



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

2020

Annual Report



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This annual report, for which the directors (the "Directors") of Expert Systems Holdings Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this annual report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this annual report misleading.

This annual report will remain on the Stock Exchange's website at www.hkexnews.hk, 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.

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Corporate Information

BOARD OF DIRECTORS

Chairman and non-executive Director

Mr. Wong Chu Kee Daniel

Chief executive officer and executive Director

Mr. Lau Wai Kwok

Executive Directors

Ms. Lau Tsz Yan
Mr. So Cheuk Wah Benton

Non-executive Directors

Mr. Chu Siu Sum Alex
Mr. 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
Second Floor
Century Yard
Cricket Square
P.O. Box 902
Grand Cayman KY1-1103
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

COMPANY SECRETARY

Mr. Lau Siu Ki

AUTHORISED REPRESENTATIVES

Mr. Chan Kin Mei Stanley
Mr. Lau Wai Kwok

COMPLIANCE OFFICER

Mr. Lau Wai Kwok

REGISTERED OFFICE

Second Floor
Century Yard
Cricket Square
P.O. Box 902
Grand Cayman KY1-1103
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

PRINCIPAL BANKER

China Construction Bank (Asia) Corporation Limited
28/F, CCB Tower
3 Connaught Road Central
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 2020 ("FY2020").

For FY2020, the Group recorded a revenue of HK\$467.3 million with an 8.0% increase from HK\$432.5 million in the year ended 31 March 2019 ("FY2019") by capitalizing the business opportunities in Hong Kong and Macau. Despite the unprecedentedly challenging and unfavorable business environment due to the social unrest and Covid-19 epidemic, the Group was able to deploy the strategy to increase our market share as well as sustaining the gross profit margin in FY2020. Basic earnings per share was HK 1.34 cents. The Board has recommended a final dividend of HK 0.45 cent per ordinary share, amounting HK\$3,600,000 for FY2020 (2019: HK\$3,360,000).

Since April 2016, the Group was listed on the GEM of the Stock Exchange of Hong Kong Limited (the "HKEX"), we believed that there was the right time for establishing the dividend policy which was appropriate for the Group development and the enhancement of shareholder value, simultaneously maintaining our flexibility on financial position with adequate fuel for continual business development.

Looking back, FY2020 was full of challenges and definitely the most difficult year we experienced so far since the Group was listed in 2016 and even in the past 30 years business in Hong Kong. We have to thank our management team for their tremendous effort paid during the upmost most unpredictable fiscal year.

As reported last year, the economies in Hong Kong and Macau had experienced the market slowdown due to the uncertain global economic situation caused by the China and US trade tension in FY2019. The Group was able to sustain the revenue growth by acquiring several large projects from both private and public sectors and further strengthened our position in the market. The management built up a strong momentum at the beginning of FY2020. That provided a strong base for the management but we still needed the highest resilience to ensure the deliverable and sustainable development throughout the difficult year.

Hong Kong experienced a 7-month social unrest from June to December 2019 and then followed by the Covid-19 outbreak which became pandemic nowadays. Those had overshadowed the impact of the first Sino-US trade agreement made in January 2020. The Covid-19 pandemic has seriously impacted the global economy.

We realized that this was just the beginning of the challenges. Due to the abovementioned events, the economic situation remained unsettled and towards the direction of having more uncertainties. At this moment across the world, many countries and cities are still deploying various measures to fight against the Covid-19 and even being under lockdown situation. After the release of this report, we would look forward to seeing the situation being much improved as well as the economy being resumed.

In view of the situation we are currently experiencing in Hong Kong, the Covid-19 apparently was being under control and measure such as the regulation of social distancing is being released gradually. However, the social unrest is likely to resume due to the unsettled political situation in Hong Kong. Our Group will continue to focus on our business and operate in a cautious and prudent manner.

Chairman's Statement

During the Covid-19 pandemic, our Group had made any possible arrangement for staff such as working from home to ensure that their health was being well protected. At the same time, we tried our very best to maintain our business as usual. By sharing our products knowhow and providing our solutions to the clients, we witnessed and experienced the power of latest information technologies. The market once again well realized the importance of related information technology infrastructure, the accessibility of data, the readiness of communication, the high availability of internet and cloud based applications as well as data security. Obviously these demonstrated that business competence was highly relying on extensity and intensity of digitalization of the organization.

Our Group believes that due to the series of abovementioned events, an unfavorable market situation would continue to last for a while and would unavoidably impact our business in the year to come. We see both threats and opportunities, since organizations which have experienced those events would be altered and inspired. The clients have to immediately revisit their road map of digital transformation and adoption of the latest information technologies. They would look for solutions for strengthening resilience and competence in order to tackle the challenges ahead. Forward looking, we predicted more market requirements would be generated; more business opportunities would be available for us.

During FY2020, we were glad to experience the strong partnership with the global technology suppliers and we together remained focusing on market development. The tough time we worked hand in hand had strengthened, the partnership further and enhanced the strategic relationship also. We actively cooperated with the suppliers in promoting the latest technologies through various social media platforms. We were able to maintain the highest level of sales & marketing activities throughout the year, as well as effectively engaged with both suppliers and clients.

Looking forward, we believe that the continuation of national development projects namely One Belt One Road and Guangdong-Hong Kong-Macau Greater Bay Area will continue to provide the business opportunities for our Group which is rooted in Hong Kong but also globally connected.

With our unique market position and competent management team, we are confident that our Group will be able to overcome the difficult situation by focusing and committing 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 which was unusual and unprecedentedly difficult.

Wong Chu Kee Daniel
Chairman and non-executive Director

Hong Kong, 19 June 2020

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 2020 ("FY2020") as compared to the last corresponding year ("FY2019"), the Group recorded a revenue increase of approximately 8.0% and our gross profit increased by approximately 8.2%.

Business in the Private Sector

The Group's revenue in the private sector increased by approximately 4.7% from approximately HK\$205.1 million, representing 47.4% of our total revenue, for FY2019 to approximately HK\$214.8 million, representing 46.0% of our total revenue, for FY2020.

The Group's gross profit in the private sector for FY2020 amounted to approximately HK\$31.0 million, representing 53.1% of our total gross profit and an increase of approximately HK\$3.7 million, or approximately 13.6%, as compared to that of FY2019 of approximately HK\$27.3 million, representing 50.6% of our total gross profit. Our gross profit margin in FY2020 was approximately 14.4%, representing an increase of 1.1 percentage points as compared to that of FY2019 of approximately 13.3%.

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 and the increase in gross profit margin from the private sector was the result of our efforts in obtaining more favourable terms from our suppliers.

Business in the Public Sector

The Group's revenue in the public sector increased by approximately 11.0% from approximately HK\$227.4 million, representing 52.6% of our total revenue, for FY2019 to approximately HK\$252.5 million, representing 54.0% of our total revenue, for FY2020.

The Group's gross profit in the public sector for FY2020 amounted to approximately HK\$27.4 million, representing 46.9% of our total gross profit and an increase of approximately HK\$0.7 million, or approximately 2.6%, as compared to that of FY2019 of approximately HK\$26.7 million, representing 49.4% of our total gross profit. Our gross profit margin for FY2020 was approximately 10.8%, representing a decrease of 0.9 percentage point as compared to that of FY2019 of approximately 11.7%.

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

Management Discussion and Analysis

OUTLOOK AND PROSPECTS

Our Group considers that the current business environment for the short-to-medium term continues to be challenging. The Group's performance is likely to be affected by the negative business sentiment due to the global outbreak of the coronavirus epidemic, the social activities in Hong Kong and 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. Given the level of uncertainty around the duration of the economic crisis and the shape of recovery, there are wide range of possible outcomes for the year.

Our Group has taken actions in adjusting our business prioritization plans for the short-to-medium term to reflect the shift in current customer demand and to capture new business opportunities that help our customers navigate through their challenges. Moreover, we believe that enterprises and institutions will keep adopting digital transformation in the long run with the purpose not only to enhance their operation efficiency, but also create their own digital business models, which means to digitalize their business or do their business online in their own ways. Therefore, we are enhancing our product portfolio and support resources to provide the best valued solutions and services to our customers who continue to invest in technologies. We remain focus on our long-term plan in driving strategic development and growth in three key business opportunities, namely:

- (i) Multi Cloud & Hybrid Cloud
- (ii) Container Technology
- (iii) Cyber Security

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

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.

Our robust balance sheet gives us the flexibility not only to weather the current storm but to continue to invest in key growth initiatives when the right opportunity arises. We will explore any appropriate merger and acquisition opportunities for the enhancement of our enterprise value. This will only be carried out in a cautious manner and has to be for the benefit of our Group and in the shareholders' best interest.

In view of the 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. Furthermore, we have taken prudent and decisive steps on cost optimization to reflect the current revenue environment, and to position ourselves as a more resilient company in the post-Covid-19 world so that we are well prepared for the different outcomes. Nevertheless, we will continue to focus on our 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 8.0% from approximately HK\$432.5 million for FY2019 to approximately HK\$467.3 million for FY2020, which was primarily attributable to the increase in demand from our customers in both private and public sectors for IT infrastructure solutions in FY2020 as compared to FY2019.

Gross profit and gross profit margin

For FY2020, our gross profit amounted to approximately HK\$58.4 million, representing an increase of approximately HK\$4.4 million, or approximately 8.2%, as compared to that of FY2019 of approximately HK\$54.0 million.

Our gross profit margin in FY2020 was approximately 12.5% and it was maintained at the same level as FY2019.

Other income and gains

Our other income increased by approximately HK\$0.4 million (or approximately 49.1%) from approximately HK\$0.8 million for FY2019 to approximately HK\$1.2 million for FY2020. The increase was mainly due to higher interest income and sundry income in FY2020.

Selling expenses

For FY2020, our selling expenses amounted to approximately HK\$35.0 million, representing an increase of approximately HK\$4.5 million (or approximately 14.8%) as compared to FY2019 of approximately HK\$30.5 million. Such increase was mainly attributed to the increase in our staff cost.

Administrative expenses

The Group's administrative expenses for FY2020 were approximately HK\$11.2 million, representing a decrease of approximately HK\$0.1 million (or approximately 0.2%) from approximately HK\$11.3 million for FY2019. The decrease was primarily due to the net effect of (i) the increase in staff costs of approximately HK\$0.2 million; (ii) the decrease in exchange loss of approximately HK\$0.1 million; and (iii) the decrease in legal and professional fees of approximately HK\$0.2 million.

Expected credit loss on financial assets

The Group applies the simplified approach to financial assets to provide for expected credit losses prescribed by Hong Kong Financial Reporting Standard ("HKFRS") 9 Financial Instruments. As a result, an impairment loss of less than HK\$0.1 million was charged for FY2020 (FY2019: HK\$0.3 million).

Management Discussion and Analysis

Finance cost

Finance costs represented interest expenses arisen from lease liabilities of approximately HK\$0.4 million for FY2020 (FY2019: nil) as a result of adoption of the new accounting policy — HKFRS 16 Leases starting from 1 April 2019.

Income tax expense

The Group's income tax expense for FY2020 was approximately HK\$2.1 million, representing an increase of approximately 7.0% from approximately HK\$1.9 million for FY2019. The increase in the Group's income tax expense was mainly due to the higher assessable profits in FY2020.

Profit attributable to owners of the Company

The profit attributable to owners of the Company amounted to approximately HK\$10.7 million for FY2020 representing a slight decrease of approximately HK\$0.1 million (or approximately 0.5%) as compared with that of approximately HK\$10.8 million for FY2019, which was primarily attributable to the abovementioned effects.

Earnings per share

Basic and diluted earnings per share for FY2020 amounted to approximately HK1.34 cents and maintained at around same level at FY2019.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

We financed our operations primarily through cash generated from our operating activities. During FY2020, we did not have any bank borrowings. As at 31 March 2020 and 2019, we had cash and cash equivalents of approximately HK\$95.4 million and HK\$99.1 million, respectively, which were cash at banks and in hand. As at 31 March 2020 and 2019, no bank deposit was pledged.

The banking facility granted to the Group as at 31 March 2020 was nil as the facility was expired on 31 March 2020 (31 March 2019: HK\$10.8 million). As at 31 March 2019, HK\$10.8 million was unutilised.

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, was nil as at 31 March 2019 and 2020.

Management Discussion and Analysis

CAPITAL STRUCTURE

As at 31 March 2020, the capital structure of our Company comprised issued share capital and reserves.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

The Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies during FY2020.

SIGNIFICANT INVESTMENTS

As at 31 March 2020, the Group did not hold any significant investments.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 March 2020 (31 March 2019: 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 FY2020, the Group's exposure to foreign currency risk primarily arose from certain financial instruments including trade receivables, and cash and cash equivalents which are denominated in MOP and/or US\$. During FY2020, 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 FY2020.

CHARGE ON GROUP'S ASSETS

As 31 March 2019 and 2020, the Group had no charges on its assets.

INFORMATION ON EMPLOYEES

As at 31 March 2020, the Group had 91 employees (31 March 2019: 77) working in Hong Kong. Employees are remunerated according to their performance and work experience. On top of basic salary, commission, discretionary bonus and share option may be granted to eligible staff by reference to the Group's performance as well as individual's performance. The total staff cost (including remuneration of the Directors and mandatory provident funds contributions) for FY2020 amounted to approximately HK\$40.1 million (FY2019: HK\$35.0 million). The dedication and hard work of the Group's staff during FY2020 are greatly appreciated and recognised.

Management Discussion and Analysis

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 of the Company dated 30 March 2016 ("Prospectus").

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.

Biographical Details of the Directors and Senior Management

CHAIRMAN AND NON-EXECUTIVE DIRECTOR

Mr. Wong Chu Kee Daniel (黃主琦), aged 59, 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 51, is our chief executive officer and an executive Director. Mr. Lau is responsible for overseeing the business, corporate strategy, long-term planning all-round development and daily operations of our Group. He was appointed as a Director on 18 September 2015 and our chief executive officer and an executive Director on 15 March 2016. He is also the compliance officer of our Company and a member of both our nomination committee and corporate governance committee.

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

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

Biographical Details of the Directors and Senior Management

EXECUTIVE DIRECTORS

Ms. Lau Tsz Yan (劉紫茵), aged 47, 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 46, 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 59, 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 taken up various senior positions in ServiceOne, which is a connected person of our Company since December 2007. He is currently a director and an advisor of ServiceOne.

Biographical Details of the Directors and Senior Management

Mr. Chan Kin Mei Stanley (陳健美), aged 48, 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 61, was appointed as an independent non-executive Director on 15 March 2016.

He is responsible for bringing an independent judgment to bear on issues of strategy, investment, policy, performance, accountability, resources, key appointments and standards of conduct. He is also the chairman of our 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 until his retirement in September 2019. Mr. Au is also an independent non-executive director of Vincent Medical Holdings Limited (stock code: 1612), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited.

Biographical Details of the Directors and Senior Management

Mr. Chung Fuk Wing Danny (鍾福榮), aged 64, 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. 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 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 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 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 30 years. He is currently working as a consultant at the law firm Hau, Lau, Li & Yeung.

Mr. Mak Wai Sing (麥偉成), 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 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 29 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.

Biographical Details of the Directors and Senior Management

SENIOR MANAGEMENT

Mr. Yan Tsz Yin (甄子賢), aged 49, 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 42, 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 42, the general manager, finance of our Group. Ms. Wong joined our Group in May 2005. She oversees the overall accounting and treasury functions of our Group. She was also the company secretary of Expert HK from November 2015 to March 2020.

Ms. Wong 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 61, 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 15 years of experience in the corporate secretarial field. Prior to becoming a company secretary for listed companies in Hong Kong, he had worked in Ernst and Young, an international accounting firm, for over 15 years.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICE

The Board recognises the importance of good corporate governance in management and internal control procedures so as to achieve accountability. Therefore, the Company is committed to establish and maintain good corporate governance practices and procedures. The Company has adopted the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 15 to the GEM Listing Rules and, in the opinion of the Board, the Company has complied with the CG Code for FY2020, 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 general manager, finance of the Group, as the contact person with Mr. Lau Siu Ki. Taking into account that Mr. Lau Siu Ki has substantial experience in the corporate secretarial field, providing professional corporate services to Hong Kong listed companies and it is more cost effective to engage an external service provider, the Directors consider that it is beneficial to appoint Mr. Lau Siu Ki as the company secretary of the Company.

The Directors believe that good corporate governance provides a framework that is essential for effective management, successful business growth and a healthy corporate culture which would benefit the Company's stakeholders as a whole. The Directors will continue to review its corporate governance practices in order to enhance its corporate governance standard, to comply with the increasingly tightened regulatory requirements from time to time, and to meet the rising expectation of the shareholders and other stakeholders of the Company.

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 reports to give a balanced and understandable assessment of the performance, recent development and prospects of the Group regularly.

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

Corporate Governance Report

Composition of the Board

The composition of the Board as at the date of this annual report is set out as follows:

Executive Directors

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

Non-executive Directors

Mr. Wong Chu Kee Daniel (*Chairman*)
Mr. Chu Siu Sum Alex
Mr. Chan Kin Mei Stanley

Independent non-executive Directors

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

Biographical details of the Directors are set out in “Biographical Details of the Directors and Senior Management” on pages 12 to 16 of this annual report.

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

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

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

Corporate Governance Report

TERMS OF APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of our executive Directors entered into a service contract with our Company 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 Ms. Lau Tsz Yan, Mr. So Cheuk Wah Benton, Mr. Au Yu Chiu Steven and Mr. Chung Fuk Wing Danny 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 16 September 2020 (the "2020 AGM") pursuant to article 84(1) of our memorandum and articles of association.

At the 2020 AGM, separate ordinary resolutions will be put forward to the shareholders of the Company in relation to the proposed re-election of Ms. Lau Tsz Yan and Mr. So Cheuk Wah Benton as executive Directors and Mr. Au Yu Chiu Steven and Mr. Chung Fuk Wing Danny as independent non-executive Directors, each for a term commencing from the date of the annual general meeting approving his/her appointment and ending at the conclusion of the annual general meeting of the Company to be held in 2023.

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 2020, all Directors received regular briefings and updates on the Group's business, operations, risk management, internal controls, corporate governance matters and relevant laws and regulations. They have also attended courses and seminars organised by external professional bodies and/or read materials on topics relevant to the duties and responsibilities of a director. All Directors have provided the Company with their respective training records pursuant to the CG Code.

Corporate Governance Report

BOARD COMMITTEE

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

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

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

Audit Committee

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

The main objective of the Audit Committee is to assist the Board in fulfilling its fiduciary responsibilities to the Company and each of its subsidiaries to act in the interest of the Shareholders as a whole.

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

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

The Group's financial statements for the year ended 31 March 2020 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 2020 comply with the applicable accounting standards and the GEM Listing Rules.

Corporate Governance Report

Remuneration Committee

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

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

The remuneration of members of the senior management (excluding executive Directors) by band for the year ended 31 March 2020 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.

Corporate Governance Report

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 that may be adopted 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.

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 2020 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
<i>Executive Directors:</i>						
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
<i>Non-executive Directors:</i>						
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
<i>Independent non-executive Directors:</i>						
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 FY2020.

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 general manager, finance of the Group.

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

Corporate Governance Report

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 2020 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 2020, 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.

Corporate Governance Report

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

Corporate Governance Report

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 of the 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 2020, 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 2020.

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 15 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 2020 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 11 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 2020 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 2020 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 HK0.45 cent per ordinary share (2019: HK0.42 cent) for the year ended 31 March 2020 subject to the approval of the shareholders at the forthcoming annual general meeting (the "AGM"). The final dividend will be paid on or about Friday, 9 October 2020 to shareholders whose names appear on the register of members of the Company at the close of business on Thursday, 24 September 2020.

CLOSURE OF THE REGISTER OF MEMBERS

The AGM is scheduled to be held on Wednesday, 16 September 2020. 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 Friday, 11 September 2020 to Wednesday, 16 September 2020, 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 10 September 2020.

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 Tuesday, 22 September 2020 to Thursday, 24 September 2020, 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 Monday, 21 September 2020.

Directors' Report

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 24 to the consolidated financial statements.

RESERVES

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

PRE-EMPTIVE RIGHTS

There 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 2020, the distributable reserves of the Company amounted to approximately HK\$53.9 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 2020, so far as the Company is aware, the aggregate revenue attributable to our five largest customers and the largest customer accounted for approximately 19.9% and 5.4%, respectively, of the Group's total revenue for the financial year. Purchases from the Group's five largest suppliers accounted for approximately 71.4% of the Group's total purchases for the financial year and the purchase from the largest supplier included therein amounted to approximately 22.7%.

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

TAX RELIEF AND EXEMPTION OF HOLDERS OF LISTED SECURITIES

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

Directors' Report

DIRECTORS

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

Executive Directors

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

Non-executive Directors

Mr. Wong Chu Kee Daniel (*Chairman*)
Mr. Chu Siu Sum Alex
Mr. Chan Kin Mei Stanley

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, Ms. Lau Tsz Yan, Mr. So Cheuk Wah Benton, Mr. Au Yu Chiu Steven and Mr. Chung Fuk Wing Danny shall retire by rotation at the forthcoming annual general meeting of the Company, and being eligible, offer themselves, for re-election.

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' Report

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Company are set out on pages 12 to 16 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 in 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 2020 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.

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' Report

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

As at 31 March 2020, 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 in ordinary shares of the Company:

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 ("Mr. Chan")	the Company	Beneficial owner	6,720,000	0.8%

Long position in share options of the Company:

Name of Director/chief executive	Number of share options directly beneficially owned
Mr. Lau	2,000,000
Ms. Lau Tsz Yan	2,000,000
Mr. So Cheuk Wah Benton	2,000,000
Mr. Chu	500,000
Mr. Wong	500,000
Mr. Chan	500,000
Mr. Au Yu Chiu Steven	100,000
Mr. Chung Fuk Wing Danny	100,000
Mr. Ko Man Fu	100,000
Mr. Mak Wai Sing	100,000

Save as disclosed above, as at 31 March 2020, none of the Directors and chief executives of the Company had any interests or short positions in any shares, underlying shares and debenture of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

Directors' Report

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

As at 31 March 2020, 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 and share options held	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	227,390,000 (note 1)	28.4%
Ms. Keung Lai Wa Dorothy Linndia	Interest of spouse	102,000,000 (note 2)	12.8%
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	51,800,000 (note 5)	6.5%

Notes:

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

Saved as disclosed above, the Directors were not aware of any other persons other than the Directors or chief executive of the Company who held an interest or short positions in the shares and underlying shares of the Company as at 31 March 2020 which were 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.

During the year, 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.

As at 31 March 2020, the Company had 15,900,000 share options outstanding under the Scheme, which represented approximately 2.0% of the Shares in issue as at the date, of which all share options were unvested.

Further details of the share option scheme, including movements during the year of the share options granted are set and in Note 27 to the consolidated financial statements.

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,

Directors' Report

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.

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 2020.

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 2020.

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 FY2020.

RELATED PARTY TRANSACTIONS

Save as disclosed in Note 29 to the consolidated financial statements, no other related party transactions were conducted by the Group during the year ended 31 March 2020.

CONTINUING CONNECTED TRANSACTIONS

The Company had not entered into any connected transactions during the year ended 31 March 2020 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 2020, which constitute fully exempt continuing connected transactions under Chapter 20 of the GEM Listing Rules are disclosed in Note 29 to the consolidated financial statements.

DIRECTORS'/CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as the related party transactions disclosed in Note 29 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 2020 or during the financial year.

Directors' Report

USE OF PROCEEDS FROM LISTING

The shares of the Company were listed on GEM on 12 April 2016 ("Listing"). 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 Listing up to 31 March 2020 are set out below:

Uses	Original allocation (note) HK\$ (in million)	After Reallocation HK\$ (in million)	Utilised up to 31 March 2020 HK\$ (in million)	Balance as at 31 March 2020 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	2.6	–
(iv) Enhancement of management information systems	5.5	1.9	1.9	–
(v) Working capital and general corporate purposes	2.9	2.9	2.9	–
Total	32.2	32.2	32.2	–

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

Details of the change of use of proceeds from the Listing 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 17 to 26 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 2020.

Directors' Report

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 2020 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 DATE

Save as disclose in Note 35 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, 19 June 2020

Summary of Financial Information

	For the year ended 31 March				
	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000
Revenue	467,293	432,529	337,223	306,453	287,881
Gross profit	58,383	53,950	43,249	42,621	43,384
Profit before income tax expense	12,781	12,702	7,933	8,342	332
Profit/(loss) and total comprehensive income for the year	10,695	10,753	6,889	6,987	(1,769)
Earnings/(loss) per share — Basic and diluted (HK cent)	1.34	1.34	0.86	0.88	(0.29)

	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000
Total assets	220,382	212,702	183,894	160,049	104,592
Total liabilities	116,870	116,995	98,940	81,984	78,274
Total equity	103,512	95,707	84,954	78,065	26,318

Independent Auditor's Report



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TO THE MEMBERS OF EXPERT SYSTEMS HOLDINGS LIMITED

(incorporated in Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Expert Systems Holdings Limited (the "Company") and its subsidiaries (hereafter referred as to the "Group") set out on pages 42 to 94, which comprise the consolidated statement of financial position as at 31 March 2020, 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 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the 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 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 of the current period. 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 18 to the consolidated financial statements.

The carrying amount of the Group's gross trade receivables as at 31 March 2020 was approximately HK\$102,586,000.

Management reviews trade receivables for expected credit loss ("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, repayment history and after past due status of trade receivables. 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 such as changes of macroeconomic.

Independent Auditor's Report

We have identified the impairment assessment of trade receivables as a key audit matter because of significance of the carrying amount of trade receivables to the consolidated financial statements and because applying the Group's accounting policies in this area involves a significant degree of judgement by management in evaluating the ECL 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 2020 annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

Independent Auditor's Report

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

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

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

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

Independent Auditor's Report

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

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

BDO Limited
Certified Public Accountants
Li Yin Fan
Practising Certificate Number P03113

Hong Kong, 19 June 2020

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2020

	Notes	2020 HK\$'000	2019 HK\$'000
Revenue	7	467,293	432,529
Cost of sales		(408,910)	(378,579)
Gross profit		58,383	53,950
Other income and gains	7	1,190	798
Selling expenses		(35,037)	(30,478)
Administrative expenses		(11,248)	(11,272)
Expected credit loss on financial assets		(98)	(296)
Finance cost		(409)	–
Profit before income tax expense	8	12,781	12,702
Income tax expense	9	(2,086)	(1,949)
Profit and total comprehensive income for the year		10,695	10,753
Earnings per share			
— Basic and diluted	12	HK 1.34 cents	HK 1.34 cents

Consolidated Statement of Financial Position

As at 31 March 2020

	Notes	2020 HK\$'000	2019 HK\$'000
Non-current assets			
Property, plant and equipment	13	7,999	1,529
Finance lease receivables	16	172	195
Trade receivables	18	2,893	5,562
Other receivables	19	2,356	–
		13,420	7,286
Current assets			
Inventories	17	3,658	3,586
Trade receivables	18	99,299	93,921
Prepayments, deposits and other receivables	19	8,326	8,411
Finance lease receivables	16	280	424
Cash and cash equivalents	20	95,399	99,074
		206,962	205,416
Current liabilities			
Trade payables	21	91,588	100,266
Accruals, deposits received and other payables	22	16,335	14,629
Amount due to a related company	23	477	210
Lease liabilities	14	1,408	–
Tax payables		577	1,331
		110,385	116,436
Net current assets		96,577	88,980
Total assets less current liabilities		109,997	96,266
Non-current liabilities			
Other payables	22	636	559
Lease liabilities	14	5,849	–
		6,485	559
Net assets		103,512	95,707
EQUITY			
Share capital	24	8,000	8,000
Reserves		95,512	87,707
		103,512	95,707

On behalf of the board of directors

Wong Chu Kee, Daniel
Director

Lau Wai Kwok
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2020

	Share capital HK\$'000 (Note 24)	Share premium HK\$'000 (Note 25)	Share options reserve HK\$'000 (Note 25)	Merger reserve HK\$'000 (Note 25)	Retained earnings HK\$'000	Total HK\$'000
At 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 as originally presented	8,000	70,179	–	(25,395)	42,923	95,707
Initial application of HKFRS 16	–	–	–	–	(137)	(137)
Restated balance at 1 April 2019	8,000	70,179	–	(25,395)	42,786	95,570
Profit and total comprehensive income for the year	–	–	–	–	10,695	10,695
Dividend approved and paid in respect of the previous year (note 11)	–	(3,360)	–	–	–	(3,360)
Recognition of equity-settled share-based payment	–	–	607	–	–	607
At 31 March 2020	8,000	66,819	607	(25,395)	53,481	103,512

Consolidated Statement of Cash Flows

For the year ended 31 March 2020

	Notes	2020 HK\$'000	2019 HK\$'000
Cash flows from operating activities			
Profit before income tax expense		12,781	12,702
Adjustments for:			
Interest income	7	(747)	(573)
Interest expenses on lease liabilities		409	–
Depreciation of property, plant and equipment	13	2,319	836
Write back of other payables	7	(40)	(146)
Provision of impairment loss of inventories	8	26	43
Expected credit loss of financial assets	8	98	296
Equity settled share-based payment expenses	8	607	–
Operating cash flows before working capital changes		15,453	13,158
(Increase)/decrease in inventories		(98)	1,439
Increase in trade receivables		(2,807)	(25,454)
Increase in prepayments, deposits and other receivables		(2,271)	(3,399)
Decrease in finance lease receivables		167	735
Increase/(decrease) in amount due to a related company		267	(6)
(Decrease)/increase in trade payables		(8,678)	17,616
Increase/(decrease) in accruals, deposits received and other payables		1,823	(674)
Cash generated from operations		3,856	3,415
Income tax paid		(2,840)	(684)
Net cash generated from operating activities		1,016	2,731
Cash flows from investing activities			
Purchase of property, plant and equipment		(581)	(262)
Interest received		747	573
Net cash generated from investing activities		166	311
Cash flows from financing activities			
Interest paid on lease liabilities		(409)	–
Dividend paid		(3,360)	–
Principal elements of lease payments		(1,088)	–
Net cash used in financing activities		(4,857)	–
Net (decrease)/increase in cash and cash equivalents		(3,675)	3,042
Cash and cash equivalents at beginning of the year		99,074	96,032
Cash and cash equivalents at end of the year	20	95,399	99,074

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

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 Second Floor, Century Yard, Cricket Square, P.O. Box 902, Grand Cayman, KY1-1103, Cayman Islands and its principal place of business in Hong Kong is 22/F., Yen Sheng Centre, 64 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong.

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the “Group”) 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 2019

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

The impact of the adoption of HKFRS 16 Leases have been summarised in below. The other new or amended HKFRSs that are effective from 1 April 2019 did not have any significant impact on the Group’s accounting policies.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

3. ADOPTION OF HKFRSs (Continued)

(a) Adoption of new/revised HKFRSs — effective 1 April 2019 (Continued)

A. HKFRS 16 — Leases

(i) Impact of the adoption of HKFRS 16

HKFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces HKAS 17 “Leases” (“HKAS 17”), HK(IFRIC)-Int 4 “Determining whether an Arrangement contains a Lease” (“HK(IFRIC)-Int 4”), HK(SIC)-Int 15 “Operating Leases-Incentives” and HK(SIC)-Int 27 “Evaluating the Substance of Transactions Involving the Legal Form of a Lease”. From a lessee’s perspective, almost all leases are recognised in the statement of financial position as right-of-use assets and lease liabilities, with the narrow exception to this principle for leases which the underlying assets are of low-value or are determined as short-term leases. From a lessor’s perspective, the accounting treatment is substantially unchanged from HKAS 17. For details of HKFRS 16 regarding its new definition of a lease, its impact on the Group’s accounting policies and the transition method adopted by the Group as allowed under HKFRS 16, please refer to section (ii) to (v) as below.

The Group has applied HKFRS 16 using the cumulative effect approach and recognised all the cumulative effect of initially applying HKFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application. The comparative information presented in 2019 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The following tables summarised the impact of transition to HKFRS 16 on statement of financial position as of 31 March 2019 to that of 1 April 2019 as follows increase/(decrease):

	HK\$’000
Statement of financial position as at 1 April 2019:	
Right-of-use assets presented in property, plant and equipment	8,208
Lease liabilities (non-current)	7,257
Lease liabilities (current)	1,339
Accruals, deposit received and other payables	(251)
Retained earnings	<u>(137)</u>

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

3. ADOPTION OF HKFRSs (Continued)

(a) Adoption of new/revised HKFRSs — effective 1 April 2019 (Continued)

A. HKFRS 16 — Leases (Continued)

(i) Impact of the adoption of HKFRS 16 (Continued)

The following reconciliation explains how the operating lease commitments disclosed applying HKAS 17 at the end of 31 March 2019 could be reconciled to the lease liabilities at the date of initial application recognised in the statement of financial position as at 1 April 2019:

	HK\$'000
Reconciliation of operating lease commitment to lease liabilities	
Operating lease commitment as of 31 March 2019	5,772
Add: leases included in extension option which the Group considers reasonably certain to exercise	4,124
Less: future interest expenses	(1,300)
	<hr/>
Total lease liabilities as of 1 April 2019	8,596

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the statement of financial position as at 1 April 2019 is 5.125%.

(ii) The new definition of a lease

Under HKFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified asset and (b) the right to direct the use of the identified asset.

For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, unless the lessee apply the practical expedient which allows the lessee to elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

3. ADOPTION OF HKFRSs (Continued)

(a) Adoption of new/revised HKFRSs — effective 1 April 2019 (Continued)

A. HKFRS 16 — Leases (Continued)

(iii) Accounting as a lessee

Under HKAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the statement of financial position of the lessee.

Under HKFRS 16, all leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but HKFRS 16 provides accounting policy choices for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee; and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-of-use assets at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

3. ADOPTION OF HKFRSs (Continued)

(a) Adoption of new/revised HKFRSs — effective 1 April 2019 (Continued)

A. HKFRS 16 — Leases (Continued)

(iii) Accounting as a lessee (Continued)

Lease liability

The lease liability should be recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group shall use the Group's incremental borrowing rate.

The following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, a lessee shall measure the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

(iv) Accounting as a lessor

The Group has leased out its photocopying machines to a number of customers. As the accounting under HKFRS 16 for a lessor is substantially unchanged from the requirements under HKAS 17, the adoption of HKFRS 16 does not have significant impact on these financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

3. ADOPTION OF HKFRSs (Continued)

(a) Adoption of new/revised HKFRSs — effective 1 April 2019 (Continued)

A. HKFRS 16 — Leases (Continued)

(v) Transition

As mentioned above, the Group has applied HKFRS 16 using the cumulative effect approach and recognised all the cumulative effect of initially applying HKFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application (1 April 2019). The comparative information presented in 2019 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The Group has recognised the lease liabilities at the date of 1 April 2019 for leases previously classified as operating leases applying HKAS 17 and measured those lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at 1 April 2019.

The Group has elected to recognise all the right-of-use assets at 1 April 2019 for leases previously classified operating leases under HKAS 17 as if HKFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the date of initial application. For all these right-of-use assets, the Group relied on the assurance of whether leases are onerous by applying HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" as an alternative of impairment review.

The Group has also applied the follow practical expedients: (i) applied a single discount rate to a portfolio of leases with reasonably similar characteristics; (ii) applied the exemption of not to recognise right-of-use assets and lease liabilities for leases with term that will end within 12 months of the date of initial application (1 April 2019) and accounted for those leases as short-term leases; (iii) exclude the initial direct costs from the measurement of the right-of-use asset at 1 April 2019; and (iv) used hindsight in determining the lease terms if the contracts contain options to extend or terminate the leases.

In addition, the Group has also applied the practical expedients such that: (i) HKFRS 16 is applied to all of the Group's lease contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 and (ii) not to apply HKFRS 16 to contracts that were not previously identified as containing a lease under HKAS 17 and HK(IFRIC)-Int 4.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

3. ADOPTION OF HKFRSs (Continued)

(a) Adoption of new/revised HKFRSs — effective 1 April 2019 (Continued)

B. Others

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 HKAS 19 — Plan Amendments, Curtailment or Settlement

The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company should use updated actuarial assumptions to determine its current service cost and net interest for the period. Additionally, the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income.

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.

Amendments to HKAS 28 — Long-term Interests in Associates and Joint Ventures

The amendment clarifies that HKFRS 9 applies to long-term interests (“LTI”) in associates or joint ventures which form part of the net investment in the associates or joint ventures and stipulates that HKFRS 9 is applied to these LTI before the impairment losses guidance within HKAS 28.

Annual Improvements to HKFRSs 2015–2017 Cycle — Amendments to HKFRS 3, Business Combinations

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 3 which clarifies that when a joint operator of a business obtains control over a joint operation, this is a business combination achieved in stages and the previously held equity interest should therefore be remeasured to its acquisition date fair value.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

3. ADOPTION OF HKFRSs (Continued)

(a) Adoption of new/revised HKFRSs — effective 1 April 2019 (Continued)

B. Others (Continued)

Annual Improvements to HKFRSs 2015–2017 Cycle — Amendments to HKFRS 11, Joint Arrangements

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 11 which clarify that when a party that participates in, but does not have joint control of, a joint operation which is a business and subsequently obtains joint control of the joint operation, the previously held equity interest should not be remeasured to its acquisition date fair value.

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.

Annual Improvements to HKFRSs 2015–2017 Cycle — Amendments to HKAS 23, Borrowing Costs

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 23 which clarifies that a borrowing made specifically to obtain a qualifying asset which remains outstanding after the related qualifying asset is ready for its intended use or sale would become part of the funds an entity borrows generally and therefore included in the general pool.

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

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Amendments to HKFRS 3	Definition of a Business ¹
Amendments to HKAS 1 and HKAS 8	Definition of Material ¹
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²

¹ Effective for annual periods beginning on or after 1 April 2020

² The amendments were originally intended to be effective for periods beginning on or after 1 April 2018. The effective date has now been deferred/removed. Early application of the amendments continue to be permitted.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

3. ADOPTION OF HKFRSs (Continued)

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

Amendments to HKFRS 3 — Definition of a Business

The amendments clarify that a business must include, as a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs, together with providing extensive guidance on what is meant by a “substantive process”.

Additionally, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs, whilst narrowing the definition of “outputs” and a “business” to focus on returns from selling goods and services to customers, rather than on cost reductions.

An optional concentration test has also been added that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

Amendments to HKAS 1 and HKAS 8 — Definition of Material

The amendments clarify the definition and explanation of “material”, aligning the definition across all HKFRS Standards and the Conceptual Framework, and incorporating supporting requirements in HKAS 1 into the definition.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 — Interest Rate Benchmark Reform

The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainties caused by interest rate benchmark reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

Amendments to HKFRS 10 and HKAS 28 — Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors’ interests in the joint venture or associate.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

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
Properties leased for own use	Shorter of assets expected useful lives and lease term

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Inventories

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

(e) Financial Instruments

(i) *Financial assets*

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 fair value through profit or loss ("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 entirety 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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Financial Instruments (Continued)

(ii) *Impairment loss on financial assets*

The Group recognises loss allowances for expected credit losses (“ECLs”) on trade receivables and financial assets measured at amortised cost. 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.

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 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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Financial Instruments (Continued)

(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.

(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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Cash and cash equivalents

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

(g)A Leasing (accounting policies applied from 1 April 2019)

All leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee; and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-of-use assets at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

Lease liability

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the Group's incremental borrowing rate.

The following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, the Group measures the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g)B Leasing (accounting policies applied until 31 March 2019)

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

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

The Group as lessee

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

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

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

(h) Provision and contingent liabilities

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Impairment of non-financial assets

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

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

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

(j) Employee benefits

(i) *Defined contribution retirement plan*

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

(ii) *Short-term employee benefits*

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

(iii) *Termination benefits*

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Employee benefits (Continued)

(iv) Share-based payments

Where share options are awarded to employees and others providing similar services, the fair value of the services received is measured by reference to the fair value of the options at the date of grant. Such fair value is recognised in profit or loss over the vesting period with a corresponding increase in the share option reserve within equity. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at the end of each reporting period so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all non-market vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also recognised in profit or loss over the remaining vesting period.

(k) Foreign currencies

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

(l) Borrowing costs

All borrowing costs are charged to the consolidated profit or loss in the period in which they are incurred.

(m) Income taxes

Income tax comprises current tax and deferred tax.

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Revenue recognition

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.

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) Provision of IT infrastructure solutions

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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Revenue recognition (Continued)

(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.

(o) Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of key management personnel of the Group.

(b) An entity is related to the Group if any of the following conditions apply:

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) 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.

(p) 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 may 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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Impairment loss for trade receivables

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

In making the estimate, management considers detailed procedures are in place to monitor this risk as a significant proportion of the Group's working capital is devoted to trade receivables. In determining whether an allowance for 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.

Determination of the lease term

In determining the lease term, the management considers all the facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension option (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The lease term is reassessed if an option is actually exercised or not exercised or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee. At the beginning of the year ended 31 March 2020, the Group was reasonably certain to exercise the extension options of some leases and included those future lease payments in lease liabilities and right-of-use assets.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

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.

	2020 HK\$'000	2019 HK\$'000
Hong Kong	460,889	429,158
Macau	6,404	3,371
	467,293	432,529

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 reporting year (2019: Nil).

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

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:

	2020 HK\$'000	2019 HK\$'000
Revenue:		
Provision of IT infrastructure solutions	467,105	432,251
Finance leases income	188	278
Total	467,293	432,529
Other income and gains:		
Interest income	747	573
Write back of other payables	40	146
Exchange gain	109	–
Sundry income	294	79
Total	1,190	798

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

	2020 HK\$'000	2019 HK\$'000
Receivables (note 18)	102,192	99,483
Contract liabilities (note 22(a))	(8,078)	(5,572)

The contract liabilities mainly relate to the advance consideration received from customers. Contract liabilities as of 1 April 2019 of HK\$5,572,000 (1 April 2018: HK\$7,398,000) have been recognised as revenue for the year ended 31 March 2020 from performance obligations satisfied in the year due to the delivery of goods and services accepted by customers.

The Group has applied the practical expedient to its sales contracts for the provision of IT infrastructure solutions and therefore the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts for the provision of IT infrastructure solutions that had an original expected duration of one year or less.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

8. PROFIT BEFORE INCOME TAX EXPENSE

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

	2020 HK\$'000	2019 HK\$'000
Costs of inventories recognised as expenses	342,515	337,168
Auditor's remuneration	628	620
Depreciation of property, plant and equipment	2,319	836
Expected credit loss on financial assets	98	296
Provision of impairment loss of inventories	26	43
Staff costs (including directors' remuneration (Note 10(a)))		
— Wages, salaries and other benefits	38,295	33,934
— Contribution to defined contribution pension plans	1,225	1,103
— Equity settled share-based payment expenses	607	—
Exchange (gain)/losses, net	(109)	116
Operating lease rental expenses	—	1,614

9. INCOME TAX EXPENSE

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

	2020 HK\$'000	2019 HK\$'000
Current tax — Hong Kong profits tax		
Tax for the year	2,039	1,999
Under/(over)-provision in respect of prior year	47	(50)
Income tax expense	2,086	1,949

According to the Inland Revenue (Amendment) (No. 3) Ordinance 2018 enacted on 29 March 2018, the two-tiered profits tax regime (the "Regime") is effective from the year of assessment 2018/19. Profits tax rate for the first HK\$2 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 2020 and 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 2020 (2019: 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 2020 (2019: Nil).

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

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:

	2020 HK\$'000	2019 HK\$'000
Profit before income tax expense	12,781	12,702
Tax calculated at the statutory rate of 16.5%	2,109	2,096
Effect of different tax rates in other jurisdiction	8	17
Tax effect of expenses not deductible for tax purpose	144	56
Tax effect of revenue not taxable for tax purpose	(51)	(50)
Tax effect of deductible temporary differences not recognised	24	74
Tax effect of two-tiered profits tax rates regime	(165)	(165)
Under/(over)-provision in respect of prior years	47	(50)
Others	(30)	(29)
Income tax expense	2,086	1,949

No deferred tax asset has been recognised in relation to deductible temporary differences of HK\$145,000 (2019: HK\$446,000) relating to the depreciation charges as it is not material.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

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	Share-based payment note (i) HK\$'000	Contribution to defined contribution pension plans HK\$'000	Discretionary bonuses note (ii) HK\$'000	Total HK\$'000
Year ended 31 March 2020						
Executive directors:						
Mr. Lau Wai Kwok ("Mr. Lau")	–	2,491	77	18	188	2,774
Ms. Lau Tsz Yan	–	1,184	77	18	63	1,342
Mr. So Cheuk Wah, Benton	–	934	77	18	64	1,093
Non-executive directors:						
Mr. Wong Chu Kee, Daniel ("Mr. Wong")	150	–	19	–	–	169
Mr. Chu Siu Sum, Alex ("Mr. Chu")	–	–	19	–	–	19
Mr. Chan Kin Mei, Stanley	150	–	19	–	–	169
Independent non-executive directors:						
Mr. Au Yu Chiu Steven	150	–	4	–	–	154
Mr. Chung Fuk Wing Danny	150	–	4	–	–	154
Mr. Ko Man Fu	150	–	4	–	–	154
Mr. Mak Wai Sing	150	–	4	–	–	154
	900	4,609	304	54	315	6,182

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

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

(a) Directors' remuneration (Continued)

	Fees HK\$'000	Salaries and other benefits HK\$'000	Share-based payment note (i) HK\$'000	Contribution to defined contribution pension plans HK\$'000	Discretionary bonuses note (ii) HK\$'000	Total HK\$'000
Year ended 31 March 2019						
Executive directors:						
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	150	–	–	–	–	150
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

Notes:

- (i) The amounts represent the estimated value of share options granted to the directors under the Company's share option scheme. The value of share options is measured according to the accounting policies for share-based payments as set out in note 4(j)(iv) to the financial statements. Further details of the options granted are set out in note 27 to the financial statements.
- (ii) The performance related incentive payment is determined as a percentage of the gross profit and profit for the year of the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

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 (2019: three), whose emoluments are reflected in the analysis presented above.

The analysis of the emoluments to the remaining two (2019: two) individuals is set out below:

	2020 HK\$'000	2019 HK\$'000
Salaries and allowances	1,946	1,702
Discretionary bonuses	91	48
Contribution to defined contribution pension plans	36	36
Share-based payments	76	–
	2,149	1,786

Their remuneration fell within the following bands:

	2020	2019
Nil to HK\$1,000,000	–	2
HK\$1,000,001 to HK\$1,500,000	2	–

During the year, no director or any of the highest-paid individuals waived or agreed to waive any emoluments (2019: 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 2020 of HK0.45 (2019: HK0.42) cent per ordinary share (tax exclusive) amounting to HK\$3,600,000 (2019: HK\$3,360,000) was proposed pursuant to a resolution passed by the Board of Directors on 19 June 2020 and subject to the approval by the shareholders at the annual general meeting of the Company to be held on 16 September 2020 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 2020, the calculation of basic earnings per share is based on the profit for the year attributable to the owners of the Company of HK\$10,695,000 (2019: HK\$10,753,000) and on the basis of the weighted average number of 800,000,000 (2019: 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 2020 and 2019.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK\$'000	Properties leased for own use HK\$'000	Furniture & fixtures HK\$'000	Computer equipment HK\$'000	Total HK\$'000
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
Addition	–	–	–	262	262
Depreciation	(340)	–	(88)	(408)	(836)
Closing net book amount	738	–	205	586	1,529
At 31 March 2019 and at 1 April 2019					
Cost at 31 March 2019 as originally presented	1,419	–	344	2,965	4,728
Cost recognised upon application of HKFRS 16	–	9,951	–	–	9,951
Accumulated depreciation	(681)	–	(139)	(2,379)	(3,199)
Accumulated depreciation recognised upon application of HKFRS 16	–	(1,743)	–	–	(1,743)
Restated net book amount as at 1 April 2019	738	8,208	205	586	9,737
Year ended 31 March 2020					
Restated opening net book amount	738	8,208	205	586	9,737
Additions	–	–	20	561	581
Depreciation	(285)	(1,497)	(84)	(453)	(2,319)
Closing net book amount	453	6,711	141	694	7,999
At 31 March 2020					
Cost	1,419	9,951	364	3,526	15,260
Accumulated depreciation	(966)	(3,240)	(223)	(2,832)	(7,261)
Net book amount	453	6,711	141	694	7,999

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

14. LEASES

The Group has applied HKFRS 16 using the cumulative effect approach and recognised all the cumulative effect of initially applying HKFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application (1 April 2019). The net book value of the Group's right-of-use assets included in property, plant and equipment as at 1 April 2019 and 31 March 2020 represented the properties leased for own use and carried at depreciated cost. This note provides information for leases where the Group is a lessee.

(i) Amounts recognised in the consolidated statement of financial position

	31 March 2020 HK\$'000	1 April 2019 HK\$'000
Right-of-use assets		
Properties leased for own use, carried at depreciated cost	6,711	8,208
Lease liabilities		
Current	1,408	1,339
Non-current	5,849	7,257

There was no addition to the right-of-use assets during the year ended 31 March 2020.

(ii) Amounts recognised in the consolidated statement of comprehensive income

	2020 HK\$'000
Depreciation of right-of-use assets: properties leased for own use	1,497
Interest on lease liabilities	409

The total cash outflow for leases for the year ended 31 March 2020 was HK\$1,497,000 (note 30).

(iii) The Group's leasing activities and how these are accounted for

The Group lease an office, warehouse and a carpark. Rental contracts are typically made for fixed periods of 1 to 7 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than security interests in leased assets that are held by the lessors. Leased assets are not used as security for borrowing purposes.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

14. LEASES (Continued)

Future lease payments are due as follows:

	Minimum lease payments 31 March 2020 HK\$'000	Interest 31 March 2020 HK\$'000	Present value 31 March 2020 HK\$'000
Not later than one year	1,747	339	1,408
Later than one year and not later than two years	1,803	265	1,538
Later than two years and not later than five years	4,598	287	4,311
	8,148	891	7,257

15. INVESTMENTS IN SUBSIDIARIES

The particulars of the Company's subsidiaries as at 31 March 2020 are as follows:

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

16. FINANCE LEASE RECEIVABLES

	2020 HK\$'000	2019 HK\$'000
Current finance lease receivables	280	424
Non-current finance lease receivables	172	195
	452	619

Leasing arrangements

Certain of the Group's equipment 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.

Amounts receivable under finance leases

	Minimum lease payments		Present value of minimum lease payments	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Not later than one year	288	591	280	424
Later than one year and not later than five years	358	317	172	195
	646	908	452	619
Less: unearned finance income	(194)	(289)	–	–
Present value of minimum lease payments receivables	452	619	452	619

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.

17. INVENTORIES

	2020 HK\$'000	2019 HK\$'000
Merchandise	3,658	3,586

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

18. TRADE RECEIVABLES

	2020 HK\$'000	2019 HK\$'000
Trade receivables, gross	102,586	99,779
Less: Provision for impairment	(394)	(296)
	102,192	99,483
Less: non-current portion	(2,893)	(5,562)
	99,299	93,921

The credit period is generally 7 to 60 days.

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

	2020 HK\$'000	2019 HK\$'000
Within 1 month	28,667	39,270
More than 1 month but not more than 3 months	29,808	33,149
More than 3 months but not more than 6 months	22,055	8,559
More than 6 months but not more than a year	12,631	7,407
More than a year	9,031	11,098
	102,192	99,483

At the end of each reporting period, the management perform impairment analysis by using a provision matrix to measure expected credit losses. Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly. The movement in the allowance for impairment of trade receivables during each reporting period is as follows:

	2020 HK\$'000	2019 HK\$'000
Opening loss allowance as at 1 April	296	–
Provision of expected credit loss for the year	98	296
At the end of the year	394	296

At 31 March 2020, the management had determined that the provision of expected credit loss of trade receivables was approximately HK\$394,000 (2019: HK\$296,000), and there was no reversal of expected credit loss provided in year ended 31 March 2020 (2019: nil).

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2020 HK\$'000	2019 HK\$'000
Other deposits	4,499	2,325
Other receivables	89	55
Prepayments	6,094	6,031
	10,682	8,411
Less: non-current portion	(2,356)	–
	8,326	8,411

20. CASH AND CASH EQUIVALENTS

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

21. TRADE PAYABLES

	2020 HK\$'000	2019 HK\$'000
Trade payables	91,588	100,266

The credit period ranges from approximately 30 to 90 days.

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

	2020 HK\$'000	2019 HK\$'000
Within 1 month	44,486	40,290
More than 1 month but not more than 3 months	36,262	49,480
More than 3 months but not more than 6 months	3,350	4,675
More than 6 months but not more than a year	3,604	857
More than a year	3,886	4,964
	91,588	100,266

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

22. ACCRUALS, DEPOSITS RECEIVED AND OTHER PAYABLES

	2020 HK\$'000	2019 HK\$'000
Other payables and accrued expenses	2,996	3,359
Staff commission	5,065	5,479
Other deposits received	832	778
Contract liabilities (note (a))	8,078	5,572
	16,971	15,188
Less: Non-current other payables	(636)	(559)
	16,335	14,629

Note:

(a) Contract liabilities

	2020 HK\$'000	2019 HK\$'000
<i>Contract liabilities arising from:</i>		
— Sale of goods and provision of IT infrastructure solutions	8,078	5,572

23. AMOUNT DUE TO A RELATED COMPANY

Breakdown of amount due to a related party is disclosed as follows:

	2020 HK\$'000	2019 HK\$'000
ServiceOne Limited	477	210

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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

24. SHARE CAPITAL

	Number	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 each		
At 31 March 2019, 1 April 2019 and 31 March 2020	10,000,000,000	100,000
Issued and fully paid:		
Ordinary shares of HK\$0.01 each		
At 31 March 2019, 1 April 2019 and 31 March 2020	800,000,000	8,000

25. RESERVES

Details of the movements on the Group's reserves for the years ended 31 March 2020 and 2019 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 (c))	Share Option Reserve HK\$'000 (note (b))	Accumulated losses HK\$'000	Total HK\$'000
At 1 April 2018	70,179	–	(12,142)	58,037
Loss for the year	–	–	(31)	(31)
At 31 March 2019 and 1 April 2019	70,179	–	(12,173)	58,006
Dividend declared and paid	(3,360)	–	–	(3,360)
Recognition of equity-settled share-based payment	–	607	–	607
Loss for the year	–	–	(733)	(733)
At 31 March 2020	66,819	607	(12,906)	54,520

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For the year ended 31 March 2020

25. RESERVES (Continued)

(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 options reserve

The share options reserve represents the cumulative expenses recognised on the granting of share options to the directors and employees over the vesting period.

(c) Share premium

Share premium represents amount subscribed for share capital in excess of nominal value, less of share issuing costs and dividend paid. 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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

26. HOLDING COMPANY STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2020

	Notes	2020 HK\$'000	2019 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investment in a subsidiary		–*	–*
Current assets			
Prepayments		112	130
Amount due from subsidiaries		62,054	66,048
Cash and cash equivalents		731	323
		62,897	66,501
Current liabilities			
Accruals		377	495
		377	495
Net current assets		62,520	66,006
Total assets less current liabilities		62,520	66,006
Net assets		62,520	66,006
EQUITY			
Share capital	24	8,000	8,000
Reserves	25	54,520	58,006
Total equity		62,520	66,006

* Represent amount of less than HK\$1,000

On behalf of the board of directors

Wong Chu Kee, Daniel
Director

Lau Wai Kwok
Director

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

27. SHARE OPTION SCHEME

The share option scheme (the "Scheme") was conditionally approved and adopted pursuant to a resolution in writing passed by the shareholders of the Company on 15 March 2016, which became effective on the Listing Date. An option may be exercised in accordance with the terms of the Scheme at any time during a period to be determined and notified by the directors to each grantee, which period may commence on the date upon which the offer of the grant of options is made but shall end in any event not later than 10 years for the date of grant of the option subject to the provisions for early termination thereof.

The purpose of the Scheme is to enable the Company to grant options to selected participants as incentives or rewards for their contribution to the Group. The directors consider the Scheme will enable the Company to reward our employees, the directors and other selected participants for their contributions to the Group.

The valuation was carried out on a fair value basis. HKFRS 2 Share-Based Payment ("HKFRS 2") defines fair value as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date".

Share-based payment transaction is a transaction in which the entity (a) receives goods or services from the supplier of those goods or services (including an employee) in a share-based payment arrangement, or (b) incurs an obligation to settle the transaction with the supplier in a share-based payment arrangement when another group entity receives those goods or services.

Pursuant to the HKFRS 2, the goods or services received shall be measured with the corresponding increase in equity, directly, at the fair value of the goods or services received, unless that fair value cannot be estimated reliably. If the fair value of the goods or services received cannot be estimated reliably, their value shall be measured, indirectly, by reference to the fair value of the equity instruments granted with the corresponding increase in equity. Since the fair value of goods or services received from grantees of the options including employees of the Group cannot be reliably measured, the fair value of the service received from the employees was measured indirectly by reference to the fair value of the share options granted to the employees.

The fair value of equity-settled share options granted during the current period was estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the share options were granted. The following table lists the inputs to the model used:

Measurement date	15 April 2019
Dividend yield (%)	–
Expected volatility (%)	166.22
Risk-free interest rate (%)	1.63

The risk-free rate is the yield of Hong Kong government bonds with maturity matching the contractual option life of the share options obtained from Bloomberg as at the measurement date. The historical volatility of the Company's share of 166.22% is adopted as the expected volatility and reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

27. SHARE OPTION SCHEME (Continued)

On 15 April 2019 (the "Date of Grant"), the Company granted share options to the directors and employees of the Company to subscribe for a total of 16,000,000 ordinary shares of HK\$0.01 each in the share capital of the Company under the Scheme. The details of the movements in the number of share options under the Scheme for the year ended 31 March 2020 are set out as follows:

Name of Grantee	Date of Grant	Exercisable period	Exercise price per share	Outstanding as at 1 April 2019	Number of share options			Outstanding as at 31 March 2020
					Granted during the period	Exercised during the period	Lapsed/ cancelled during the period	
Executive Directors								
Mr. Lau	15 April 2019	15 April 2020 to 14 April 2029	0.111	-	2,000,000	-	-	2,000,000
Ms. Lau Tsz Yan	15 April 2019	15 April 2020 to 14 April 2029	0.111	-	2,000,000	-	-	2,000,000
Mr. So Cheuk Wah Benton	15 April 2019	15 April 2020 to 14 April 2029	0.111	-	2,000,000	-	-	2,000,000
Non-executive Directors								
Mr. Wong	15 April 2019	15 April 2020 to 14 April 2029	0.111	-	500,000	-	-	500,000
Mr. Chu	15 April 2019	15 April 2020 to 14 April 2029	0.111	-	500,000	-	-	500,000
Mr. Chan Kin Mei Stanley	15 April 2019	15 April 2020 to 14 April 2029	0.111	-	500,000	-	-	500,000
Independent non-executive Directors								
Mr. Au Yu Chiu Steven	15 April 2019	15 April 2020 to 14 April 2029	0.111	-	100,000	-	-	100,000
Mr. Chung Fuk Wing Danny	15 April 2019	15 April 2020 to 14 April 2029	0.111	-	100,000	-	-	100,000
Mr. Ko Man Fu	15 April 2019	15 April 2020 to 14 April 2029	0.111	-	100,000	-	-	100,000
Mr. Mak Wai Sing	15 April 2019	15 April 2020 to 14 April 2029	0.111	-	100,000	-	-	100,000
Other employees								
In aggregate	15 April 2019	15 April 2020 to 14 April 2029	0.111	-	8,100,000	-	(100,000)	8,000,000
					16,000,000	-	(100,000)	15,900,000

The outstanding share options granted on the Date of Grant are exercisable in the manner and during the five periods (each an "exercisable period") as set out below at an exercise price of HK\$0.111 per Share. The closing price of the Shares immediately before the Date of Grant was HK\$0.098.

First exercisable period:	20.0% of the outstanding share options exercisable from 15 April 2020 to 14 April 2029
Second exercisable period:	20.0% of the outstanding share options exercisable from 15 April 2021 to 14 April 2029
Third exercisable period:	20.0% of the outstanding share options exercisable from 15 April 2022 to 14 April 2029
Fourth exercisable period:	20.0% of the outstanding share options exercisable from 15 April 2023 to 14 April 2029
Fifth exercisable period:	20.0% of the outstanding share options exercisable from 15 April 2024 to 14 April 2029

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27. SHARE OPTION SCHEME (Continued)

The exercise price of options outstanding at the end of the year 31 March 2020 was HK\$0.111 and their weighted average remaining contractual life was 9.04 years.

None of the options outstanding at the end of the year was vested and was exercisable.

The weighted average share price at the date of exercise of options exercised during the year was HK\$0.111.

The weighted average fair value of options granted during the year was approximately HK\$1,400,000, of which the Group recognised a share options expense of approximately HK\$607,000 during the year ended 31 March 2020.

At the end of the reporting period, the Company had 15,900,000 share options outstanding under the Scheme, of which all share options were unvested. At the date of approval of these audited consolidated financial statements, the Company had 15,900,000 share options outstanding under the Scheme, which represented approximately 2.0% of the shares in issue as at that date.

28. 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
Not later than one year	2,296
Later than one year and not later than five years	3,476
	<hr/>
	5,772

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

29. 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		2020 HK\$'000	2019 HK\$'000
ServiceOne Limited	Cost of sales — Outsourcing IT support services	2,839	2,054
ServiceOne Limited	Sales	212	592
ServiceOne Limited	Maintenance services	48	48
ServiceOne Technology Services Macau Limited	Cost of Sales — Outsourcing IT support services	156	156

(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:

	2020 HK\$'000	2019 HK\$'000
Salaries, allowances and benefits in kind	7,540	7,111
Discretionary bonuses	445	314
Retirement scheme contributions	108	106
Share-based payment	380	—
	8,473	7,531

Their remuneration fell within the following bands:

	2020	2019
Nil to HK\$1,000,000	10	11
HK\$1,000,001 to HK\$1,500,000	2	1
HK\$1,500,001 to HK\$2,000,000	—	—
HK\$2,000,001 to HK\$2,500,000	—	—
HK\$2,500,001 to HK\$3,000,000	1	1

- (c) The Group and ServiceOne Global Holdings Limited, 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\$166,000 (2019: HK\$188,000).

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

30. NOTES SUPPORTING CASH FLOW STATEMENT

Reconciliation of liabilities arising from financing activities:

	Lease liabilities (note 14) HK\$'000
At 1 April 2019	–
Changes from cash flows:	
Interest paid on lease liabilities	(409)
Principal elements of lease payments	(1,088)
	<hr/>
Total changes from financing cash flows:	(1,497)
Exchange adjustments:	
Changes in fair value:	
Other changes:	
Interest expenses on lease liabilities	409
Initial application of HKFRS 16	8,345
	<hr/>
Total other changes	8,754
At 31 March 2020	<hr/> <u>7,257</u>

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

31. 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.

	2020 HK\$'000	2019 HK\$'000
Financial assets		
Measured at amortised cost:		
Trade receivables	102,192	99,483
Other receivables and deposits	4,588	2,380
Finance lease receivables	452	619
Cash and cash equivalents	95,399	99,074
	202,631	201,556
Financial liabilities		
Measured at amortised cost:		
Trade payables	91,588	100,266
Accruals, deposits received and other payables	16,335	14,629
Lease liabilities	7,257	–
Amount due to a related company	477	210
	115,657	115,105

32. 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, lease liabilities 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.

Notes to the Consolidated Financial Statements

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32. 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, to certain extent, a concentration of credit risk, the balance due from the Group's largest customer amounted to 11.04% and 8.92% of the total trade receivables at 31 March 2020 and 2019 respectively. The balances due from the Group's five largest customers amounted to 29.12% and 30.86% of the total trade receivables at 31 March 2020 and 2019 respectively.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in Note 18. 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.

Notes to the Consolidated Financial Statements

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32. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 March 2020 and 2019:

	Expected loss rate (%)	2020 Gross carrying amount (HK\$'000)	Loss allowance (HK\$'000)
Current (not past due)	0.05%	37,368	19
Not more than 3 months past due	0.07%	38,610	26
3 to 6 months past due	0.34%	16,950	58
More than 6 months but less than a year past due	0.72%	7,358	53
More than a year past due	10.35%	2,300	238
		102,586	394

	Expected loss rate (%)	2019 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 historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

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32. 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	More than 1 year but less than 2 years HK\$'000	More than 2 years but less than 3 years HK\$'000	More than 3 years but less than 4 years HK\$'000	More than 4 years but less than 5 years HK\$'000	Over 5 years HK\$'000
At 31 March 2020								
Trade payables	91,588	91,588	91,588	-	-	-	-	-
Accruals, deposits received and other payables	16,335	16,335	16,335	-	-	-	-	-
Lease liabilities	7,257	8,148	1,747	1,803	1,868	1,868	862	-
Amount due to a related company	477	477	477	-	-	-	-	-
	115,657	116,548	110,147	1,803	1,868	1,868	862	-
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	-	-	-	-	-

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For the year ended 31 March 2020

32. 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 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	USD
At 31 March 2020		
Cash and cash equivalents	815	3,236
Overall net exposure	815	3,236
At 31 March 2019		
Cash and cash equivalents	967	1,732
Overall net exposure	967	1,732

Sensitivity analysis

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

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

(d) Fair value

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

33. 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 2020 and 2019 amounted to approximately HK\$103,512,000 and HK\$95,707,000 respectively.

34. AGGREGATE AMOUNT OF AUTHORISED LOANS

No outstanding loans have been made under the authority of sections 280 and 281 of the Hong Kong Companies Ordinance during the year ended 31 March 2020 (2019: Nil).

35. EVENTS AFTER REPORTING DATE

For the year ended 31 March 2020, the operating results of the Group have been affected by the outbreak of novel coronavirus (the "Outbreak") in January 2020. The Outbreak posed a serious public health threat and interrupted the movement of people and goods throughout the world, and many levels of government, including Mainland China, Hong Kong, Macau and Taiwan and other countries are instituting restrictions on individuals and businesses, which has affected the economic activity.

The Group has been cautious in managing the business risk, prepared to respond to the changes in such economic and business environment, reassess the key accounting estimates including provision of ECL, and aimed at strategically developing the Group's business to mitigate the said impacts.

Up to the date of this report, the Outbreak is still affecting business and economic activity worldwide. The Group will keep continuous attention on the change of situation and make timely response and adjustments in the future but the estimate of its financial effect cannot be made at this stage.

The Group does not have other significant subsequent events.

36. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorized for issue by the board of directors on 19 June 2020.