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

2019 Annual Report

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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

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

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

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
(up to 10 July 2019)
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong
(with effect from 11 July 2019)

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 2019 ("FY2019").

For financial year ended 31 March 2019, the Group recorded a revenue of HK$432.5 million with a 28.3% increase from HK$337.2 million in FY2018 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 increase our market share at the expense of gross profit margin of the Group which decreased from 12.8% in FY2018 to 12.5% in FY2019. Basic earnings per share was HK1.34 cents. The Board has resolved to recommend a final dividend of HK0.42 cent per ordinary share, amounting to HK$3,360,000 for the year ended 31 March 2019 (2018: nil).

Since April 2016, the Group was listed on the GEM of the Stock Exchange of Hong Kong Limited (the "HKEX"), we experienced the relative slow economic growth in Hong Kong and Macau in FY2017 and the first half of FY2018. As reported last year, during FY2018 the Group had decisively adjusted the fixed cost structure by relocating the main office to a more cost effective building in order to lay the good foundation for boosting the Company's financial performance. As expected, the cost base facilitated the Group to improve our profitability effectively in FY2019.

Riding on the strong sales backlogs built up by the end of FY2018, the Group was able to smoothly fulfil the orders to achieve the revenue growth at the beginning of FY2019. However, the economies in Hong Kong and Macau were experiencing the market slowdown due to the uncertain global economic situation caused by the China and US trade disputes. In view of the relative slow economic growth in the past three consecutive quarters in FY2019, our management team was able to demonstrate resilience and focused on our strategy of acquiring businesses from both private and public sectors. The Group was able to sustain the revenue growth by acquiring several large projects and further strengthened our position in the market.

Over the year, our Group once again demonstrated we were one of the leading IT infrastructure solutions providers in Hong Kong and Macau, we worked strategically with the global technology partners in providing the latest and best solutions to our clients in their adoption of digital transformation. Our management team was able to execute the business strategy in achieving the tremendous revenue growth as well as good governance in business management to contribute the profit and optimize the effective deployment of working capital.

In view of our strong presence in both the private and public sectors, we focused on our core competence to provide the latest IT infrastructure solutions to the market, such as multi and hybrid cloud, digital workspace and information security. Through the acquisition and implementation of those related projects, our Group not only further established the closer and strategic relationship with our suppliers but also continued accumulating our technical competences. With the proven track record of solutions we provided and implemented successfully, we believe that our Group was able to acquire more related projects as the market was continuing to demand the adoption of digital transformation. We are surely with confidence of capitalizing the opportunities in supporting our clients throughout the digital journey.

While our Group has been focusing on the core IT infrastructure solutions business with the continual growth, we still continued to explore any merger and acquisition opportunities for the enhancement of enterprise value in the cautious manner.

Going forward, as mentioned in last year, one of the national strategic development projects, the blueprint for the development of Guangdong-Hong Kong-Macau Greater Bay Area "GBA" was finalized. The latest plan gave the direction of cities and regions in the GBA could develop plans to leverage the complementary strengths more effectively. Our Group being focused on Hong Kong and Macau regions, we are excited by the direction that road map for Hong Kong was built on its status as an international financial, transportation and trade hub. And Macau would focus on being the world center for tourism and leisure, and act as a bridge to Portuguese-speaking countries.

The overall plan, which includes long-term goals through 2035, is to turn GBA into a global technology innovation center and build advanced manufacturing and modern services industries. It definitely helps to identify new areas of growth for Hong Kong and Macau as well as foster the diversified development of its economy and industries. Given Hong Kong and Macau being identified as 2 out of 4 core cities (which includes Guangzhou and Shenzhen) as growth engines in GBA regions, and we being one of the leading infrastructure solutions providers in the regions with strong and diversified client base across various industries, our Group are confident and definitely will stress the best effort to capitalize the opportunities generated by the development of the GBA.

At the same time, in a bigger spectrum, the initiative of One Belt One Road "OBOR" has been launched years ago and was providing new impetus to the global economy and opening up a wide range of unprecedented opportunities for Hong Kong to play to its strengths as highly connected, global financial center and professional services hub with robust world commercial, governmental, social & cultural links all along the Belt and Road routes from Asia to Europe and beyond.

With our unique market position and competent management team, we are confident that our Group would be able to continue the business growth and capable to execute the business strategy as planned. We 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 2019

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 2019 ("FY2019") as compared to the last corresponding year ("FY2018"), the Group recorded a revenue increase of approximately 28.3% and our gross profit increased by approximately 24.7%.

Business in the Private Sector

The Group's revenue in the private sector increased by approximately 34.1% from approximately HK$153.0 million, representing 45.4% of our total revenue, for FY2018 to approximately HK$205.1 million, representing 47.4% of our total revenue, for FY2019.

The Group's gross profit in the private sector for FY2019 amounted to approximately HK$27.3 million, representing 50.6% of our total gross profit and an increase of approximately HK$3.9 million, or approximately 16.9%, as compared to that of FY2018 of approximately HK$23.3 million, representing 54.0% of our total gross profit. Our gross profit margin in FY2019 was approximately 13.3%, representing a decrease of 2.0 percentage points as compared to that of FY2018 of approximately 15.3%.

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

Business in the Public Sector

The Group's revenue in the public sector increased by approximately 23.4% from approximately HK$184.2 million, representing 54.6% of our total revenue, for FY2018 to approximately HK$227.4 million, representing 52.6% of our total revenue, for FY2019.

The Group's gross profit in the public sector for FY2019 amounted to approximately HK$26.7 million, representing 49.4% of our total gross profit and an increase of approximately HK$6.8 million, or approximately 34.0%, as compared to that of FY2018 of approximately HK$19.9 million, representing 46.0% of our total gross profit. Our gross profit margin for FY2019 was approximately 11.7%, representing an increase of 0.9 percentage point as compared to that of FY2018 of approximately 10.8%.

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

OUTLOOK AND PROSPECTS

Moving forward, our Group has been focusing on the following three business opportunities which are enabling us to grow our business continuously besides providing the existing IT infrastructure solutions to the market.

(1) Multi Cloud and Hybrid Cloud

Our Group believes that the IT infrastructure for most enterprises and institutions will be in multi and hybrid mode in near future. This means that any workloads can be shifted through online to and from between on-premises and cloud or between cloud and cloud. Where workload is placed suitably depends on different requirements and situations, let's 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 has driven the adoption of the solutions.

(2) Container

We learn that the market demands a new platform for software application development so as to address the agility requirement for software applications. This especially applies to the mobile ecommerce. "Container" platform can help enterprises and institutions develop, deploy and manage their self-developed software applications much more efficiently and effectively. The technology maturity and the increase of ecommerce business volume have driven the adoption of the solution.

(3) Cyber Security

The recent outbreak of cyber attack well alerted enterprises and institutions the importance of cyber security. We believe that enterprises and institutions would increase their expenditure on overall cyber security infrastructure such as for network, systems, Internet of Things, data, web & email, cloud, etc.

In order to capitalise the above mentioned opportunities, we are not only continuously strengthening our strategic relationship with our suppliers, but also enhancing our specialised technical expertise and domain knowhow on the latest and proven infrastructure solutions. We also strive to develop an even more diversified customer base across private and public sectors.

While our Group has been focusing on the core IT infrastructure solutions business with continual growth, we will explore any appropriate merger and acquisition opportunities for the enhancement of our 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.

Our Group believes that more and more enterprises and institutions are going to adopt digital transformation with the purpose not only to enhance their operation efficiency, but also create their own digital business models, which means to digitalize the business or make the business through online in their own ways. However, the Group's performance is likely to be affected by the uncertain global economy due to the US-China trade dispute and Brexit. We consider that might have negative impacts 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 at strategically developing 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, so as to enable our 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 28.3% from approximately HK$337.2million for FY2018 to approximately HK$432.5 million for FY2019, which was primarily attributable to the increase in demand from our customers in both private and public sectors for IT infrastructure solutions in FY2019 as compared to FY2018.

As a result, trade receivables increased substantially from approximately HK$74.3 million as at 31 March 2018 to approximately HK$99.5 million as at 31 March 2019, of which approximately HK$11.1 million was aged more than a year (2018: HK$1.7 million). This was mainly due to that a longer credit term was mutually agreed between the Group and certain customers and the balance shall be settled by yearly installment. Thus, they were not due as at 31 March 2019.

The Directors are of the view that such trade receivables related to customers for whom there is no significant financial difficulty and no impairment allowance was necessary in respect of these balances as there had not been a significant change in credit quality of those customers and such amounts were considered recoverable based on historical experience.

Gross profit and gross profit margin

For FY2019, our gross profit amounted to approximately HK$54.0 million, representing an increase of approximately HK$10.7 million, or approximately 24.7%, as compared to that of FY2018 of approximately HK$43.2 million.

Our gross profit margin in FY2019 was approximately 12.5%, representing a slight decrease of 0.3 percentage point as compared to that of FY2018 of approximately 12.8%. The decrease in gross profit margin was mainly because the Group deployed a more competitive pricing strategy to increase our overall market share.

Other income and gains

Our other income decreased by approximately HK$0.1 million (or approximately 14.5%) from approximately HK$0.9 million for FY2018 to approximately HK$0.8 million for FY2019. The decrease was mainly due to lower interest income and sundry income in FY2019.

Selling expenses

For FY2019, our selling expenses amounted to approximately HK$30.5 million, representing an increase of approximately HK$5.1 million (or approximately 20.2%) as compared to FY2018 of approximately HK$25.4 million. Such increase was mainly attributed by the increase in our staff cost.

Administrative expenses

The Group's administrative expenses for FY2019 were approximately HK$11.3 million, representing an increase of approximately HK$0.4 million (or approximately 3.5%) from approximately HK$10.9 million for FY2018. The increase was primarily due to the net effect of (i) the increase in staff costs of approximately HK$0.6 million; (ii) the increase in legal and professional fees of approximately HK$0.3 million; (iii) the increase in depreciation expenses of approximately HK$0.2 million; (iv) the decrease in rent and rates for office and warehouse of approximately HK$0.6 million; and (v) the decrease in staff benefits of approximately HK$0.1 million.

Expected credit loss on financial assets

The Group applies the simplified approach to trade receivables to provide for expected credit losses prescribed by HKFRS 9 in FY2019. As a result, impairment loss on financial assets of approximately HK$0.3 million was charged for FY2019 (FY2018: HK$ Nil).

Income tax expense

The Group's income tax expense for FY2019 was approximately HK$1.9 million, representing an increase of approximately 86.7% from approximately HK$1.0 million for FY2018. The increase in the Group's income tax expense was mainly due to the higher assessable profits in FY2019.

Profit attributable to owners of the Company

The profit attributable to owners of the Company amounted to approximately HK$10.8 million for FY2019, representing an increase of approximately HK$3.9 million (or approximately 56.1%) as compared with that of approximately HK$6.9 million for FY2018, which was primarily attributable to the abovementioned effects.

Earnings per share

Basic and diluted earnings per share for profit attributable to owners of the Company for FY2019 amounted to approximately HK$1.34 cents, representing an increase of approximately HK0.48 cent (or approximately 55.8%) as compared to approximately HK0.86 cent in FY2018.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

We financed our operations primarily through cash generated from our operating activities. During FY2019, we did not have any bank borrowings. As at 31 March 2018 and 2019, we had cash and cash equivalents of approximately HK$96.0 million and HK$99.1 million, respectively, which were cash at banks and in hand. As at 31 March 2018 and 2019, no bank deposit was pledged.

The banking facility granted to the Group as at 31 March 2019 amounted to HK$10.8 million (31 March 2018: HK$10.8 million), of which HK$10.8 million was unutilised (31 March 2018: HK$10.8 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 2018 and 2019. 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 Company's announcement dated 17 January 2018 regarding the change of use of proceeds from the placing ("Announcement").

CAPITAL STRUCTURE

As at 31 March 2019, 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 2019, the Group's operating lease commitments were approximately HK$5.8 million (31 March 2018: approximately HK$4.8 million).

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in the Prospectus and Announcement, 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 FY2019.

SIGNIFICANT INVESTMENTS

As at 31 March 2019, the Group did not hold any significant investments.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 March 2019 (31 March 2018: 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$. During FY2019, the Group's exposure to foreign currency risk primarily arose from certain financial instruments including trade receivables, cash and cash equivalents and held-to-maturity investments which are denominated in MOP and/or US$. During FY2019, 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 FY2019.

CHARGE ON GROUP'S ASSETS

As 31 March 2018 and 2019, the Group had no charges on its assets.

INFORMATION ON EMPLOYEES

As at 31 March 2019, the Group had 77 employees (31 March 2018: 79) 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 FY2019 amounted to approximately HK$35.0 million (FY2018: HK$29.3 million).

The dedication and hard work of the Group's staff during FY2019 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.

No share option was granted, exercised, expired or lapsed for FY2019 (FY2018: Nil) and there was no outstanding share option under the Scheme as at 31 March 2019.

Subsequent to 31 March 2019, on 15 April 2019, share options to subscribe for a total of 16,000,000 ordinary shares of HK$0.01 each at an exercise price of HK$0.111 per share were granted to the Directors and employees of the Company pursuant to the Scheme. The closing price of the shares immediately before the date of grant of share options was HK$0.098 per share. Further details of the aforementioned share options granted are set out in the announcement of the Company dated 15 April 2019.

CHAIRMAN AND NON-EXECUTIVE DIRECTOR

Mr. Wong Chu Kee Daniel (黃主琦), aged 58, 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 50, 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.

EXECUTIVE DIRECTORS

Ms. Lau Tsz Yan (劉紫茵), aged 46, 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 45, 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 19 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 58, 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 47, 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 general manager and senior vice president, head of finance of ServiceOne, responsible for overseeing the finance and accounting, and human resources and administration functions.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Au Yu Chiu Steven (區裕釗), aged 60, 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 nonexecutive director of Vincent Medical Holdings Limited (stock code: 1612), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited.

Biographical Details of the Directors and Senior Management

Mr. Chung Fuk Wing Danny (鍾福榮), aged 63, 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 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 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 29 years. He is currently working as a consultant at the law firm, Hau, Lau, Li & Yeung.

Mr. Mak Wai Sing (麥偉成), 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 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 28 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 48, 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 solutions and services.

Mr. Chui Yuk Man (徐育民), aged 41, the senior manager of the professional 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 18 years of experience in the IT industry.

Ms. Wong Yuk Lam (黃鈺霖), aged 41, 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 more than 20 years of experience in the accounting and finance field.

COMPANY SECRETARY

Mr. Lau Siu Ki (劉紹基), aged 60, 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 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 FY2019, 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.

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.

TERMS OF APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of our executive Directors entered into a service contract with our Company effective 15 March 2019 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 a term of three years commencing 15 March 2019. 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 memorandum articles of association and the applicable GEM Listing Rules.

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

As such, each of Mr. Lau Wai Kwok, Mr. Wong Chu Kee Daniel, Mr. Chu Siu Sum Alex and Mr. Chan Kin Mei Stanley 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 10 September 2019 (the "2019 AGM") pursuant to article 84(1) of our memorandum and articles of association.

At the 2019 AGM, separate ordinary resolutions will be put forward to the shareholders of the Company in relation to the proposed re-election of Mr. Lau Wai Kwok as an executive Director and Mr. Wong Chu Kee Daniel, Mr. Chu Siu Sum Alex and Mr. Chan Kin Mei Stanley as 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 2022.

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 2019, 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.

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 2019 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 2019 comply with the applicable accounting standards and the GEM Listing Rules.

Remuneration Committee

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

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 (excluding executive Directors) by band for the year ended 31 March 2019 is set out below:

Remuneration band	Number of individuals
Nil to HK$1,000,000	3

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) based on the Board diversity policy 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; (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; (e) to review the Board diversity policy and nomination policy as and when necessary and monitor the implementation of the Board diversity policy.

In evaluating and selecting any candidate for directorship, the following criteria should be considered:

– character and integrity;

– qualifications including professional qualifications, skills, knowledge and experience and diversity aspects under the Board diversity policy that are relevant to the Company's business and corporate strategy;

– any measurable objectives adopted for achieving diversity on the Board;

– requirement for the Board to have independent Directors in accordance with the GEM Listing Rules and whether the candidate would be considered independent with reference to the independence guidelines set out in the GEM Listing Rules;

– any potential contributions the candidate can bring to the Board in terms of qualifications, skills, experience, independence and gender diversity;

– willingness and ability to devote adequate time to discharge duties as a member of the Board and/or Board committee(s) of the Company; and

– such other perspectives that are appropriate to the Company's business and succession plan and where applicable, may be adopted and/or amended by the Board and/or the Nomination Committee from time to time for nomination of Directors and succession planning.

The Nomination Committee, upon receipt of the proposal on appointment of new Director and the biographical information of the candidate, will evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship and made recommendation to the Board to appoint the candidate for directorship.

With respect to the re-election of Directors at the annual general meeting, the Nomination Committee will review the overall contribution and services to the Company of the retiring Directors and the level of participation and performance on the Board to determine whether the retiring Directors would continue to meet the criteria as set out above and made recommendation to the Board in respect of the proposed re-election of Directors at the general meeting. The relevant information of the retiring Directors together with the recommendation of the Board would then be disclosed in the circular accompanying the notice of the general meeting and sent to shareholders in accordance with the GEM Listing Rules and applicable laws and regulations.

As a good corporate governance practice, the independent non-executive Directors who also acts as Nomination Committee members will abstain from assessing his own independence and re-appointment.

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 2019 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. 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

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 FY2019.

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 2019 amounted to HK$0.6 million.

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

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for the preparation of financial statements which give a true and fair view of the state of affairs of the Group. In preparing the financial statements which give a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently. The statement of the external auditor about its reporting responsibilities on the consolidated financial statements is set out in the independent auditor's report on pages 38 to 41 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 2019, 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.

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, and chairman of the Corporate Governance Committee 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.

Dividend Policy

The Board has the discretion to declare and distribute dividends to the shareholders of the Company, subject to the memorandum and articles of association of the Company and all applicable laws and regulations. In recommending or declaring dividends, the Company shall maintain adequate cash reserves for meeting its working capital requirements and future growth as well as its shareholder value. The Company has no fixed dividend pay-out ratio. The Board considers that, in general, the amount of dividends to be declared will depend on general economic conditions as well as the Group's actual and expected financial performance, retained earnings and distributable reserves, cash flow, working capital requirements, capital expenditure requirments and future expansion plans, liquidity position, and other factors as may be considered relevant at such time by the Board.

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 memorandum and 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.

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 meeting 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.

Memorandum and Articles of Association

During the year ended 31 March 2019, the Company has not made any amendment to its memorandum and articles of association.

The Company's memorandum and 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 2019.

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 2019 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 2019 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 2019 and its consolidated financial position as at that date are set out in the consolidated financial statements on pages 42 to 43 of this annual report respectively.

The Board has resolved to recommend the payment of a final dividend of HK0.42 cent per ordinary share (2018: nil) for the year ended 31 March 2019 subject to the approval of the shareholders at the forthcoming annual general meeting (the "AGM"). The final dividend will be paid on or about Thursday, 3 October 2019 to shareholders whose names appear on the register of members of the Company at the close of business on Wednesday, 18 September 2019.

CLOSURE OF THE REGISTER OF MEMBERS

The AGM is scheduled to be held on Tuesday, 10 September 2019. For determining the entitlement to attend and vote at the AGM, the transfer books and the register of members of the Company will be closed from Thursday, 5 September 2019 to Tuesday, 10 September 2019, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to establish the right to attend and vote at the AGM, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, located at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong (which address will be changed to Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from 11 July 2019), for registration not later than 4:30 p.m. on Wednesday, 4 September 2019.

The proposed final dividend is subject to the approval of the shareholders at the AGM. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed on Monday, 16 September 2019 to Wednesday, 18 September 2019, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, for registration not later than 4:30 p.m. on Friday, 13 September 2019.

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 37 in this annual 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 23 to the consolidated financial statements.

RESERVES

Details of the movements in the reserves of the Company and the Group are set out in Note 24 to the consolidated financial statements and the consolidated statement of changes in equity, respectively.

PRE-EMPTIVE RIGHTS

There is 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 2019, 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 2019, so far as the Company is aware, the aggregate revenue attributable to our five largest customers and the largest customer accounted for approximately 20.8% and 8.5%, respectively, of the Group's total revenue for the financial year. Purchases from the Group's five largest suppliers accounted for approximately 71.7% of the Group's total purchases for the financial year and the purchase from the largest supplier included therein amounted to approximately 30.9%.

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

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. Lau Wai Kwok, Mr. Wong Chu Kee Daniel, Mr. Chu Siu Sum Alex and Mr. Chan Kin Mei Stanley 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 2019 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 2019. 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' 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 2019 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 2019.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save for the grant of share options on 15 April 2019 as disclosed under the paragraph headed "Share Option Scheme" below, 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' AND CHIEF EXECUTIVES' INTEREST AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES OR DEBENTURES

As at 31 March 2019, 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	28.4%
Mr. Lau Wai Kwok ("Mr. Lau")	the Company	Beneficial owner	100,000,000	12.5%
Mr. Wong Chu Kee Daniel ("Mr. Wong")	the Company	Beneficial owner	51,300,000	6.4%
Mr. Chan Kin Mei Stanley	the Company	Beneficial owner	6,720,000	0.8%

Save as disclosed above, as at 31 March 2019, 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.

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

As at 31 March 2019, 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 Dorathy 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 Dorathy Linndia, the spouse of Mr. Lau, is deemed to be interested in all the shares in which Mr. Lau is interested by virtue of the SFO.

3. Ms. Yan Yihong, the spouse of Mr. Mok, is deemed to be interested in all the shares in which Mr. Mok is interested by virtue of the SFO.

4. Ms. Tuen Chi Keung, the spouse of Mr. Cheung, is deemed to be interested in all the shares in which Mr. Cheung is interested by virtue of the SFO.

5. Ms. Lee Kit Ling Monita, the spouse of Mr. Wong, is deemed to be interested in all the shares in which Mr. Wong is interested by virtue of the SFO.

Saved as disclosed above, the Directors were not aware of any other persons other than the Directors or chief executive of the Company who held an interest or short positions in the shares and underlying shares of the Company as at 31 March 2019 which required to be recorded pursuant to section 336 of the SFO.

SHARE OPTION SCHEME

The Company has adopted a share option scheme ("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 as at 31 March 2019.

For FY2019, no share option was granted, exercised, expired or lapsed and there was no outstanding share option under the Scheme as at 31 March 2019.

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.

Subsequent to 31 March 2019, on 15 April 2019, share options to subscribe for a total of 16,000,000 ordinary shares of HK$0.01 each at an exercise price of HK$0.111 per share were granted to the Directors and employees of the Company pursuant to the Scheme. The closing price of the shares immediately before the date of grant of share options was HK$0.098 per share. Further details of the aforementioned share options granted are set out in the announcement of the Company dated 15 April 2019.

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 2019.

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 2019.

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 FY2019.

RELATED PARTY TRANSACTIONS

Save as disclosed in Note 27 to the consolidated financial statements, no other related party transactions were conducted by the Group during the year ended 31 March 2019.

CONTINUING CONNECTED TRANSACTIONS

The Company had not entered into any connected transactions during the year ended 31 March 2019 which are required to be disclosed under the GEM Listing Rules. Related party transactions entered into by the Group during the year ended 31 March 2019, which constitute fully exempt continuing connected transactions under Chapter 20 of the GEM Listing Rules are disclosed in Note 27 to the consolidated financial statements.

DIRECTORS'/CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as the related party transactions disclosed in Note 27 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 2019 or during the financial year.

COMPARISON OF BUSINESS OBJECTIVE WITH ACTUAL BUSINESS PROGRESS

The following is a comparison of the Group's business plan as set out in the Prospectus and Announcement with actual business progress from the latest practicable date (as defined in the Prospectus) up to 31 March 2019.

Business objectives up to 31 March 2019	Actual business progress up to 31 March 2019
Expanding and training of sales, technical and support workforce	• Recruited totally 19 suitable candidates as our sales and supporting staff; and • Provided internal and external continuous professional development programmes to sales and technical staff regularly.
Expansion of IT infrastructure solutions business	• Explored and secured IT infrastructure solutions projects, particularly large scale and long-term projects to expand the Group's IT infrastructure solutions business.
Enhancement of management information systems	• Evaluated and partly upgraded the existing management information systems.
Strengthening of marketing efforts	• Participated in industry exhibitions; • Organised seminars and workshops for customers and other business partners; • Organised client relation events; • Advertised in public electronic media; and • Implemented the plan for upgrading our demonstration facilities.

USE OF PROCEEDS FROM LISTING

The shares were listed on GEM on 12 April 2016 ("Lisiting"). 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 2019 are set out below:

Uses	Original allocation (note) HK$ (in million)	After Reallocation HK$ (in million)	Utilised up to 31 March 2019 HK$ (in million)	Balance as at 31 March 2019 HK$ (in million)
(i) Expansion and training of sales, technical and support workforce	6.8	6.8	6.8	–
(ii) Expansion of IT infrastructure solutions business	11.0	18.0	18.0	–
(iii) Strengthening of marketing efforts	6.0	2.6	2.4	0.2
(iv) Enhancement of management information systems	5.5	1.9	1.3	0.6
(v) Working capital and general corporate purposes	2.9	2.9	2.9	–
Total	32.2	32.2	31.4	0.8

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 25 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, the Company has maintained the public float as required under the GEM Listing Rules throughout the year ended 31 March 2019.

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 2019 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.

EVENTS AFTER THE REPORTING PERIOD

Save as disclose in Note 32 to the consolidated financial statements, 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 2019

Summary of Financial Information

	For the year ended 31 March 2019 HK$'000	2018 HK$'000	2017 HK$'000	2016 HK$'000	2015 HK$'000
Revenue	**432,529**	337,223	306,453	287,881	317,002
Gross profit	**53,950**	43,249	42,621	43,384	44,225
Profit before income tax expense	**12,702**	7,933	8,342	332	18,362
Profit/(loss) and total comprehensive income for the year	**10,753**	6,889	6,987	(1,769)	15,599
Earnings/(loss) per share — Basic and diluted (HK cent)	**1.34**	0.86	0.88	(0.29)	2.60

	As at 31 March 2019 HK$'000	2018 HK$'000	2017 HK$'000	2016 HK$'000	2015 HK$'000
Total assets	**212,702**	183,894	160,049	104,592	154,777
Total liabilities	**116,995**	98,940	81,984	78,274	93,690
Total equity	**95,707**	84,954	78,065	26,318	61,087

BDO

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

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

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

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 42 to 88, which comprise the consolidated statement of financial position as at 31 March 2019, 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 2019, 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 Group 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 2019. 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 2019 was approximately HK$99,779,000.

Management reviews trade receivables for expected credit losses ("ECL") 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 ECL rates 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 and other forward-looking information.

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 ECLs 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 2019 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.

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 HKSAs 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 HKSAs, 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.

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 2019

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
Revenue	7	**432,529**	337,223
Cost of sales		**(378,579)**	(293,974)
Gross profit		**53,950**	43,249
Other income and gains	7	**798**	934
Selling expenses		**(30,478)**	(25,360)
Administrative expenses		**(11,272)**	(10,890)
Expected credit loss on financial assets		**(296)**	–
Profit before income tax expense	8	**12,702**	7,933
Income tax expense	9	**(1,949)**	(1,044)
Profit and total comprehensive income for the year		**10,753**	6,889
Earnings per share — Basic and diluted	12	**HK1.34 cents**	HK0.86 cent

Consolidated Statement of Financial Position

As at 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment	13	1,529	2,103
Finance lease receivables	15	195	616
Trade receivables	17	5,562	4,549
		7,286	7,268
Current assets			
Inventories	16	3,586	5,068
Trade receivables	17	93,921	69,776
Prepayments, deposits and other receivables	18	8,411	5,012
Finance lease receivables	15	424	738
Cash and cash equivalents	19	99,074	96,032
		205,416	176,626
Current liabilities			
Trade payables	20	100,266	82,650
Accruals, deposits received and other payables	21	14,629	15,452
Amount due to a related company	22	210	216
Tax payables		1,331	66
		116,436	98,384
Net current assets		88,980	78,242
Total assets less current liabilities		96,266	85,510
Non-current liabilities			
Other payables	21	559	556
Net assets		95,707	84,954
EQUITY			
Share capital	23	8,000	8,000
Reserves		87,707	76,954
		95,707	84,954

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 2019

	Share capital HK$'000 (Note 23)	Share premium HK$'000 (Note 24)	Merger reserve HK$'000 (Note 24)	Retained earnings HK$'000	Total HK$'000
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 and 1 April 2018	**8,000**	**70,179**	**(25,395)**	**32,170**	**84,954**
Profit and total comprehensive income for the year	–	–	–	10,753	10,753
At 31 March 2019	**8,000**	**70,179**	**(25,395)**	**42,923**	**95,707**

Consolidated Statement of Cash Flows

For the year ended 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
Cash flows from operating activities			
Profit before income tax expense		12,702	7,933
Adjustments for:			
Interest income	7	(573)	(635)
Depreciation of property, plant and equipment	13	836	610
Write back of other payables	7	(146)	(171)
Provision of impairment loss of inventories	8	43	–
Expected credit loss on financial assets	8	296	–
Operating cash flows before working capital changes		13,158	7,737
Decrease/(increase) in inventories		1,439	(3,218)
Increase in trade receivables		(25,454)	(26,801)
Increase in prepayments, deposits and other receivables		(3,399)	(2,220)
Decrease in finance lease receivables		735	113
(Decrease)/increase in amount due to a related company		(6)	57
Increase in trade payables		17,616	14,232
(Decrease)/increase in accruals, deposits received and other payables		(674)	2,772
Cash generated from/(used in) operations		3,415	(7,328)
Income tax paid		(684)	(731)
Net cash generated from/(used in) operating activities		2,731	(8,059)
Cash flows from investing activities			
Purchase of property, plant and equipment		(262)	(1,924)
Decrease of pledged bank deposits		–	2,100
Interest received		573	635
Net cash generated from investing activities		311	811
Net increase/(decrease) in cash and cash equivalents		3,042	(7,248)
Cash and cash equivalents at beginning of the year		96,032	103,280
Cash and cash equivalents at end of the year	19	99,074	96,032

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 Hong Kong Financial Reporting Standards ("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 2018

Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKFRS 1, First-time adoption of Hong Kong Financial Reporting Standards
Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKAS 28, Investments in Associates and Joint Ventures
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)
Amendments to HKAS 40	Transfers of Investment Property
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration

3. ADOPTION OF HKFRSs (Continued)

(a) Adoption of new/revised HKFRSs — effective 1 April 2018 (Continued)

A. HKFRS 9 — Financial Instruments

(i) Classification and measurement of financial instruments

HKFRS 9 replaces HKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: (1) classification and measurement; (2) impairment; and (3) transition. The adoption of HKFRS 9 from 1 April 2018 has resulted in changes in accounting policies of the Group and the amounts recognised in the consolidated financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at fair value through profit or loss ("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. However, it eliminates the previous HKAS 39 categories for financial assets of held to maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of HKFRS 9 has no material impact on the Group's accounting policies related to financial liabilities and derivative financial instruments. The impact of HKFRS 9 on the Group's classification and measurement of financial assets is set out below.

Under HKFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with HKFRS 15), an entity shall, at initial recognition, measure a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. A financial asset is classified as: (i) financial assets at amortised cost ("amortised costs"); (ii) financial assets at fair value through other comprehensive income ("FVOCI"); or (iii) financial assets at FVTPL. The classification of financial assets under HKFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) its contractual cash flow characteristics (the "solely payments of principal and interest" criterion, also known as "SPPI criterion"). Under HKFRS 9, embedded derivatives is no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

A financial asset is measured at amortised cost if it meets both of the following conditions are met and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

3. ADOPTION OF HKFRSs (Continued)

(a) Adoption of new/revised HKFRSs — effective 1 April 2018 (Continued)

A. *HKFRS 9 — Financial Instruments* (Continued)

(i) *Classification and measurement of financial instruments* (Continued)

A debt investment is measured at FVOCI if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to be achieved by both collecting contractual cash flows and selling financial assets; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. All other financial assets not classified at amortised cost or FVOCI as described above are classified as FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The following accounting policies would be applied to the Group's financial assets as follows:

Financial assets at FVTPL	FVTPL is subsequently measured at fair value. Changes in fair value, dividends and interest income are recognised in profit or loss.
Financial assets at amortised cost	Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.
Financial assets at FVOCI (debt instruments)	Debt investments at fair value through other comprehensive income are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.
Financial assets at FVOCI (equity instruments)	Equity investments at fair value through other comprehensive income are measured at fair value. Dividend income is recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss.

3. ADOPTION OF HKFRSs (Continued)

(a) Adoption of new/revised HKFRSs — effective 1 April 2018 (Continued)

A. *HKFRS 9 — Financial Instruments* (Continued)

(i) *Classification and measurement of financial instruments* (Continued)

The following table summarises the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets as at 1 April 2018:

Financial assets	Original classification under HKAS 39	New classification under HKFRS 9	Carrying amount as at 1 April 2018 under HKAS 39 HK$'000	Carrying amount as at 1 April 2018 under HKFRS 9 HK$'000
Trade receivables	Loans and receivables (note 4(e)B(i))	Amortised cost	74,325	74,325
Other receivables and deposits	Loans and receivables (note 4(e)B(i))	Amortised cost	2,300	2,300
Finance lease receivables	Loans and receivables (note 4(e)B(i))	Amortised cost	1,354	1,354
Cash and cash equivalents	Loans and receivables (note 4(e)B(i))	Amortised cost	96,032	96,032

(ii) *Impairment of financial assets*

The adoption of HKFRS 9 has changed the Group's impairment model by replacing the HKAS 39 "incurred loss model" to the "expected credit losses ("ECLs") model". HKFRS 9 requires the Group to recognised ECL for trade receivables, financial assets at amortised costs, contract assets and debt investment at FVOCI earlier than HKAS 39. Cash and cash equivalents are subject to ECL model but the impairment is immaterial for the current period.

Under HKFRS 9, the losses allowances are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date: and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

3. ADOPTION OF HKFRSs (Continued)

(a) Adoption of new/revised HKFRSs — effective 1 April 2018 (Continued)

A. *HKFRS 9 — Financial Instruments* (Continued)

(ii) *Impairment of financial assets* (Continued)

Measurement of ECLs

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables and contract assets using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12-months ECLs. The 12-months ECLs is the portion of the lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information. The Group's debt investment at FVOCI are considered to have low credit risk since the issuers' credit rating are high.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

3. ADOPTION OF HKFRSs (Continued)

(a) Adoption of new/revised HKFRSs — effective 1 April 2018 (Continued)

A. *HKFRS 9 — Financial Instruments* (Continued)

(ii) *Impairment of financial assets* (Continued)

Presentation of ECLs

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt investment at FVOCI, the loss allowance is recognised in OCI, instead of reducing the carrying amount of the assets.

Impact of the ECL model

(a) Impairment of trade receivables

As mentioned above, the Group applies the HKFRS 9 simplified approach to measure ECLs which adopts a life time ECLs for all trade receivables and contract asset. To measure the ECLs, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets have substantially the same risk as the trade receivables.

No additional impairment for trade receivables as at 1 April 2018 is recognised under HKFRS 9 as the amount of additional impairment measured under ECLs model is immaterial.

(b) Impairment of other receivables

Other financial assets at amortised cost of the Group include other receivables and deposits. No additional impairment for other receivables and deposits as at 1 April 2018 is recognised under HKFRS 9 as the amount of additional impairment measured under ECLs model is immaterial.

(iii) *Transition*

The Group has applied the transitional provision in HKFRS 9 such that HKFRS 9 was generally adopted without restating comparative information.

B. *HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15")*

HKFRS 15 supersedes HKAS 11 "Construction Contracts", HKAS 18 "Revenue" and related interpretations. HKFRS 15 has established a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

3. ADOPTION OF HKFRSs (Continued)

(a) Adoption of new/revised HKFRSs — effective 1 April 2018 (Continued)

B. *HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15")* (Continued)

The directors consider that the application of HKFRS 15 does not have a material impact on the timing and amounts of revenue recognised.

The Group has adopted HKFRS 15 using the cumulative effect method without practical expedients. Based on the assessment of the Group, no adjustments to the opening balance of equity at 1 April 2018 have been made on the initial application of HKFRS 15. As allowed by HKFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 April 2018.

Details of the new significant accounting policies and the nature of the changes to previous accounting policies in relation to the Group's various goods and services are set out below:

Note	Product/ service	Nature of the goods or services, satisfaction of performance obligations and payment terms	Nature of change in accounting policy and impact on 1 April 2018
(i)	Sale of goods	Revenue from sale of goods is recognised at point in time when the goods are delivered to, and have been accepted by, customers. Invoices for these income are issued on delivery of goods.	Impact HKFRS 15 did not result in significant impact on the Group's accounting policies. As at 1 April 2018, the customers' deposits received that were previously included in accruals, deposits received and other payables have been reclassified as contract liabilities.
(ii)	Systems integration services	System integration services included hardware, software and service components. The directors determined that the contracts with customers under the system integration services is one performance obligation as these are negotiated, priced and invoiced as one product and the consulting, installation and configuration forms an integral part of completing the project. Revenue from system integration services is recognised at point in time when the goods are delivered to, and the engagement has been accepted by, customers. Invoices for these service income are issued on completion of the project.	Impact HKFRS 15 did not result in significant impact on the Group's accounting policies. As at 1 April 2018, the customers' deposits received that were previously included in accruals, deposits received and other payables have been reclassified as contract liabilities.

3. ADOPTION OF HKFRSs (Continued)

(a) Adoption of new/revised HKFRSs — effective 1 April 2018 (Continued)

C. Others

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

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

HK(IFRIC)-Int 22 — Foreign Currency Transactions and Advance Consideration

The Interpretation provides guidance on determining the date of the transaction for determining an exchange rate to use for transactions that involve advance consideration paid or received in a foreign currency and the recognition of a non- monetary asset or non-monetary liability. The Interpretations specifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

The adoption of these amendments has no impact on these financial statements as the Group has not paid or received advance consideration in a foreign currency.

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

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

HKFRS 16	Leases[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 12, Income Taxes[1]

[1] Effective for annual periods beginning on or after 1 January 2019

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.

3. ADOPTION OF HKFRSs (Continued)

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

HKFRS 16 — Leases (Continued)

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 2019, the Group had non-cancellable operating lease commitments of approximately HK$5,772,000 as disclosed in Note 26. 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.

Amendments to HKFRS 9 — Prepayment Features with Negative Compensation

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at fair value through other comprehensive income if specified conditions are met — instead of at fair value through profit or loss.

Annual Improvements to HKFRSs 2015–2017 Cycle — Amendments to HKAS 12, Income Taxes

The amendments issued under the annual improvements process make small, non- urgent changes to standards where they are currently unclear. They include amendments to HKAS 12 which clarify that all income tax consequences of dividends are recognised consistently with the transactions that generated the distributable profits, either in profit or loss, other comprehensive income or directly in equity.

Except for HKFRS 16, the Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group's accounting policies and financial statements.

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 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.

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)A Financial Instruments (accounting policies applied from 1 April 2018)

(i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Financial assets with embedded derivatives are considered in their entirely when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group classifies its debt instruments at amortised cost. Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

(ii) Impairment loss on financial assets

The Group recognises loss allowances for ECL on trade receivables, contract assets, financial assets measured at amortised cost and debt investments measured at FVOCI. The ECLs are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e)A Financial Instruments (accounting policies applied from 1 April 2018) (Continued)

(ii) Impairment loss on financial assets (Continued)

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables and contract assets using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12-months ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be credit-impaired when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost including trade and other payables, accruals and deposits received and amount due to a related company are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss. Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e)A Financial Instruments (accounting policies applied from 1 April 2018) (Continued)

(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 income or 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 HKFRS 9.

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.

(e)B Financial instruments (accounting policy applied until 31 March 2018)

(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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e)B Financial instruments (accounting policy applied until 31 March 2018) (Continued)

(i) *Financial assets* (Continued)

Loans and receivables

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

(ii) *Impairment loss on financial assets*

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

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

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

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

(iii) *Financial liabilities*

Financial liabilities at amortised cost include trade and other payables, accruals and deposits received, and amount due to a related company. 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e)B Financial instruments (accounting policy applied until 31 March 2018) (Continued)

(iv) Effective interest method

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

(v) Equity instruments

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

(vi) Derecognition

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

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

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

(f) Cash and cash equivalents

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

(g) Leasing

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Leasing (Continued)

The Group as lessee

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

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

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

(h) Provision and contingent liabilities

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

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

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

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

(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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

(j) Employee benefits

(i) Defined contribution retirement plan

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

(ii) Short-term employee benefits

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

(iii) Termination benefits

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

(k) Foreign currencies

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Income taxes

Income tax comprises current tax and deferred tax.

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

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

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

(m)A Revenue recognition (accounting policies applied from 1 April 2018)

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m)A Revenue recognition (accounting policies applied from 1 April 2018) (Continued)

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception./Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

(i) Sales of goods

Customers obtain control of the goods when the goods are delivered to and have been accepted. Revenue is thus recognised upon when the customers accepted the goods. There is generally one performance obligation. Invoices are generally payable within 7 to 60 days.

(ii) Systems integration services

Customers obtain control of the goods when the goods are delivered to and have been accepted. Revenue is thus recognised upon when the customers accepted the goods and completion of the project. There is generally one performance obligation as these are negotiated, priced and invoiced as one product and the consulting, installation and configuration forms an integral part of completing the project. Invoices are generally payable within 7 to 60 days.

(iii) Interest income

Interest income from bank deposits is recognised on a time proportion basis using the effective interest method.

Contract liabilities

A contract liability represents the Group's obligation to transfer of goods and services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m)B Revenue recognition (accounting policies applied until 31 March 2018)

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.

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.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Impairment loss for trade receivables

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 impairment is required, the Company takes into consideration the aging status, debtors' creditworthiness, historical default experience and other forward — looking factors. Following the identification of doubtful debts, the responsible sale personnel discuss with the relevant customers and report on the recoverability. 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.

	2019 HK$'000	2018 HK$'000
Hong Kong	429,158	329,942
Macau	3,371	7,281
	432,529	337,223

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

Information about major customers

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

7. REVENUE AND OTHER INCOME AND GAINS

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

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

	2019 HK$'000	2018 HK$'000
Revenue:		
Provision of IT infrastructure solutions	432,251	336,964
Finance leases income	278	259
Total	432,529	337,223
Other income and gains:		
Interest income	573	635
Write back of other payables	146	171
Sundry income	79	128
Total	798	934

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

	2019 HK$'000	2018 HK$'000
Receivables (note 17)	99,483	74,325
Contract liabilities (note 21(a))	(5,572)	(7,398)

The contract liabilities mainly relate to the advance consideration received from customers. HK$7,398,000 of the contract liabilities as of 1 April 2018 has been recognised as revenue for the year ended 31 March 2019 from performance obligations satisfied in this year due to the delivery of goods and services accepted by customers.

8. PROFIT BEFORE INCOME TAX EXPENSE

The Group's profit before income tax expense is arrived at after charging:

	2019 HK$'000	2018 HK$'000
Costs of inventories recognised as expenses	337,168	257,939
Auditor's remuneration	620	590
Depreciation of property, plant and equipment	836	610
Expected credit loss on financial assets	296	–
Provision of impairment loss of inventories	43	–
Staff costs (including directors' remuneration (Note 10(a)))		
— Wages, salaries and other benefits	33,934	28,335
— Contribution to defined contribution pension plans	1,103	1,013
Exchange losses, net	116	60
Operating lease rental expenses	1,614	2,228

9. INCOME TAX EXPENSE

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

	2019 HK$'000	2018 HK$'000
Current tax — Hong Kong profits tax		
Tax for the year	1,999	1,076
Over-provision in respect of prior year	(50)	(32)
Income tax expense	1,949	1,044

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profits for the year ended 31 March 2018. According to the Inland Revenue (Amendment) Bill 2017 which was substantively enacted after passing its Third Reading in the Legislative Council on 28 March 2018, the two-tiered profits tax regime (the "Regime") is first effective for the year of assessment 2018/19. Profits tax rate for the first HK$2.0 million of assessable profits of corporations is lowered to 8.25% with the excess assessable profits continue to be taxed at 16.5%. The Hong Kong profits tax for the year ended 31 March 2019 is provided based on the Regime.

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 2019 (2018: 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 2019 (2018: Nil).

9. INCOME TAX EXPENSE (Continued)

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:

	2019 HK$'000	2018 HK$'000
Profit before income tax expense	12,702	7,933
Tax calculated at the statutory rate of 16.5%	2,096	1,309
Effect of different tax rates in other jurisdiction	17	(21)
Tax effect of expenses not deductible for tax purpose	56	1
Tax effect of revenue not taxable for tax purpose	(50)	(108)
Tax effect of temporary differences not recognised	74	(85)
Tax effect of two-tiered profits tax rates regime	(165)	–
Over-provision in respect of prior years	(50)	(32)
Others	(29)	(20)
Income tax expense	1,949	1,044

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$'000	Discretionary bonuses HK$'000	Total HK$'000
Year ended 31 March 2019					
Executive director:					
Mr. Lau Wai Kwok ("Mr. Lau")	–	2,380	18	122	2,520
Ms. Lau Tsz Yan	–	1,078	18	41	1,137
Mr. So Cheuk Wah, Benton	–	903	18	56	977
Non-executive directors:					
Mr. Wong Chu Kee, Daniel ("Mr. Wong")	150	–	–	–	150
Mr. Chu Siu Sum, Alex ("Mr. Chu")	–	–	–	–	–
Mr. Chan Kin Mei, Stanley	150	–	–	–	150
Independent non-executive directors:					
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	4,361	54	219	5,534

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$'000	Discretionary bonuses HK$'000	Total HK$'000
Year ended 31 March 2018					
Executive director:					
Mr. Lau	–	1,749	18	46	1,813
Ms. Lau Tsz Yan	–	949	18	33	1,000
Mr. So Cheuk Wah, Benton	–	741	18	31	790
Non-executive directors:					
Mr. Wong	150	–	–	–	150
Mr. Chu	–	–	–	–	–
Mr. Mok Chu Leung, Terry (note(i))	–	–	–	–	–
Mr. Cheung Nap Kai (note(i))	–	–	–	–	–
Mr. Chan Kin Mei, Stanley	150	–	–	–	150
Independent non-executive directors:					
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	3,439	54	110	4,503

Note:

(i) Resigned on 22 September 2017.

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 (2018: three) whose emoluments are reflected in the analysis presented above.

The analysis of the emoluments to the remaining two (2018: two) individuals is set out below:

	2019 HK$'000	2018 HK$'000
Salaries and allowances	1,702	1,299
Discretionary bonuses	48	31
Contribution to defined contribution pension plans	36	36
	1,786	1,366

Their remuneration fell within the following bands:

	2019	2018
Nil to HK$1,000,000	2	2

During the year, no director or any of the highest-paid individuals waived or agreed to waive any emoluments (2018: 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

A final dividend in respect of the year ended 31 March 2019 of HK0.42 cent per ordinary share (tax exclusive) amounting to HK$3,360,000 (2018: Nil) was proposed pursuant to a resolution passed by the Board of Directors on 20 June 2019 and subject to the approval of the shareholders at the annual general meeting of the Company to be held on 10 September 2019 or any adjournment thereof. This proposed dividend is not reflected as dividend payable in the consolidated financial statements.

12. EARNINGS PER SHARE

For the year ended 31 March 2019, the calculation of basic earnings per share is based on the profit for the year attributable to the owners of the Company of HK$10,753,000 (2018: HK$6,889,000) and on the basis of the weighted average number of 800,000,000 (2018: 800,000,000) 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 2019 and 2018.

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture & fixtures HK$'000	Computer equipment HK$'000	Total HK$'000
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 and at 1 April 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
Year ended 31 March 2019				
Opening net book amount	1,078	293	732	2,103
Additions	–	–	262	262
Depreciation	(340)	(88)	(408)	(836)
Closing net book amount	738	205	586	1,529
At 31 March 2019				
Cost	1,419	344	2,965	4,728
Accumulated depreciation	(681)	(139)	(2,379)	(3,199)
Net book amount	738	205	586	1,529

14. INVESTMENTS IN SUBSIDIARIES

The particulars of the Company's subsidiaries as at 31 March 2019 are as follows:

Name	Country and date of incorporation/ establishment and form of business structure	Description of shares held	Attributable equity interest direct	Attributable equity interest indirect	Principal activities and place of operations
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

	2019 HK$'000	2018 HK$'000
Current finance lease receivables	424	738
Non-current finance lease receivables	195	616
	619	1,354

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.

15. FINANCE LEASE RECEIVABLES (Continued)

Amounts receivables under finance leases

	Minimum lease payments		Present value of minimum lease payments	
	2019 HK$'000	2018 HK$'000	2019 HK$'000	2018 HK$'000
Not later than one year	591	1,015	424	738
Later than one year and not later than five years	317	904	195	616
	908	1,919	619	1,354
Less: unearned finance income	(289)	(565)	–	–
Present value of minimum lease payments receivables	619	1,354	619	1,354

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

	2019 HK$'000	2018 HK$'000
Merchandise	3,586	5,068

17. TRADE RECEIVABLES

	2019 HK$'000	2018 HK$'000
Trade receivables, gross	99,779	74,325
Less: Provision for impairment	(296)	–
	99,483	74,325
Less: non-current portion	(5,562)	(4,549)
	93,921	69,776

The credit period is generally 7 to 60 days.

17. TRADE RECEIVABLES (Continued)

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

	2019 HK$'000	2018 HK$'000
Within 1 month	39,270	30,567
More than 1 month but not more than 3 months	33,149	32,171
More than 3 months but not more than 6 months	8,559	7,160
More than 6 months but not more than a year	7,407	2,716
More than a year	11,098	1,711
	99,483	74,325

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 management assessed impairment by using "incurred loss model" under HKAS 39 for the year ended 31 March 2018, and changed to the ECLs model since initial application of HKFRS 9 on 1 April 2018. The movement in the allowance for impairment of trade receivables during each reporting period is as follows:

	2019 HK$'000	2018 HK$'000
At 31 March under HKAS 39	–	1
Impact of initial application of HKFRS 9	–	–
Opening loss allowance as at 1 April under HKFRS 9	–	1
Provision of expected credit loss for the year	296	–
Bad debt written off	–	(1)
At the end of the year	296	–

At 31 March 2019, the management had determined a provision of expected credit loss of trade receivables was approximately HK$296,000 (2018: nil), and there was no reversal of expected credit loss provided in year ended 31 March 2019 (2018: nil).

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

17. TRADE RECEIVABLES (Continued)

An ageing analysis of the Group's trade receivables as at 31 March 2018 that are not impaired is as follows:

	2018 HK$'000
Neither past due nor impaired (note (a))	32,976
Not more than 3 months past due (note (b))	32,159
3 to 6 months past due (note (b))	5,791
More than 6 months but less than a year past due (note (b))	1,688
More than a year past due (note (b))	1,711
	74,325

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

	2019 HK$'000	2018 HK$'000
Other deposits	2,325	1,705
Other receivables	55	595
Prepayments	6,031	2,712
	8,411	5,012

19. 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.

20. TRADE PAYABLES

	2019 HK$'000	2018 HK$'000
Trade payables	100,266	82,650

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:

	2019 HK$'000	2018 HK$'000
Within 1 month	40,290	36,373
More than 1 month but not more than 3 months	49,480	41,160
More than 3 months but not more than 6 months	4,675	2,120
More than 6 months but not more than a year	857	1,314
More than a year	4,964	1,683
	100,266	82,650

21. ACCRUALS, DEPOSITS RECEIVED AND OTHER PAYABLES

	2019 HK$'000	2018 HK$'000
Other payables and accrued expenses	3,359	3,495
Staff commission	5,479	4,292
Other deposits received	778	823
Contract liabilities (note (a))	5,572	–
Customers' deposits received	–	7,398
	15,188	16,008
Less: Non-current other payables	(559)	(556)
	14,629	15,452

21. ACCRUALS, DEPOSITS RECEIVED AND OTHER PAYABLES (Continued)

Note:

(a) Contract liabilities

	31 March 2019 HK$'000	1 April 2018 HK$'000	31 March 2018 HK$'000
Contract liabilities arising from:			
— Sale of goods and provision of services	5,572	7,398	–

Movements in contract liabilities

	HK$'000
Balance as at 1 April 2018	7,398
Decrease in contract liabilities as a result of recognising revenue during the year	(19,463)
Increase in contract liabilities as a result of billing in advance of delivery of goods and services	17,637
Balance at 31 March 2019	5,572

22. AMOUNT DUE TO A RELATED COMPANY

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

	2019 HK$'000	2018 HK$'000
ServiceOne Limited	210	216

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.

23. SHARE CAPITAL

	Number	Amount HK$'000
Authorised:		
Ordinary shares of HK$0.01 each		
At 31 March 2018, 1 April 2018 and 31 March 2019	10,000,000,000	100,000
Issued and fully paid:		
Ordinary shares of HK$0.01 each		
At 31 March 2018, 1 April 2018 and 31 March 2019	800,000,000	8,000

24. RESERVES

Details of the movements on the Group's reserves for the years ended 31 March 2019 and 2018 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 2017	70,179	(12,411)	57,768
Profit and total comprehensive income for the year	–	269	269
At 31 March 2018 and 1 April 2018	70,179	(12,142)	58,037
Loss and total comprehensive income for the year	–	(31)	(31)
At 31 March 2019	70,179	(12,173)	58,006

(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.

25. HOLDING COMPANY STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2019

	Notes	2019 HK$'000	2018 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investment in a subsidiary		–*	–*
Current assets			
Prepayments		130	170
Amounts due from subsidiaries		66,048	45,025
Cash and cash equivalents		323	21,156
		66,501	66,351
Current liabilities			
Accruals		495	314
		495	314
Net current assets		66,006	66,037
Total assets less current liabilities		66,006	66,037
Net assets		66,006	66,037
EQUITY			
Share capital	23	8,000	8,000
Reserve	24	58,006	58,037
Total equity		66,006	66,037

* Represent amount of less than HK$1,000

On behalf of the board of directors

Wong Chu Kee, Daniel
Director

Lau Wai Kwok
Director

26. 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:

	2019 HK$'000	2018 HK$'000
Not later than one year	**2,296**	1,772
Later than one year and not later than five years	**3,476**	3,027
	5,772	4,799

27. 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	2019 HK$'000	2018 HK$'000
ServiceOne Limited	Cost of sales — Outsourcing IT support services	**2,054**	2,424
ServiceOne Limited	Sales	**592**	178
ServiceOne Limited	Maintenance services	**48**	48
ServiceOne Technology Services Macau Limited	Cost of Sales — Outsourcing IT support services	**156**	156

27. 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:

	2019 HK$'000	2018 HK$'000
Salaries, allowances and benefits in kind	7,111	6,586
Discretionary bonuses	314	182
Retirement scheme contributions	106	124
	7,531	6,892

Their remuneration fell within the following bands:

	2019	2018
Nil to HK$1,000,000	10	12
HK$1,000,001 to HK$1,500,000	2	1

(c) During the year ended 31 March 2018, 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.

(d) During the year ended 31 March 2018, 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.

(e) During the year, the Group and ServiceOne Global Holdings Limited, the holding company of ServiceOne Limited and ServiceOne Technology Services Macau Limited, entered into an arrangement to share certain office expenses ("Shared Office Expenses"), including local travelling expenses, printing and stationery expenses, repair and maintenance charges, communication charges, utilities charges, cleaning and sanitation and water and electricity expenses incurred by the Group. The Shared Office 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 Office Expenses allocated to ServiceOne Limited for the year were approximately HK$188,000.

28. 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.

	2019 HK$'000	2018 HK$'000
Financial assets		
Measured at amortised cost:		
Trade receivables	99,483	74,325
Other receivables and deposits	2,380	2,300
Finance lease receivables	619	1,354
Cash and cash equivalents	99,074	96,032
	201,556	174,011
Financial liabilities		
Measured at amortised cost:		
Trade payables	100,266	82,650
Accruals, deposits received and other payables	14,629	15,452
Amount due to a related company	210	216
	115,105	98,318
	86,451	75,693

29. FINANCIAL RISK MANAGEMENT

The Group's financial assets that derive directly from its operations are trade and other receivables, deposits, finance lease receivables and cash and cash equivalents. Principal financial liabilities of the Group include trade and other payables and amount due to a related company. 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.

29. 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 8.92% and 13.50% of the total trade receivables at 31 March 2019 and 2018 respectively. The balances due from the Group's five largest customers amounted to 30.86% and 30.24% of the total trade receivables at 31 March 2019 and 2018 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.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 March 2019:

	Expected loss rate (%)	Gross carrying amount (HK$'000)	Loss allowance (HK$'000)
Current (not past due)	0.05%	39,735	20
Not more than 3 months past due	0.06%	43,703	29
3 to 6 months past due	0.35%	6,824	24
More than 6 months but less than a year past due	0.80%	7,981	64
More than a year past due	10.35%	1,536	159
		99,779	296

Expected loss rates are based on actual loss experience. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

29. FINANCIAL RISK MANAGEMENT (Continued)

(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.

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 2019			
Trade payables	100,266	100,266	100,266
Accruals, deposits received and other payables	14,629	14,629	14,629
Amount due to a related company	210	210	210
	115,105	115,105	115,105
At 31 March 2018			
Trade payables	82,650	82,650	82,650
Accruals, deposits received and other payables	15,452	15,452	15,452
Amount due to a related company	216	216	216
	98,318	98,318	98,318

29. 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:

	HK$'000		
	MOP	RMB	USD
At 31 March 2019			
Cash and cash equivalents	967	–	1,732
Overall net exposure	967	–	1,732
At 31 March 2018			
Cash and cash equivalents	629	–	1,622
Overall net exposure	629	–	1,622

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.

30. 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 2019 and 2018 amounted to approximately HK$95,707,000 and HK$84,954,000 respectively.

31. AGGREGATE AMOUNT OF AUTHORIZED LOANS

No outstanding loans made under the authority of sections 280 and 281 of the Companies Ordinance during the year ended 31 March 2019 (2018: Nil).

32. EVENTS AFTER REPORTING DATE

On 15 April 2019, the Company has granted a total of 16,000,000 share options (the "Options") to the Directors and employees of the Company (collectively, the "Grantees"), subject to acceptance of the Grantees and the payment of HK$1.00 by each of the Grantees upon acceptance of the Options.

Other than the event disclosed above, the Group had no material event after the reporting period.

33. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorized for issue by the board of directors on 20 June 2019.