY2017 to approximately HK\$153.0 million, representing 45.4% of our total revenue, for FY2018.

The Group's gross profit in the private sector for FY2018 amounted to approximately HK\$23.3 million, representing 54.0% of our total gross profit and an increase of approximately HK\$0.5 million, or approximately 2.6%, as compared to that of FY2017 of approximately HK\$22.8 million, representing 53.6% of our total gross profit. Moreover our gross profit margin in FY2018 was approximately 15.3%, representing an increase of 1.0 percentage point as compared to that of FY2017 of approximately 14.3%.

We consider that the decrease in revenue from the private sector was mainly due to the decrease in demand for IT infrastructure solutions from our customers in the private sector and the increase in gross profit margin from the private sector was the result of our efforts in obtaining more favourable terms from our suppliers.

Business in the Public Sector

The Group's revenue in the public sector increased by approximately 25.0% from approximately HK\$147.4 million, representing 48.1% of our total revenue, for FY2017 to approximately HK\$184.2 million, representing 54.6% of our total revenue, for FY2018.

The Group's gross profit in the public sector for FY2018 amounted to approximately HK\$19.9 million, representing 46.0% of our total gross profit and an increase of approximately HK\$0.1 million, or approximately 0.2%, as compared to that of FY2017 of approximately HK\$19.8 million, representing 46.4% of our total gross profit. Our gross profit margin for FY2018 was approximately 10.8%, representing a decrease of 2.7 percentage points as compared to that of FY2017 of approximately 13.5%.

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, our Group believes that more and more enterprises and institutions are going to adopt digital transformation in order not only to enhance their operation efficiency, but also to create their own digital business models, which means to make business digitally or online in their own ways. Therefore 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) Multi Cloud and Hybrid Cloud

Our Group believes that the IT infrastructure in most of enterprises and institutions will be in multi and hybrid mode in near future. This means any workload can be shifted online to and fro between on-premises and cloud or between cloud and cloud. Where workload is placed suitably depends on different requirements or situations, say a workload under peak days can be placed in cloud manually or automatically during the days in order to give throughput to the workload to cater the short-term high demand. The local presence of key worldwide cloud service providers, given that the newly setup data centre located in Hong Kong of Amazon Web Services will likely be operating by the end of this year, will substantially drive the adoption of the solutions.

(2) Digital Workspace

We learn that the market demands new end-user computing platforms under the mobile-cloud era, securely delivering anytime, anywhere access to all kinds of applications such as legacy, web and cloud, services and resources across all heterogeneous devices. The technology maturity and Windows 10 upgrade will significantly drive the adoption of the solutions.

(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 advanced threat protection for ransomware, but others like anti-virus, anti-spam, firewall and 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, we believe that the market conditions remain uncertain due to upward tendency of Hong Kong interest rate and risk of potential global trade war. 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 10.0% from approximately HK\$306.5 million for FY2017 to approximately HK\$337.2 million for FY2018, which was primarily attributable to the increase in demand from our customers in the public sector for IT infrastructure solutions in FY2018 as compared to FY2017.

As a result, trade receivables increased substantially from approximately HK\$47.5 million as at 31 March 2017 to approximately HK\$74.3 million as at 31 March 2018. The increase in trade receivables was mainly arising from some large scale IT infrastructure solutions projects in FY2018, in particular in the last quarter of FY2018.

Gross profit and gross profit margin

For FY2018, our gross profit amounted to approximately HK\$43.2 million, representing an increase of approximately HK\$0.6 million, or approximately 1.5%, as compared to that of FY2017 of approximately HK\$42.6 million.

Our gross profit margin in FY2018 was approximately 12.8%, representing a decrease of 1.1 percentage points as compared to that of FY2017 of approximately 13.9%. 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 increased by approximately HK\$0.3 million (or approximately 51.6%) from approximately HK\$0.6 million for FY2017 to approximately HK\$0.9 million for FY2018. The increase was mainly due to greater amount in write back of other payables and interest income in FY2018.

Selling expenses

For FY2018, our selling expenses amounted to approximately HK\$25.4 million, representing an increase of approximately HK\$1.5 million (or approximately 6.2%) as compared to FY2017 of approximately HK\$23.9 million. Such increase was mainly attributed by the increase in our staff cost.

Administrative expenses

The Group's administrative expenses for FY2018 were approximately HK\$10.9 million, representing a slight decrease of approximately 1.1% from approximately HK\$11.0 million for FY2017. The decrease was primarily due to the net effect of (i) the increase in staff costs of approximately HK\$0.3 million; (ii) the increase in depreciation expenses of approximately HK\$0.3 million; (iii) the decrease in legal and professional fees of approximately HK\$0.5 million; and (iv) the decrease in repair and maintenance expenses of approximately HK\$0.2 million.

Income tax expense

The Group's income tax expense for FY2018 was approximately HK\$1.0 million, representing a decrease of approximately 23.0% from approximately HK\$1.4 million for FY2017. The decrease in the Group's income tax expense was mainly due to the lower assessable profit after deducting the commercial and building allowances in FY2018.

Management Discussion and Analysis

Profit attributable to owners of the Company

The profit attributable to owners of the Company amounted to approximately HK\$6.9 million for FY2018 as compared with that of approximately HK\$7.0 million for FY2017, which was primarily attributable to the abovementioned effects.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

We financed our operations primarily through cash generated from our operating activities. During FY2018, we did not have any bank borrowings. As at 31 March 2017 and 2018, we had cash and cash equivalents of approximately HK\$103.3 million and HK\$96.0 million, respectively, which were cash at banks and in hand. As at 31 March 2018, no bank deposit (31 March 2017: HK\$2.1 million) was 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) was pledged and the banking facility granted to the Group amounted to HK\$10.8 million (31 March 2017: HK\$10.8 million), of which HK\$10.8 million was unutilised (31 March 2017: HK\$8.7 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 2017 and 2018. 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") and the paragraph headed "Use of proceeds from Listing" in the Directors' Report hereof.

CAPITAL STRUCTURE

As at 31 March 2018, 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 2018, the Group's operating lease commitments were approximately HK\$4.8 million (31 March 2017: approximately HK\$4.3 million).

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in the Prospectus and the paragraph headed "Use of proceeds from listing" in the Directors' Report hereof, 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 FY2018.

SIGNIFICANT INVESTMENTS

As at 31 March 2018, 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 2018 (31 March 2017: 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 FY2018, 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 FY2018, 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 FY2018.

CHARGE ON GROUP'S ASSETS

Save as disclosed in Note 19 to the consolidated financial statements, there were no charges on the Group's assets as at 31 March 2018 (31 March 2017: pledged bank deposit of HK\$2.1 million).

INFORMATION ON EMPLOYEES

As at 31 March 2018, the Group had 79 employees (31 March 2017: 77) 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 FY2018 amounted to approximately HK\$29.3 million (FY2017: HK\$27.7 million).

The dedication and hard work of the Group's staff during FY2018 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 FY2018, no share option was granted, exercised, expired or lapsed and there was no outstanding share option under the Scheme as at 31 March 2018.

Biographical Details of the Directors and Senior Management

CHAIRMAN AND NON-EXECUTIVE DIRECTOR

Mr. Wong Chu Kee Daniel (黃主琦), aged 57, 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 49, 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 he joined our Group in 2004.

Biographical Details of the Directors and Senior Management

EXECUTIVE DIRECTORS

Ms. Lau Tsz Yan (劉紫茵), aged 45, 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 over 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 44, is an executive Director and the general 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 18 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.

NON-EXECUTIVE DIRECTORS

Mr. Chu Siu Sum Alex (朱兆深), 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. 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. Chan Kin Mei Stanley (陳健美), aged 46, 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 more than 20 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 senior vice president, head of finance of ServiceOne, responsible for overseeing the finance and accounting, and human resources and administration functions.

Biographical Details of the Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Au Yu Chiu Steven (區裕釗), aged 59, 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.

Mr. Chung Fuk Wing Danny (鍾福榮), aged 62, 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 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 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 28 years. He is currently working as a consultant at the law firm, Hau, Lau, Li & Yeung.

Biographical Details of the Directors and Senior Management

Mr. Mak Wai Sing (麥偉成), 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 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 27 years of experience in the trading business. He began his career with Swire & Maclaine Ltd. ("Swire & Maclaine"), a trading company in 1986 and he was group manager when he left Swire & Maclaine. Mr. Mak then joined Li & Fung (Trading) Limited ("Li & Fung") in June 2000 and he was senior vice president when he left Li & Fung in January 2013.

SENIOR MANAGEMENT

Mr. Yan Tsz Yin (甄子賢), aged 47, the senior manager of the business development and sales operations departments of our Group. Mr. Yan joined our Group in September 1999. He is responsible for managing our Group's business development and sales operations 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 19 years of experience in the sales and marketing of IT products and services.

Mr. Li Sui Wai, Soan (李歲偉), aged 56, 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 26 years of experience in working as management on technology services function in different IT companies.

Mr. Chui Yuk Man (徐育民), aged 40, 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 6.5 Data Center Virtualisation and VMware Certified Advanced Professional 5 Data Center Design. Mr. Chui has around 17 years of experience in the IT industry.

Ms. Wong Yuk Lam (黃鈺霖), aged 40, the senior finance manager of our Group. Ms. Wong 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 has 20 years of experience in the accounting and finance field.

Biographical Details of the Directors and Senior Management

COMPANY SECRETARY

Mr. Lau Siu Ki (劉紹基), aged 59, 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 10 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 Board recognises the importance of good corporate governance in management and internal control procedures so as to achieve accountability. Therefore, the Company is committed to establish and maintain good corporate governance practices and procedures. The Company has adopted the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 15 to the GEM Listing Rules and, in the opinion of the Board, the Company has complied with the CG Code for FY2018, save for the deviation from such code disclosed below.

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 as at 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. 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 11 to 15 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.

Corporate Governance Report

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.

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 Ms. Lau Tsz Yan, Mr. So Cheuk Wah Benton, Mr. Ko Man Fu and Mr. Mak Wai Sing will retire from office as Director. All the retiring Directors, being eligible, will offer themselves for re-election at the forthcoming annual general meeting of the Company to be held on 21 September 2018 (the "2018 AGM") pursuant to article 84(1) of our articles of association.

At the 2018 AGM, separate ordinary resolutions will be put forward to the shareholders of the Company in relation to the proposed re-election of Ms. Lau Tsz Yan and Mr. So Cheuk Wah Benton as executive Directors and Mr. Ko Man Fu and Mr. Mak Wai Sing as independent non-executive Directors, each for a term commencing from the date of the annual general meeting approving his/her appointment and ending at the conclusion of the annual general meeting of the Company to be held in 2021.

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 is the Chairman of the Board and Mr. Lau Wai Kwok is the chief executive officer of the Company.

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 2018, 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 and the Company's website at 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 2018 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 2018 comply with the applicable accounting standards and the GEM Listing Rules.

Corporate Governance Report

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.

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 2018 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 Report

Corporate Governance Committee

The chairman of the Corporate Governance 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.

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.

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 2018 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)	5/5	1/1	N/A	N/A	1/1	1/1
Ms. Lau Tsz Yan	5/5	1/1	N/A	N/A	N/A	N/A
Mr. So Cheuk Wah Benton	5/5	1/1	N/A	N/A	N/A	N/A

Non-executive Directors:

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

Independent non-executive Directors:

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

* Mr. Mok Chu Leung Terry and Mr. Cheung Nap Kai retired as Non-executive Directors at the conclusion of the Company's annual general meeting held on 22 September 2017.

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 for FY2018.

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 2018 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 37 to 40 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 the year ended 31 March 2018, 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
22/F., Yen Sheng Centre
64 Hoi Yuen Road
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 2018, 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 2018.

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 Prospectus. 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 2018 as well as outlook/prospects of the Group's business are provided in the sections "Chairman's Statement" on pages 4 to 5, and "Management Discussion and Analysis" on pages 6 to 10 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 2018 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 2018 and its consolidated financial position as at that date are set out in the consolidated financial statements on pages 41 and 42 of this annual report respectively. The Directors do not recommend the payment of a final dividend for the year ended 31 March 2018.

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, 18 September 2018 to Friday, 21 September 2018, 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, 17 September 2018.

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and the Prospectus, is set out on page 36 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 2018, the distributable reserves of the Company amounted to approximately HK\$58.0 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 2018, so far as the Company is aware, the aggregate revenue attributable to our five largest customers and the largest customer accounted for approximately 18.6% and 4.4%, respectively, of the Group's total revenue for the financial year. Purchases from the Group's five largest suppliers accounted for approximately 70.9% of the Group's total purchases for the financial year and the purchase from the largest supplier included therein amounted to approximately 22.7%.

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. Chan Kin Mei Stanley
Mr. Mok Chu Leung (resigned on 22 September 2017)
Mr. Cheung Nap Kai (resigned on 22 September 2017)

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. Ko Man Fu, Mr. Mak Wai Sing, Ms. Lau Tsz Yan and Mr. So Cheuk Wah Benton shall retire by rotation at the forthcoming annual general meeting of the Company, and being eligible, 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 11 to 15 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 2018 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 2018.

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 2018, 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/ chief executive	Name of Group member/ associated corporation	Nature of interest	Total number of Shares	Approximate percentage of shareholding
Mr. Chu Siu Sum Alex ("Mr. Chu")	the Company	Beneficial owner	226,890,000 Shares	28.4%
Mr. Lau Wai Kwok ("Mr. Lau")	the Company	Beneficial owner	100,000,000 Shares	12.5%
Mr. Wong Chu Kee Daniel ("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 2018, 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 2018, 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
Mr. Mok Chu Leung Terry ("Mr. Mok")	Beneficial owner	91,800,000	11.5%
Mr. Cheung Nap Kai ("Mr. Cheung")	Beneficial owner	89,760,000	11.2%
Ms. Luk Yuen Wah Nancy	Interest of spouse	226,890,000 (note 1)	28.4%
Ms. Keung Lai Wa Dorothy Linndia	Interest of spouse	100,000,000 (note 2)	12.5%
Ms. Yan Yihong	Interest of spouse	91,800,000 (note 3)	11.5%
Ms. Tuen Chi Keung	Interest of spouse	89,760,000 (note 4)	11.2%
Ms. Lee Kit Ling Monita	Interest of spouse	51,300,000 (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 Dorothy 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 2018 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 "Scheme") on 15 March 2016. The total number of Shares which may be issued upon exercise of all options to be granted under the 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 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 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 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 Scheme.

The Scheme will remain in force for a period of ten years commencing on the date on which the Scheme is adopted. Subject to certain restrictions contained in the Scheme, an option may be exercised in accordance with the terms of the 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 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 Scheme is in compliance with Chapter 23 of the GEM Listing Rules. A total of 80,000,000 Shares are available for issue under the Scheme, representing 10% of the total issued capital of the Company immediately after the Listing.

For FY2018, no share option was granted, exercised, expired or lapsed and there was no outstanding share option under the Scheme as at 31 March 2018.

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 the 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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2018.

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 2018.

DEED OF NON-COMPETITION

Mr. Chu, Mr. Lau 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 FY2018.

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 2018.

CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 March 2018, 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 expired on 31 March 2018. For the year ended 31 March 2018 the total service fees paid for such outsourcing services by the Group to the ServiceOne Group amounted to HK\$2,580,000.

For FY2018, the annual cap for the total amount of the service fees for the said outsourcing services shall not exceed HK\$5,040,000.

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

Directors' Report

The Company, on 29 March 2018, renewed the Framework IT Support Agreement with ServiceOne for another three years ending 31 March 2021. Based on the projected level of fees for each of the three years ending 31 March 2019, 31 March 2020 and 31 March 2021, the transactions under the Framework IT Support Agreement are expected to be fully-exempt continuing connected transactions under Rule 20.74 of the GEM Listing Rules. Accordingly, the renewed agreement and the transactions contemplated thereunder will be exempt from shareholders' approval, annual review and an disclosure requirements.

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 2018 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.

On 17 January 2018, the Company announced that the Group has proposed to reallocate (i) approximately HK\$3.4 million originally intended for strengthening the Group's marketing efforts; and (ii) approximately HK\$3.6 million originally intended for enhancing the management information systems of the Group, to the expansion of the Group's IT infrastructure solutions business (the "Reallocation").

Details of the original allocation, the Reallocation and the utilisation of the net proceeds from the Placing up to 31 March 2018 are set out below:

Uses	Original allocation (Note) HK\$ (in million)	After Reallocation HK\$ (in million)	Utilised up to 31 March 2018 HK\$ (in million)	Remaining balance as at 31 March 2018 (after Reallocation) HK\$ (in million)
(i) Expansion and training of sales, technical and support workforce	6.8	6.8	3.0	3.8
(ii) Expansion of IT infrastructure solutions business	11.0	18.0	0.6	17.4
(iii) Strengthening of marketing efforts	6.0	2.6	1.0	1.6
(iv) Enhancement of management information systems	5.5	1.9	0.8	1.1
(v) Working capital and general corporate purposes	2.9	2.9	2.9	–
Total	32.2	32.2	8.3	23.9

Note: Details of the original allocation of the net proceeds from the Placing are set out in the Prospectus.

Details of the change of use of proceeds from the Placing have been set out in the Company's announcement dated 17 January 2018.

CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 16 to 24 of this annual report.

Directors' 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 throughout the year ended 31 March 2018.

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 2018 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. There has been no change of auditor of the Company since the Listing Date.

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, 20 June 2018

Summary of Financial Information

	For the year ended 31 March				
	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000	2015 HK\$'000	2014 HK\$'000
Revenue	337,223	306,453	287,881	317,002	274,789
Gross profit	43,249	42,621	43,384	44,225	33,784
Profit before income tax expense	7,933	8,342	332	18,362	9,533
Profit/(loss) and total comprehensive income for the year	6,889	6,987	(1,769)	15,599	7,965

	As at 31 March				
	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000	2015 HK\$'000	2014 HK\$'000
Total assets	183,894	160,049	104,592	154,777	117,045
Total liabilities	98,940	81,984	78,274	93,690	67,067
Total equity	84,954	78,065	26,318	61,087	49,978

Independent Auditor's Report



Tel : +852 2218 8288
Fax : +852 2815 2239
www.bdo.com.hk

電話 : +852 2218 8288
傳真 : +852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

香港干諾道中111號
永安中心25樓

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 41 to 78, which comprise the consolidated statement of financial position as at 31 March 2018, 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 2018, 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 ("HKSAs") 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 2018. 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 2018 was approximately HK\$74,325,000.

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 2018 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, 20 June 2018

Consolidated Statement of Comprehensive Income

For the Year ended 31 March 2018

	Notes	2018 HK\$'000	2017 HK\$'000
Revenue	7	337,223	306,453
Cost of sales		(293,974)	(263,832)
Gross profit		43,249	42,621
Other income and gains	7	934	616
Selling expenses		(25,360)	(23,879)
Administrative expenses		(10,890)	(11,016)
Profit before income tax expense	8	7,933	8,342
Income tax expense	9	(1,044)	(1,355)
Profit and total comprehensive income for the year		6,889	6,987
Earnings per share — Basic and diluted	12	HK0.86 cent	HK0.88 cent

Consolidated Statement of Financial Position

As at 31 March 2018

	Notes	2018 HK\$'000	2017 HK\$'000
Non-current assets			
Property, plant and equipment	13	2,103	433
Finance lease receivables	15	616	824
Prepayments	18	–	356
Trade receivables	17	4,549	–
		7,268	1,613
Current assets			
Inventories	16	5,068	1,850
Trade receivables	17	69,776	47,524
Prepayments, deposits and other receivables	18	5,012	2,792
Finance lease receivables	15	738	643
Tax recoverable		–	247
Pledged bank deposits	19	–	2,100
Cash and cash equivalents	20	96,032	103,280
		176,626	158,436
Current liabilities			
Trade payables	21	82,650	68,418
Accruals, deposits received and other payables	22	15,452	12,851
Amount due to a related company	23	216	159
Tax payables		66	–
		98,384	81,428
Net current assets		78,242	77,008
Total assets less current liabilities		85,510	78,621
Non-current liabilities			
Other payables	22	556	556
Net assets		84,954	78,065
EQUITY			
Share capital	24	8,000	8,000
Reserves		76,954	70,065
		84,954	78,065

On behalf of the board of the directors

Wong Chu Kee, Daniel
Director

Lau Wai Kwok
Director

Consolidated Statement of Changes in Equity

For the Year ended 31 March 2018

	Share capital HK\$'000 (Note 24)	Share premium HK\$'000 (Note 25)	Merger reserve HK\$'000 (Note 25)	Retained earnings HK\$'000	Total HK\$'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(a))	5,900	(5,900)	–	–	–
Issuance of new shares by placing (Note 24(b))	2,000	48,000	–	–	50,000
Shares issue expenses (Note 24(b))	–	(5,240)	–	–	(5,240)
At 31 March 2017 and 1 April 2017	8,000	70,179	(25,395)	25,281	78,065
Profit and total comprehensive income for the year	–	–	–	6,889	6,889
At 31 March 2018	8,000	70,179	(25,395)	32,170	84,954

Consolidated Statement of Cash Flows

For the Year ended 31 March 2018

	Notes	2018 HK\$'000	2017 HK\$'000
Cash flows from operating activities			
Profit before income tax expense		7,933	8,342
Adjustments for:			
Interest income	7	(635)	(336)
Depreciation of property, plant and equipment	13	610	349
Write back of other payables	7	(171)	(28)
Provision of impairment loss of trade receivables	8	–	1
Operating cash flows before working capital changes		7,737	8,328
Increase in inventories		(3,218)	(385)
Increase in trade receivables		(26,801)	(3,325)
(Increase)/decrease in prepayments, deposits and other receivables		(2,220)	800
Decrease/(increase) in finance lease receivables		113	(1,408)
Increase/(decrease) in amounts due to related companies		57	(629)
Increase in trade payables		14,232	5,271
Increase in accruals, deposits received and other payables		2,772	1,236
Cash (used in)/generated from operations		(7,328)	9,888
Income tax paid		(731)	(1,639)
Net cash (used in)/generated from operating activities		(8,059)	8,249
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,924)	(247)
Decrease of pledged bank deposits		2,100	2,100
Prepayment for purchase of property, plant and equipment		–	(356)
Interest received		635	336
Net cash generated from investing activities		811	1,833
Cash flows from financing activities			
Net proceeds from issue of ordinary shares		–	44,760
Payment of listing expenses		–	(2,103)
Net cash generated from financing activities		–	42,657
Net (decrease)/increase in cash and cash equivalents		(7,248)	52,739
Cash and cash equivalents at beginning of the year		103,280	50,541
Cash and cash equivalents at end of the year	20	96,032	103,280

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

1. GENERAL INFORMATION

Expert Systems Holdings Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (2004 revision) Chapter 22 of the Cayman Islands on 18 September 2015. Its shares are listed on the GEM of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 12 April 2016. The address of the Company's registered office is P.O. Box 10008, Willow House, Cricket Square, Grand Cayman KY1-1001, Cayman Islands and its principal place of business in Hong Kong is 22/F., Yen Sheng Centre, 64 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong.

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

2. BASIS OF PREPARATION

(a) 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.

(b) Basis of measurement

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

(c) 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 2017

Amendments to HKAS 7	<i>Disclosure Initiative</i>
Amendments to HKAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i>
Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKFRS 12, Disclosure of Interests in Other Entities

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.

The adoption of the amendments has no impact on these financial statements as the Group has no liabilities arising from financing activities during the financial year.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

3. ADOPTION OF HKFRSs (Continued)

(a) Adoption of new/revised HKFRSs — effective 1 April 2017 (Continued)

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.

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

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

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

HKFRS 9	<i>Financial Instruments</i> ¹
HKFRS 15	<i>Revenue from Contracts with Customers</i> ¹
Amendments to HKFRS 15	<i>Revenue from Contracts with Customers (Clarifications to HKFRS 15)</i> ¹
HKFRS 16	<i>Leases</i> ²
HK(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments</i> ²

¹ Effective for annual periods beginning on or after 1 January 2018

² Effective for annual periods beginning on or after 1 January 2019

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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

3. ADOPTION OF HKFRSs (Continued)

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

HKFRS 9 — Financial Instruments (Continued)

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 of the Company have reviewed the Group's financial assets as at 31 March 2018 and anticipated that the application of HKFRS 9 in the future may result in early recognition of credit losses based on the expected loss model in relation to the Group's financial assets measured at amortised cost.

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

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 of the Company anticipated that the application of HKFRS 15 in the future may result in more disclosures. However, the directors of the Company do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

Amendments to 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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

3. ADOPTION OF HKFRSs (Continued)

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

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 2018, the Group had non-cancellable operating lease commitments of approximately HK\$4,799,000 as disclosed in Note 27. A preliminary assessment indicated that these arrangement will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-to-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above.

HK(IFRIC)-Int 23 — Uncertainty over Income Tax Treatments

The Interpretation supports the requirements of HKAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes.

Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the “most likely amount” or the “expected value” approach, whichever better predicts the resolution of the uncertainty.

Except as discussed above, the directors of the Company anticipate that the application of the other new and amendments to HKFRSs and interpretations will have no material impact on the financial statements of the Group in the future.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

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	3–4 years
Furniture and fixtures	3–4 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 2018

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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Financial instruments (Continued)

(ii) Impairment loss on financial assets (Continued)

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.

(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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Provision and contingent liabilities (Continued)

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.

(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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Employee benefits (Continued)

(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.

(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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

(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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Related parties (Continued)

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.

(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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Impairment loss for trade receivables (Continued)

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.

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.

	2018 HK\$'000	2017 HK\$'000
Hong Kong	329,942	297,178
Macau	7,281	9,275
	337,223	306,453

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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

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:

	2018 HK\$'000	2017 HK\$'000
Revenue:		
Provision of IT infrastructure solutions	336,964	306,397
Finance leases income	259	56
Total	337,223	306,453
Other income and gains:		
Interest income	635	336
Write back of other payables	171	28
Exchange gains, net	–	97
Sundry income	128	155
Total	934	616

8. PROFIT BEFORE INCOME TAX EXPENSE

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

	2018 HK\$'000	2017 HK\$'000
Costs of inventories recognised as expenses	257,939	224,586
Auditor's remuneration	590	570
Depreciation of property, plant and equipment	610	349
Provision of impairment loss of trade receivables	–	1
Staff costs (including directors' remuneration (Note 10(a)))		
— Wages, salaries and other benefits	28,335	26,694
— Contribution to defined contribution pension plans	1,013	986
Exchange losses/(gains), net	60	(97)
Operating lease rental expenses	2,228	2,236

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

9. INCOME TAX EXPENSE

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

	2018 HK\$'000	2017 HK\$'000
Current tax — Hong Kong profits tax		
Tax for the year	1,076	1,357
Over-provision in respect of prior year	(32)	(2)
Income tax expense	1,044	1,355

Hong Kong profits tax is calculated at 16.5% (2017: 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 2018 (2017: 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 2018 (2017: 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:

	2018 HK\$'000	2017 HK\$'000
Profit before income tax expense	7,933	8,342
Tax calculated at the statutory rate of 16.5%	1,309	1,376
Effect of different tax rates in other jurisdiction	(21)	4
Tax effect of expenses not deductible for tax purpose	1	1
Tax effect of revenue not taxable for tax purpose	(108)	(55)
Tax effect of temporary differences not recognised	(85)	12
Tax effect of tax loss not recognised	–	8
Over-provision in respect of prior years	(32)	(2)
Others	(20)	11
Income tax expense	1,044	1,355

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

10. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' remuneration

Directors' remuneration is disclosed as follows:

	Fees HK\$'000	Salaries and other benefits HK\$'000	Contribution to defined contribution pension plans HK\$'000	Total HK\$'000
Year ended 31 March 2018				
<i>Executive director:</i>				
Mr. Lau Wai Kwok ("Mr. Lau")	–	1,795	18	1,813
Ms. Lau Tsz Yan	–	982	18	1,000
Mr. So Cheuk Wah, Benton	–	772	18	790
<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 (note(i))	–	–	–	–
Mr. Cheung Nap Kai (note(i))	–	–	–	–
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
	900	3,549	54	4,503

Note:

(i) Resigned on 22 September 2017.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

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

(a) Directors' remuneration (Continued)

	Fees HK\$'000	Salaries and other benefits HK\$'000	Contribution to defined contribution pension plans HK\$'000	Total HK\$'000
Year ended 31 March 2017				
<i>Executive director:</i>				
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	150	–	–	150
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
	900	3,786	54	4,740

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

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

(b) Five highest-paid individuals

The five highest paid individuals of the Group included three directors (2017: three) whose emoluments are reflected in the analysis presented above.

The analysis of the emoluments to the remaining two (2017: two) individuals is set out below:

	2018 HK\$'000	2017 HK\$'000
Salaries and allowances	1,330	1,464
Contribution to defined contribution pension plans	36	36
	<u>1,366</u>	<u>1,500</u>

Their remuneration fell within the following bands:

	2018	2017
Nil to HK\$1,000,000	<u>2</u>	<u>2</u>

During the year, no director or any of the highest-paid individuals waived or agreed to waive any emoluments (2017: 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.

11. DIVIDENDS

No dividends were declared by the Board of the Company for the year ended 31 March 2018 (2017: Nil).

12. EARNINGS PER SHARE

For the year ended 31 March 2018, the calculation of basic earnings per share is based on the profit for the year attributable to the owners of the Company of HK\$6,889,000 and on the basis of the weighted average number of 800,000,000 ordinary shares in issue.

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.

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 2018 and 2017.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK\$'000	Furniture & fixtures HK\$'000	Computer equipment HK\$'000	Total HK\$'000
At 1 April 2016				
Cost	755	8	2,132	2,895
Accumulated depreciation	(519)	(8)	(1,833)	(2,360)
Net book amount	236	–	299	535
Year ended 31 March 2017				
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
At 31 March 2017 and at 1 April 2017				
Cost	761	39	2,342	3,142
Accumulated depreciation	(612)	(16)	(2,081)	(2,709)
Net book amount	149	23	261	433
Year ended 31 March 2018				
Opening net book amount	149	23	261	433
Additions	1,139	313	828	2,280
Written off of cost	(481)	(8)	(467)	(956)
Depreciation	(210)	(43)	(357)	(610)
Written off of depreciation	481	8	467	956
Closing net book amount	1,078	293	732	2,103
At 31 March 2018				
Cost	1,419	344	2,703	4,466
Accumulated depreciation	(341)	(51)	(1,971)	(2,363)
Net book amount	1,078	293	732	2,103

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

14. INVESTMENTS IN SUBSIDIARIES

The particulars of the Company's subsidiaries as at 31 March 2018 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	British Virgin Islands, 24 September 2015, limited liability company	Ordinary, United States Dollars ("USD") 1	100%	–	Investment holding, Hong Kong
Expert Systems Limited	Hong Kong, 10 September 1985, limited liability company	Ordinary, HK\$6,500,000 Deferred non-voting, HK\$1,500,000	–	100%	Provision of IT infrastructure solutions, Hong Kong
Expert Systems (Macau) Limited	Macau, 27 July 2006, limited liability company	Ordinary, Macau Pataca ("MOP") 25,000	–	100%	Provision of IT infrastructure solutions, Macau

15. FINANCE LEASE RECEIVABLES

	2018 HK\$'000	2017 HK\$'000
Current finance lease receivables	738	643
Non-current finance lease receivables	616	824
	1,354	1,467

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 entered into ranged from 2 to 5 years.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

15. FINANCE LEASE RECEIVABLES (Continued)

Amounts receivables under finance leases

	Minimum lease payments		Present value of minimum lease payments	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Not later than one year	1,015	853	738	643
Later than one year and not later than five years	904	1,090	616	824
	1,919	1,943	1,354	1,467
Less: unearned finance income	(565)	(476)	–	–
Present value of minimum lease payments receivables	1,354	1,467	1,354	1,467

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

	2018 HK\$'000	2017 HK\$'000
Merchandise	5,068	1,850

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

17. TRADE RECEIVABLES

	2018 HK\$'000	2017 HK\$'000
Trade receivables, gross	74,325	47,525
Less: Provision for impairment	–	(1)
	74,325	47,524
Less: non-current portion	(4,549)	–
	69,776	47,524

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:

	2018 HK\$'000	2017 HK\$'000
Within 1 month	30,567	21,398
More than 1 month but not more than 3 months	32,171	20,032
More than 3 months but not more than 6 months	7,160	3,194
More than 6 months but not more than a year	2,716	1,185
More than a year	1,711	1,715
	74,325	47,524

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:

	2018 HK\$'000	2017 HK\$'000
At beginning of the year	1	–
Provision of impairment loss for the year	–	1
Bad debt written off	(1)	–
At the end of the year	–	1

At 31 March 2018, the management had determined a provision of impairment loss of trade receivables was nil (2017: approximately HK\$1,000), and there was no reversal of impairment loss provided in year ended 31 March 2018 (2017: nil).

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 2018

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:

	2018 HK\$'000	2017 HK\$'000
Neither past due nor impaired (note (a))	32,976	17,302
Not more than 3 months past due (note (b))	32,159	25,890
3 to 6 months past due (note (b))	5,791	1,516
More than 6 months but less than a year past due (note (b))	1,688	2,816
More than a year past due (note (b))	1,711	–
	74,325	47,524

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

	2018 HK\$'000	2017 HK\$'000
Other deposits	1,705	1,642
Other receivables	595	138
Prepayments	2,712	1,368
	5,012	3,148
Less: Non-current prepayments	–	(356)
	5,012	2,792

19. PLEDGED BANK DEPOSITS

	2018 HK\$'000	2017 HK\$'000
Bank deposit for tenders of Hong Kong Government projects (note)	–	2,100

Note:

As at 31 March 2018, all of the pledged bank deposit (2017: HK\$2,100,000) had expired.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

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

	2018 HK\$'000	2017 HK\$'000
Trade payables	82,650	68,418

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:

	2018 HK\$'000	2017 HK\$'000
Within 1 month	36,373	29,747
More than 1 month but not more than 3 months	41,160	31,045
More than 3 months but not more than 6 months	2,120	6,709
More than 6 months but not more than a year	1,314	810
More than a year	1,683	107
	82,650	68,418

22. ACCRUALS, DEPOSITS RECEIVED AND OTHER PAYABLES

	2018 HK\$'000	2017 HK\$'000
Other payables and accrued expenses	3,495	3,816
Staff commission	4,292	3,654
Other deposits received	823	646
Customers' deposits received	7,398	5,291
	16,008	13,407
Less: Non-current other payables	(556)	(556)
	15,452	12,851

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

23. AMOUNT DUE TO A RELATED COMPANY

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

	2018 HK\$'000	2017 HK\$'000
ServiceOne Limited	216	159

Notes:

- (i) Mr. Chu and Mr. Wong being directors of ServiceOne Limited, are also the directors of the Company.
- (ii) The amount due to a related company is unsecured, interest-free and repayable on demand.

24. SHARE CAPITAL

	Number	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 each		
At 31 March 2017, 1 April 2017 and 31 March 2018	10,000,000,000	100,000
Issued and fully paid:		
Ordinary shares of HK\$0.01 each		
At 1 April 2016	10,000,000	100
Capitalisation issue (note (a))	590,000,000	5,900
Issuance of new shares by placing (note (b))	200,000,000	2,000
At 31 March 2017, 1 April 2017 and 31 March 2018	800,000,000	8,000

Notes:

- (a) 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.
- (b) 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 2018

25. RESERVES

Details of the movements on the Group's reserves for the years ended 31 March 2018 and 2017 are presented in the consolidated statement of changes in equity. Movements on the Company's reserve are as follows:

The Company

	Share premium HK\$'000 (note (b))	Accumulated losses HK\$'000	Total HK\$'000
At 1 April 2016	33,319	(12,552)	20,767
Profit and total comprehensive income for the year	–	141	141
Capitalisation issue (Note 24(a))	(5,900)	–	(5,900)
Issuance of new shares by placing (Note 24 (b))	48,000	–	48,000
Shares issue expenses (Note 24 (b))	(5,240)	–	(5,240)
At 31 March 2017 and 1 April 2017	70,179	(12,411)	57,768
Profit and total comprehensive income for the year	–	269	269
At 31 March 2018	70,179	(12,142)	58,037

(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 2018

26. HOLDING COMPANY STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2018

	Notes	2018 HK\$'000	2017 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investment in a subsidiary		–	–
Current assets			
Prepayments		170	195
Amount due from subsidiaries		45,025	35,519
Cash and cash equivalents		21,156	30,377
		66,351	66,091
Current liabilities			
Accruals		314	323
		314	323
Net current assets		66,037	65,768
Total assets less current liabilities		66,037	65,768
Net assets		66,037	65,768
EQUITY			
Share capital	24	8,000	8,000
Reserve	25	58,037	57,768
Total equity		66,037	65,768

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 2018

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 from 3 to 4 years.

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

	2018 HK\$'000	2017 HK\$'000
Not later than one year	1,772	3,725
Later than one year and not later than five years	3,027	539
	4,799	4,264

Capital commitments — Acquisition of property, plant and equipment

	2018 HK\$'000	2017 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		2018 HK\$'000	2017 HK\$'000
ServiceOne Limited	Cost of sales — Outsourcing IT support services	2,424	2,215
ServiceOne Limited	Sales	178	333
ServiceOne Limited	Maintenance services	48	48
ServiceOne Technology Services Macau Limited	Cost of Sales — Outsourcing IT support services	156	156

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

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:

	2018 HK\$'000	2017 HK\$'000
Salaries, allowances and benefits in kind	6,768	6,932
Retirement scheme contributions	124	125
	6,892	7,057

Their remuneration fell within the following bands:

	2018	2017
Nil to HK\$1,000,000	12	11
HK\$1,000,001 to HK\$1,500,000	1	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 2018 were approximately HK\$95,000 (2017: HK\$138,000).
- (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 2018 were approximately HK\$133,000 (2017: HK\$121,000).

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

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.

	2018 HK\$'000	2017 HK\$'000
Financial assets		
Loans and receivables:		
Trade receivables	74,325	47,524
Other receivables and deposits	2,300	1,780
Finance lease receivables	1,354	1,467
Pledged bank deposits	–	2,100
Cash and cash equivalents	96,032	103,280
	174,011	156,151
Financial liabilities		
Measured at amortised cost:		
Trade payables	82,650	68,418
Accruals, deposits received and other payables	15,452	12,851
Amount due to a related company	216	159
	98,318	81,428
	75,693	74,723

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 2018

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 13.5% and 0.6% of the total trade receivables at 31 March 2018 and 2017 respectively. The balances due from the Group's five largest customers amounted to 30% and 16% of the total trade receivables at 31 March 2018 and 2017 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 2018

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 HK\$'000	Total contractual undiscounted cash flow HK\$'000	Within 1 year or on demand HK\$'000
At 31 March 2018			
Trade payables	82,650	82,650	82,650
Accruals, deposits received and other payables	15,452	15,452	15,452
Amounts due to related companies	216	216	216
	98,318	98,318	98,318
At 31 March 2017			
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
	81,428	81,428	81,428

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

30. FINANCIAL RISK MANAGEMENT (Continued)

(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.

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 RMB	USD
At 31 March 2018			
Cash and cash equivalents	629	–	1,622
Overall net exposure	629	–	1,622
At 31 March 2017			
Cash and cash equivalents	1,984	–	1,571
Overall net exposure	1,984	–	1,571

Sensitivity analysis

A reasonable change in foreign exchange rates for RMB, 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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

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 2018 and 2017 amounted to approximately HK\$84,954,000 and HK\$78,065,000 respectively.

32. NOTES SUPPORTING THE CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2017, pursuant to the capitalisation issue of the Group mentioned in Note 24(a), 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 authorized for issue by the board of directors on 20 June 2018.