



EXPERT

# EXPERT SYSTEMS HOLDINGS LIMITED

思博系統控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8319

ANNUAL REPORT

# 2021



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

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

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

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

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

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



# Contents

Corporate Information	2
Highlights	4
Chairman's Statement	5
Management Discussion and Analysis	7
Biographical Details of the Directors and Senior Management	13
Corporate Governance Report	18
Directors' Report	28
Summary of Financial Information	37
Independent Auditor's Report	38
Consolidated Statement of Comprehensive Income	42
Consolidated Statement of Financial Position	43
Consolidated Statement of Changes in Equity	44
Consolidated Statement of Cash Flows	45
Notes to the Consolidated Financial Statements	46

# 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. Chu Siu Sum Alex  
Mr. Chung Fuk Wing Danny  
Mr. Mak Wai Sing

### Nomination Committee

Mr. Chung Fuk Wing Danny (*Chairman*)  
Mr. Au Yu Chiu Steven  
Mr. Chu Siu Sum Alex  
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](http://www.expertsystems.com.hk)



# Highlights

- Revenue for the year ended 31 March 2021 ("FY2021") increased to approximately HK\$533.9 million by approximately 14.3% from that for the year ended 31 March 2020 ("FY2020").
- Gross profit for FY2021 increased to approximately HK\$72.0 million by approximately 23.3% from FY2020.
- Profit and total comprehensive income for FY2021 grew by approximately 103.1% to approximately HK\$21.7 million as compared to FY2020.
- Excluding the government subsidies of HK\$4.5 million from the Employment Support Scheme under the Anti-Epidemic Fund recognized during the year, the adjusted profit attributable to owners of the Company for FY2021 amounted to HK\$17.2 million, representing an increase of approximately 61.0% as compared with that of FY2020.
- Earnings per share increased by approximately 103.1% from approximately HK1.34 cents for FY2020 to approximately HK2.72 cents for FY2021.



# 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 2021 ("FY2021").

For FY2021, the Group recorded a revenue of HK\$533.9 million with an 14.3% increase from HK\$467.3 million as compared with the year ended 31 March 2020 ("FY2020") whereas profit for the year increased by 103.1% to HK\$21.7 million despite the unprecedentedly challenging and unfavorable business environment due to the COVID-19 epidemic. The Group was able to deploy the strategy of increasing our market share as well as sustaining the gross profit margin in FY2021. In addition, the increase in the net profit was also attributable to the receipt of government subsidies from the Employment Support Scheme under the Anti-Epidemic Fund. Basic earnings per share was HK2.72 cents.

The Board has recommended a final dividend of HK0.90 cent (2020: HK0.45 cent) per ordinary share, amounting to approximately HK\$7,204,000 for FY2021 (2020: HK\$3,600,000). We continue to follow our existing dividend policy which allows us to maintain our flexibility on financial position with resilience for continual business development while offering a satisfactory return to our shareholders.

As reported previously, the economies in Hong Kong and Macau had experienced a slowdown due to the uncertain global economic situation caused by the Sino-US trade tension since the year ended 31 March 2019. Furthermore, Hong Kong had experienced a period of social unrest in FY2020. These series of events together with the outbreak of COVID-19 have been impacting the market sentiment globally and locally. The threats and opportunities have co-existed as the challenges of running business in Hong Kong and Macau.

At the time of writing, COVID-19 has yet been over though the vaccine is now available. The pandemic situation varies significantly from place to place and is constantly changing. Hong Kong is of no exception and had already experienced negative growth in GDP in 7 consecutive quarters till the last quarter. However, the growth in the last quarter was mainly because of the extremely low base in corresponding period. Though there is still no strong sign of recovery in near term, we remain cautiously optimistic that the ongoing situation will gradually be improved. As the demand for more digital transformation products and services increases under the new normal, we are confident that the Group will be able to capitalize on the continual business opportunities so created.

Under the backdrop of an incredibly challenging business environment as mentioned above, the management and colleagues had committed their best efforts in continuing the development of the business of the Group. In FY2021, the Group achieved excellent business performances and further strengthened the market position by acquiring several large projects from both private and public sectors. The tremendous effort paid by the management was highly recognized and its competence was evidenced by the outstanding results.

Nevertheless, the delivery of business goal would not be possible without the supports from our vendors and clients. The formation of strategic partnership across the parties was always essential for our Group to acquire the latest technologies from our vendors in order to timely provide the best IT solutions to the market.

Due to COVID-19, we witnessed what we call the new normal or next normal in which every single organization realized the importance of the fast adoption of digital transformation for its survival. The sooner the organization gets ready for automating their workflow; enabling their effective digital communication; deploying the cloud technology based applications and platforms, the better it has the abilities of edging over its competitors; providing the best products and services to the market; serving clients with the best customer satisfaction; sustaining the organization growth and development.





## Chairman's Statement

Therefore, with our unique market position and competent management team, we are confident that the Group will be able to benefit from the growing demand of digital transformation by focusing and committing to execute the business strategy as planned. We will continue the business development for the enhancement of shareholder value.

On the other hand, in view of the continual changes of local market competition landscape over the past few years, while we were positioning ourselves as a premium IT infrastructure solution provider, we continue to explore any appropriate merger and acquisition opportunities. According to the Company's announcement dated 7 May, 2021, currently the Group is contemplating a possible acquisition of a group of companies engaged in the provision of post-implementation IT infrastructure management services to end-users in the Greater China Area and the Asia-Pacific region. The possible acquisition will enable the Group to capture on a timely basis the business opportunities generated from the national development projects such as the initiative of Guangdong-Hong Kong-Macau Great Bay Area and One Belt One Road.

The last but not least, 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 time we ever had.

**Wong Chu Kee Daniel**

*Chairman and non-executive Director*

Hong Kong, 17 June 2021





# 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 2021 ("FY2021") as compared to the last corresponding year ("FY2020"), the Group recorded a revenue increase of approximately 14.3% and our gross profit increased by approximately 23.3%.

### Business in the Private Sector

The Group's revenue in the private sector increased by approximately 12.1% from approximately HK\$214.8 million, representing 46.0% of our total revenue, for FY2020 to approximately HK\$240.8 million, representing 45.1% of our total revenue, for FY2021.

The Group's gross profit in the private sector for FY2021 amounted to approximately HK\$38.7 million, representing 53.7% of our total gross profit and an increase of approximately HK\$7.7 million, or approximately 24.6%, as compared to that of FY2020 of approximately HK\$31.0 million, representing 53.1% of our total gross profit. Our gross profit margin in FY2021 was approximately 16.1%, representing an increase of 1.7 percentage points as compared to that of FY2020 of approximately 14.4%.

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 16.1% from approximately HK\$252.5 million, representing 54.0% of our total revenue, for FY2020 to approximately HK\$293.1 million, representing 54.9% of our total revenue, for FY2021.

The Group's gross profit in the public sector for FY2021 amounted to approximately HK\$33.3 million, representing 46.3% of our total gross profit and an increase of approximately HK\$5.9 million, or approximately 21.9%, as compared to that of FY2020 of approximately HK\$27.4 million, representing 46.9% of our total gross profit. Our gross profit margin for FY2021 was approximately 11.4%, representing an increase of 0.6 percentage point as compared to that of FY2020 of approximately 10.8%.

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

# 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 continual global outbreak of the coronavirus epidemic and the uncertain global economy due to the escalating US-China tensions. 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 four key business opportunities, namely:

- (i) Hybrid Cloud, Multi Cloud & "as-a-Service"
- (ii) Container Technology & DevOps
- (iii) Cyber Security
- (iv) Application Management Services

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 also 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 resilience company in the post-COVID-19 world so that we are well prepared for the different outcomes. Nevertheless, we will continue to focus on its core businesses and provide innovative and integrated IT infrastructure solutions to customers in both private and public sectors, so as to enable our enterprise and institution customers to extract maximum value from their IT engagements.

# Management Discussion and Analysis

## FINANCIAL REVIEW

### Revenue

The Group's revenue increased by approximately 14.3% from approximately HK\$467.3 million for FY2020 to approximately HK\$533.9 million for FY2021, which was primarily attributable to the increase in demand from our customers in both private and public sectors for IT infrastructure solutions in FY2021 as compared to FY2020.

### Gross profit and gross profit margin

For FY2021, our gross profit amounted to approximately HK\$72.0 million, representing an increase of approximately HK\$13.6 million, or approximately 23.3%, as compared to that of FY2020 of approximately HK\$58.4 million.

Our gross profit margin in FY2021 was approximately 13.5%, representing an increase of approximately 1.0 percentage point as compared to that of FY2020 of approximately 12.5%. The increase in the Group's gross profit margin was the result of our efforts in obtaining more favourable terms from our suppliers.

### Other income and gains

Our other income and gains increased by approximately HK\$4.8 million, or approximately 406.1%, from approximately HK\$1.2 million for FY2020 to approximately HK\$6.0 million for FY2021. The increase was mainly due to the net effect of (i) government grants of HK\$4.5 million from the Employment Support Scheme under the Anti-Epidemic Fund that the Group recognised during the period; (ii) rent concessions related to COVID-19 pandemic of HK\$0.2 million obtained from Landlord; (iii) increase in exchange gain by HK\$0.2 million and (iv) decrease in interest income by HK\$0.2 million.

### Selling expenses

For FY2021, our selling expenses amounted to approximately HK\$40.3 million, representing an increase of approximately HK\$5.3 million (or approximately 15.5%) as compared to FY2020 of approximately HK\$35.0 million. Such increase was mainly attributed by the increase in our staff cost.

### Administrative expenses

The Group's administrative expenses for FY2021 were approximately HK\$12.4 million, representing an increase of approximately HK\$1.2 million (or approximately 10.3%) from approximately HK\$11.2 million for FY2020. Such increase was mainly attributed by the increase in our staff cost.

### Expected credit loss on financial assets

The Group applies the simplified approach to financial assets, being trade receivables, to provide for expected credit losses prescribed by HKFRS 9. As a result, a reversal of impairment loss of approximately HK\$0.2 million was recognised for FY2021 (FY2020: Provision for impairment loss less than HK\$0.1 million).



# Management Discussion and Analysis

## Finance cost

Finance costs represented interest expenses arisen from lease liabilities of approximately HK\$0.3 million for FY2021 (FY2020: HK\$0.4 million).

## Income tax expense

The Group's income tax expense for FY2021 was approximately HK\$3.3 million, representing an increase of approximately 59.7% from approximately HK\$2.1 million for FY2020. The increase in the Group's income tax expense was mainly due to the higher assessable profits in FY2021.

## Profit attributable to owners of the Company

The profit attributable to owners of the Company increased by approximately 103.1% from approximately HK\$10.7 million for FY2020 to approximately HK\$21.7 million for FY2021, which was primarily attributable to the above mentioned effects. Excluding the government subsidies of HK\$4.5 million from the Employment Support Scheme under the Anti-Epidemic Fund recognised during the period, the adjusted profit attributable to owners of the Company for FY2021 amounted to approximately HK\$17.2 million, representing an increase of approximately 61.0% as compared with that of FY2020.

## Earnings per share

Basic and diluted earnings per share for profit attributable to owners of the Company for FY2021 amounted to approximately HK2.72 cents, representing an increase of approximately HK1.38 cents (or approximately 103.1%) as compared to approximately HK1.34 cents in FY2020.

## LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

We financed our operations primarily through cash generated from our operating activities. During FY2021, we did not have any bank borrowings. As at 31 March 2020 and 2021, we had cash and cash equivalents of approximately HK\$95.4 million and HK\$152.1 million, respectively, which were cash at banks and in hand. As at 31 March 2021, HK\$2.0 million was pledged for government project (FY2020: nil).

The banking facility granted to the Group as at 31 March 2021 amounted to HK\$10.0 million (31 March 2020: nil), of which HK\$2.0 million was utilised.

The Group's gearing ratio, which is calculated by total debt (defined as other debts incurred not in the ordinary course of business and bank loans) divided by total equity, were nil as at 31 March 2020 and 2021.





# Management Discussion and Analysis

## CAPITAL STRUCTURE

As at 31 March 2021, the capital structure of our Company comprised issued share capital and reserves.

## FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save for the disclosure on Notes to the Consolidated Financial Statements (Note 34), 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 FY2021.

## SIGNIFICANT INVESTMENTS

As at 31 March 2021, the Group did not hold any significant investments.

## CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 March 2021 (31 March 2020: 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 FY2021, the Group's exposure to foreign currency risk primarily arose from certain financial instruments including trade receivables, cash and cash equivalents and held-to-maturity investments which are denominated in MOP and/or US\$. During FY2021, 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 FY2021.

## CHARGE ON GROUP'S ASSETS

As 31 March 2020 and 2021, the Group had no charges on its assets.

## INFORMATION ON EMPLOYEES

As at 31 March 2021, the Group had 90 employees (31 March 2020: 91) 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 FY2021 amounted to approximately HK\$45.9 million (FY2020: HK\$40.1 million). The dedication and hard work of the Group's staff during FY2021 are generally 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 60, 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 our 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 52, 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 48, 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 47, 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 20 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 60, 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 a member of both our nomination committee and remuneration committee and 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 49, 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 the managing director, responsible for the overall management of ServiceOne.

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Au Yu Chiu Steven (區裕釗)**, aged 62, was appointed as an independent non-executive Director on 15 March 2016.

He is responsible for bringing an independent judgment to bear on issues of strategy, investment, policy, performance, accountability, resources, key appointments and standards of conduct. He is also the chairman of our 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 65, 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 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 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 31 years. He is currently working as a consultant at the law firm Hau, Lau, Li & Yeung.

**Mr. Mak Wai Sing (麥偉成)**, 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 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 30 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 50, 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.

**Ms. Wong Yuk Lam (黃鈺霖)**, aged 43, 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 62, 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 16 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 FY2021, 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 13 to 17 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 Mr. Lau Wai Kwok, Mr. Wong Chu Kee Daniel, Mr. Ko Man Fu and Mr. Mak Wai Sing will retire from office as Director. All the retiring Directors, being eligible, will offer themselves for re-election at the forthcoming annual general meeting of the Company to be held on 17 September 2021 (the "2021 AGM") pursuant to article 84(1) of our memorandum and articles of association.

At the 2021 AGM, separate ordinary resolutions will be put forward to the shareholders of the Company in relation to the proposed re-election of Mr. Lau Wai Kwok as an executive Director, Mr. Wong Chu Kee Daniel as a non-executive Director and Mr. Ko Man Fu and Mr. Mak Wai Sing as independent non-executive Directors, each for a term commencing from the date of the annual general meeting approving his/her appointment and ending at the conclusion of the annual general meeting of the Company to be held in 2024.

## 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 2021, all Directors received regular briefings and updates on the Group's business, operations, risk management, internal controls, corporate governance matters and relevant laws and regulations. They have also attended courses and seminars organised by external professional bodies and/or read materials on topics relevant to the duties and responsibilities of a director. All Directors have provided the Company with their respective training records pursuant to the CG Code.



# Corporate Governance Report

## BOARD COMMITTEE

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

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

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

### Audit Committee

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

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

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

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

The Group's financial statements for the year ended 31 March 2021 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 2021 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. Chu Siu Sum Alex, non-executive Director (appointed as a member on 2 July 2020); 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 (ceased to be a member on 2 July 2020). 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 2021 is set out below:

Remuneration band	Number of individuals
Nil to HK\$1,000,000	2

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. Lau Wai Kwok, chief executive officer and executive Director, Mr. Chu Siu Sum Alex, non-executive Director (appointed as a member on 2 July 2020) and Mr. Au Yu Chiu Steven, Mr. Ko Man Fu and Mr. Mak Wai Sing, each being an independent non-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 2021 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)	7/7	1/1	N/A	N/A	1/1	1/1
Ms. Lau Tsz Yan	7/7	1/1	N/A	N/A	N/A	N/A
Mr. So Cheuk Wah Benton	7/7	1/1	N/A	N/A	N/A	N/A
<i>Non-executive Directors:</i>						
Mr. Wong Chu Kee Daniel (Chairman)	7/7	1/1	N/A	1/1	N/A	1/1
Mr. Chu Siu Sum Alex	7/7	1/1	N/A	0/0	0/0	N/A
Mr. Chan Kin Mei Stanley	7/7	1/1	5/5	N/A	N/A	1/1
<i>Independent non-executive Directors:</i>						
Mr. Au Yu Chiu Steven	7/7	1/1	5/5	1/1	1/1	1/1
Mr. Chung Fuk Wing Danny	6/7	1/1	5/5	1/1	1/1	N/A
Mr. Ko Man Fu	7/7	1/1	5/5	1/1	1/1	N/A
Mr. Mak Wai Sing	7/7	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 FY2021.

## 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 2021 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\$1.0 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 92 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 2021, 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 2021, 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 2021.

## 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 2021 as well as outlook/prospects of the Group's business are provided in the sections "Chairman's Statement" on pages 5 to 6, and "Management Discussion and Analysis" on pages 7 to 12 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 2021 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 2021 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 HK0.90 cent per ordinary share (2020: HK0.45 cent) for the year ended 31 March 2021 subject to the approval of the shareholders at the forthcoming annual general meeting (the "AGM"). The final dividend will be paid on or about Monday, 11 October 2021 to shareholders whose names appear on the register of members of the Company at the close of business on Tuesday, 28 September 2021.

## CLOSURE OF THE REGISTER OF MEMBERS

The AGM is scheduled to be held on Friday, 17 September 2021. 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 Tuesday, 14 September 2021 to Friday, 17 September 2021, 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 Monday, 13 September 2021.

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 Friday, 24 September 2021 to Tuesday, 28 September 2021, 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 Thursday, 23 September 2021.



# 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 consolidated financial statements, 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 2021, the distributable reserves of the Company amounted to approximately HK\$49.8 million.

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

## MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 March 2021, so far as the Company is aware, the aggregate revenue attributable to our five largest customers and the largest customer accounted for approximately 30.5% and 14.9%, respectively, of the Group's total revenue for the financial year. Purchases from the Group's five largest suppliers accounted for approximately 68.7% of the Group's total purchases for the financial year and the purchase from the largest supplier included therein amounted to approximately 35.7%.

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, Mr. Lau Wai Kwok, Mr. Wong Chu Kee Daniel, Mr. Ko Man Fu and Mr. Mak Wai Sing 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 13 to 17 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 2021 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 2021, 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	53,300,000	6.7%
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 2021, 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 2021, 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 shareholder	Nature of interest	Total number of shares and share options held	Approximate percentage of the Company's issued share capital
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	53,800,000 (note 5)	6.7%

#### 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 2021 which were required to be recorded pursuant to section 336 of the SFO.

# Directors' Report

## 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.

In 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.

As at 31 March 2021, 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 3,180,000 share options were vested.

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 2021.

## 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 2021.

## 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 FY2021.

## RELATED PARTY TRANSACTIONS

Save as disclosed in Note 28 to the consolidated financial statements, no other related party transactions were conducted by the Group during the year ended 31 March 2021.

## CONTINUING CONNECTED TRANSACTIONS

The Company had not entered into any connected transactions during the year ended 31 March 2021 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 2021, which constitute fully exempt continuing connected transactions under Chapter 20 of the GEM Listing Rules are disclosed in Note 28 to the consolidated financial statements.

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

Save as the related party transactions disclosed in Note 28 to the consolidated financial statements, no Director or Controlling Shareholder had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party and subsisted as at 31 March 2021 or during the financial year.



# Directors' Report

## CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 18 to 27 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 2021.

## 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 2021 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 34 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, 17 June 2021



## Summary of Financial Information

	2021 HK\$'000	For the year ended 31 March			
		2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000
Revenue	533,944	467,293	432,529	337,223	306,453
Gross profit	72,008	58,383	53,950	43,249	42,621
Profit before income tax expense	25,051	12,781	12,702	7,933	8,342
Profit and total comprehensive income for the year	21,720	10,695	10,753	6,889	6,987
Earnings per share — Basic and diluted (HK cent)	2.72	1.34	1.34	0.86	0.88

	2021 HK\$'000	As at 31 March			
		2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000
Total assets	257,975	220,382	212,702	183,894	160,049
Total liabilities	135,980	116,870	116,995	98,940	81,984
Total equity	121,995	103,512	95,707	84,954	78,065

# Independent Auditor's Report



Tel : +852 2218 8288  
Fax: +852 2815 2239  
[www.bdo.com.hk](http://www.bdo.com.hk)

25<sup>th</sup> Floor Wing On Centre  
111 Connaught Road Central  
Hong Kong

電話 : +852 2218 8288  
傳真 : +852 2815 2239  
[www.bdo.com.hk](http://www.bdo.com.hk)

香港干諾道中111號  
永安中心25樓

## TO THE MEMBERS OF EXPERT SYSTEMS HOLDINGS LIMITED

*(incorporated in Cayman Islands with limited liability)*

### OPINION

We have audited the consolidated financial statements of Expert Systems Holdings Limited (the "Company") and its subsidiaries (hereafter referred as to the "Group") set out on pages 42 to 92, which comprise the consolidated statement of financial position as at 31 March 2021, 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 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### BASIS FOR OPINION

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

### KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements 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 2021 was approximately HK\$83,892,000.

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 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 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 2021 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 CONSOLIDATED 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, 17 June 2021



# Consolidated Statement of Comprehensive Income

For the year ended 31 March 2021

	Notes	2021 HK\$'000	2020 HK\$'000
Revenue	7	533,944	467,293
Cost of sales		(461,936)	(408,910)
Gross profit		72,008	58,383
Other income and gains	7	6,023	1,190
Selling expenses		(40,472)	(35,037)
Administrative expenses		(12,413)	(11,248)
Reversal of/(provision for) expected credit loss on financial assets		244	(98)
Finance cost		(339)	(409)
Profit before income tax expense	8	25,051	12,781
Income tax expense	9	(3,331)	(2,086)
Profit and total comprehensive income for the year		21,720	10,695
Earnings per share			
— Basic and diluted	12	HK 2.72 cents	HK 1.34 cents

# Consolidated Statement of Financial Position

As at 31 March 2021

	Notes	2021 HK\$'000	2020 HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	13	5,956	7,999
Finance lease receivables	16	244	172
Trade receivables	18	–	2,893
Other receivables	19	2,356	2,356
		<b>8,556</b>	<b>13,420</b>
<b>Current assets</b>			
Inventories	17	3,997	3,658
Trade receivables	18	83,742	99,299
Prepayments, deposits and other receivables	19	7,341	8,326
Finance lease receivables	16	213	280
Bank deposits	20	2,021	–
Cash and cash equivalents	20	152,105	95,399
		<b>249,419</b>	<b>206,962</b>
<b>Current liabilities</b>			
Trade payables	21	98,351	91,588
Accruals, deposits received and other payables	22	29,148	16,335
Amount due to a related company	23	91	477
Lease liabilities	14	1,538	1,408
Tax payables		1,914	577
		<b>131,042</b>	<b>110,385</b>
<b>Net current assets</b>		<b>118,377</b>	<b>96,577</b>
<b>Total assets less current liabilities</b>		<b>126,933</b>	<b>109,997</b>
<b>Non-current liabilities</b>			
Other payables	22	627	636
Lease liabilities	14	4,311	5,849
		<b>4,938</b>	<b>6,485</b>
<b>Net assets</b>		<b>121,995</b>	<b>103,512</b>
<b>EQUITY</b>			
Share capital	24	8,000	8,000
Reserves		113,995	95,512
<b>Total equity</b>		<b>121,995</b>	<b>103,512</b>

On behalf of the board of the directors

Wong Chu Kee, Daniel  
Director

Lau Wai Kwok  
Director

# Consolidated Statement of Changes in Equity

For the year ended 31 March 2021

	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 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	–	(3,360)	–	–	–	(3,360)
Recognition of equity-settled share-based payment	–	–	607	–	–	607
At 31 March 2020 and 1 April 2020	8,000	66,819	607	(25,395)	53,481	103,512
Profit and total comprehensive income for the year	–	–	–	–	21,720	21,720
Dividend approved and paid in respect of the previous year (note 11)	–	(3,600)	–	–	–	(3,600)
Recognition of equity-settled share-based payment	–	–	363	–	–	363
At 31 March 2021	8,000	63,219	970	(25,395)	75,201	121,995

# Consolidated Statement of Cash Flows

For the year ended 31 March 2021

	Notes	2021 HK\$'000	2020 HK\$'000
<b>Cash flows from operating activities</b>			
Profit before income tax expense		25,051	12,781
Adjustments for:			
Interest income	7	(509)	(747)
Interest expenses on lease liabilities		339	409
Depreciation of property, plant and equipment	13	2,255	2,319
Write back of other payables	7	(146)	(40)
Provision of impairment loss of inventories	8	22	26
(Reversal of)/provision for expected credit loss of financial assets	18	(244)	98
Equity settled share-based payment expenses	8	363	607
Rent concessions	7	(185)	–
<b>Operating cash flows before working capital changes</b>		<b>26,946</b>	<b>15,453</b>
Increase in inventories		(361)	(98)
Decrease/(increase) in trade receivables		18,694	(2,807)
Decrease/(increase) in prepayments, deposits and other receivables		985	(2,271)
(Increase)/decrease in finance lease receivables		(5)	167
(Decrease)/increase in amount due to a related company		(386)	267
Increase/(decrease) in trade payables		6,763	(8,678)
Increase in accruals, deposits received and other payables		12,950	1,823
<b>Cash generated from operations</b>		<b>65,586</b>	<b>3,856</b>
Income tax paid		(1,994)	(2,840)
<b>Net cash generated from operating activities</b>		<b>63,592</b>	<b>1,016</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(212)	(581)
Increase in bank deposits		(2,021)	–
Interest received		509	747
<b>Net cash (used in)/generated from investing activities</b>		<b>(1,724)</b>	<b>166</b>
<b>Cash flows from financing activities</b>			
Interest paid on lease liabilities	29	(339)	(409)
Dividend paid		(3,600)	(3,360)
Principal elements of lease payments	29	(1,223)	(1,088)
<b>Net cash used in financing activities</b>		<b>(5,162)</b>	<b>(4,857)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>56,706</b>	<b>(3,675)</b>
<b>Cash and cash equivalents at beginning of the year</b>		<b>95,399</b>	<b>99,074</b>
<b>Cash and cash equivalents at end of the year</b>	20	<b>152,105</b>	<b>95,399</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

## 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 (“Listing Date”). 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”) are 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 consolidated 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.



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

## 3. ADOPTION OF HKFRSs

### (a) Adoption of new/revised HKFRSs — effective 1 April 2020

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 16	COVID-19-Related Rent Concessions
Amendments to HKAS 39, HKFRS 7 and HKFRS 9	Interest Rate Benchmark Reform

The impact of the adoption of Amendments to HKFRS 16 “COVID-19-Related Rent Concessions” has been summarised below. The other new or amended HKFRSs that are effective from 1 April 2020 did not have any significant impact on the Group’s results and financial position for current or prior period.

#### *Amendment to HKFRS 16 — COVID-19-Related Rent Concessions*

The Group has early adopted Amendment to HKFRS 16 — COVID-19-Related Rent Concessions retrospectively from 1 April 2020. The amendment provides an optional practical expedient allowing lessees to elect not to assess whether a rent concession related to COVID-19 is a lease modification. Lessees adopting this election may account for qualifying rent concessions in the same way as they would if they were not lease modifications. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

- (a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- (b) any reduction in lease payments affects only payments due on or before 30 June 2021; and
- (c) there is no substantive change to other terms and conditions of the lease.

The Group has applied the practical expedient to all qualifying COVID-19-related rent concessions.

Rent concessions totalling HK\$185,000 have been accounted for as negative variable lease payments and recognised as rent concessions in “other income” in the consolidated statement of profit or loss for the year ended 31 March 2021, with a corresponding adjustment to the lease liabilities.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

## 3. ADOPTION OF HKFRSs (Continued)

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

The following new/revised HKFRSs, potentially relevant to the Group's consolidated 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 HKAS 1  
HK Interpretation 5 (2020)

Amendment to HKAS 1  
Amendment to HKAS 8  
Amendments to HKAS 16  
Amendments to HKAS 37  
Amendments to HKFRS 3  
Amendments to HKFRS 10  
and HKAS 28  
Amendments to HKFRS 16  
Amendments to HKAS 39,  
HKFRS 4, HKFRS 7, HKFRS 9  
and HKFRS 16  
Annual Improvements to  
HKFRSs 2018–2020<sup>3</sup>

Classification of Liabilities as Current or Non-current<sup>5</sup>  
Presentation of Financial Statements — Classification  
by the Borrower of a Term Loan that Contains a  
Repayment on Demand Clause<sup>5</sup>  
Disclosure of Accounting Policies<sup>5</sup>  
Definition of Accounting Estimates<sup>5</sup>  
Proceeds before Intended Use<sup>3</sup>  
Onerous Contracts — Cost of Fulfilling a Contract<sup>3</sup>  
Reference to the Conceptual Framework<sup>4</sup>  
Sale or Contribution of Assets between an Investor  
and its Associate or Joint Venture<sup>6</sup>  
COVID-19-Related Rent Concessions beyond 30 June 2021<sup>2</sup>  
Interest Rate Benchmark Reform — Phase 2<sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2021.

<sup>2</sup> Effective for annual periods beginning on or after 1 April 2021.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2022.

<sup>4</sup> Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2023.

<sup>6</sup> The Amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

## 3. ADOPTION OF HKFRSs (Continued)

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

#### *Amendments to HKAS 1, Classification of Liabilities as Current or Non-current and HK Interpretation 5 (2020), Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause*

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and explain that rights are in existence if covenants are complied with at the end of the reporting period. The amendments also introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

HK Int 5 (2020) was revised as a consequence of the Amendments to HKAS 1 issued in August 2020. The revision to HK Int 5 (2020) updates the wordings in the interpretation to align with the Amendments to HKAS 1 with no change in conclusion and do not change the existing requirements.

The directors of the Company do not anticipate that the application of the amendments and revision in the future will have an impact on the consolidated financial statements.

#### *Amendments to HKAS 1, Disclosure of Accounting Policies*

The amendments to Disclosure of Accounting Policies were issued following feedback that more guidance was needed to help companies to decide what accounting policy information should be disclosed. The amendments to HKAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendments to HKFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures.

The directors of the Company are currently assessing the impact that the application of the amendments will have on the Group's consolidated financial statements.

#### *Amendments to HKAS 8, Definition of Accounting Estimates*

The amendments to HKAS 8 clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. That distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events.

The directors of the Company are currently assessing the impact that the application of the amendments will have on the Group's consolidated financial statements.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

## 3. ADOPTION OF HKFRSs (Continued)

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

#### *Amendments to HKAS 16, Proceeds before Intended Use*

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the proceeds from selling such items, and the cost of producing those items, is recognised in profit or loss.

The directors of the Company are currently assessing the impact that the application of the amendments will have on the Group's consolidated financial statements.

#### *Amendments to HKAS 37, Onerous Contracts — Cost of Fulfilling a Contract*

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (e.g. direct labour and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g. the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The directors of the Company are currently assessing the impact that the application of the amendments will have on the Group's consolidated financial statements.

#### *Amendments to HKFRS 3, Reference to the Conceptual Framework*

The amendments update HKFRS 3 so that it refers to the revised Conceptual Framework for Financial Reporting 2018 instead of the version issued in 2010. The amendments add to HKFRS 3 a requirement that, for obligations within the scope of HKAS 37, an acquirer applies HKAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of HK(IFRIC)-Int 21 Levies, the acquirer applies HK(IFRIC)-Int 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. The amendments also add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the consolidated financial statements.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

## 3. ADOPTION OF HKFRSs (Continued)

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

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

The amendments clarify with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. When the transaction with an associate or joint venture that is accounted for using the equity method, any gains or losses resulting from the loss of control of a subsidiary that does not contain a business are recognised in the profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, any gains or losses resulting from the remeasurement of retained interest in any former subsidiary (that has become an associate or a joint venture) to fair value are recognised in the profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the consolidated financial statements.

#### *Amendments to HKFRS 16 Leases — COVID-19-Related Concessions beyond 30 June 2021*

The 2021 Amendment to HKFRS 16 extends the availability of the practical expedient in paragraph 46A of HKFRS 16 so that it applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided that the other conditions for applying the practical expedient are met.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the consolidated financial statements.

#### *Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16, Interest Rate Benchmark Reform — Phase 2*

The amendments address issues that might affect financial reporting when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the interest rate benchmark reform (the "Reform"). The amendments complement those issued in November 2019 and relate to (a) changes to contractual cash flows in which an entity will not have to derecognise or adjust the carrying amount of financial instruments for changes required by the Reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate; (b) hedge accounting in which an entity will not have to discontinue its hedge accounting solely because it makes changes required by the Reform, if the hedge meets other hedge accounting criteria; and (c) disclosures in which an entity will be required to disclose information about new risks arising from the Reform and how it manages the transition to alternative benchmark rates.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the consolidated financial statements.



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

## 3. ADOPTION OF HKFRSs (Continued)

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

#### *Annual Improvements to HKFRSs 2018–2020*

The annual improvements amends a number of standards, including:

- HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards, which permits a subsidiary that applies paragraph D16(a) of HKFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to HKFRSs.
- HKFRS 9, Financial Instruments, which clarifies the fees included in the '10 per cent' test in paragraph B3.3.6 of HKFRS 9 in assessing whether to derecognise a financial liability, explaining that only fees paid or received between the entity and the lender, including fees paid or received by either the entity or the lender on other's behalf are included.
- HKFRS 16, Leases, which amends Illustrative Example 13 to remove the illustration of reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.
- HKAS 41, Agriculture, which removes the requirement to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the consolidated financial statements.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

## 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 2021

## 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 2021

## 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 2021

## 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 2021

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (f) Cash and cash equivalents

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

### (g) Leasing

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 2021

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (h) Provision and contingent liabilities

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

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

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

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

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

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

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

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.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (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.

#### (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.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (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 2021

## 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) *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 2021

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (n) Revenue recognition (Continued)

#### (ii) 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) Government subsidy

Government subsidy is not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the subsidy will be received.

### (p) 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 2021

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (p) 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.

### (q) 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.

### Impairment loss for trade receivables

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

## 5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

### Impairment loss for trade receivables (Continued)

In making the estimate, management considers detailed procedures are in place to monitor this risk as a significant proportion of the Group's working capital is devoted to trade receivables. In determining whether an allowance for 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 consolidated 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 2021, 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.

## 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.

	2021 HK\$'000	2020 HK\$'000
Hong Kong	531,986	460,889
Macau	1,958	6,404
	533,944	467,293

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

### Information about major customers

There was a single customer who contributed to 14.9% revenue of the Group for the year ended 31 March 2021. There was no single customer who contributed to 10.0% or more revenue of the Group for the year ended 31 March 2020.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

## 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:

	2021 HK\$'000	2020 HK\$'000
Revenue:		
Provision of IT infrastructure solutions	533,857	467,105
Finance leases income	87	188
Total	533,944	467,293
Other income and gains:		
Interest income	509	747
Write back of other payables	146	40
Exchange gains, net	334	109
Government subsidy (note (a))	4,503	–
Rent concessions (note (b))	185	–
Sundry income	346	294
Total	6,023	1,190

Notes:

- (a) The government subsidy represented a one-off subsidy under Employment Support Scheme launched by the Government of the Hong Kong Special Administrative Region.
- (b) The rent concessions related to COVID-19 pandemic of HK\$185,000 has been credited in the consolidated profit or loss during the year.

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

	2021 HK\$'000	2020 HK\$'000
Trade receivables (note 18)	83,742	102,192
Contract liabilities (note 22)	(18,718)	(8,078)

The contract liabilities mainly relate to the advance consideration received from customers. Contract liabilities as of 1 April 2020 of HK\$8,078,000 (1 April 2019: HK\$5,572,000) have been recognised as revenue during the year 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 2021

## 8. PROFIT BEFORE INCOME TAX EXPENSE

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

	2021 HK\$'000	2020 HK\$'000
Costs of inventories recognised as expenses	395,716	342,515
Auditor's remuneration	645	628
Depreciation of property, plant and equipment	2,255	2,319
Provision of impairment loss of inventories	22	26
Staff costs (including directors' remuneration (note 10(a)))		
— Wages, salaries and other benefits	45,126	38,295
— Contribution to defined contribution pension plans	1,315	1,225
— Equity settled share-based payment expenses	363	607
	46,804	40,127

## 9. INCOME TAX EXPENSE

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

	2021 HK\$'000	2020 HK\$'000
Current tax — Hong Kong profits tax		
Tax for the year	3,353	2,039
(Over)/under-provision in respect of prior year	(22)	47
Income tax expense	3,331	2,086

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 years ended 31 March 2021 and 2020 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 2021 (2020: 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 2021 (2020: nil).



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

## 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:

	2021 HK\$'000	2020 HK\$'000
Profit before income tax expense	25,051	12,781
Tax calculated at the statutory rate of 16.5%	4,134	2,109
Effect of different tax rates in other jurisdiction	24	8
Tax effect of expenses not deductible for tax purpose	85	144
Tax effect of revenue not taxable for tax purpose	(961)	(51)
Tax effect of deductible temporary differences not recognised	266	24
Tax effect of two-tiered profits tax rates regime	(165)	(165)
(Over)/under-provision in respect of prior years	(22)	47
Others	(30)	(30)
Income tax expense	3,331	2,086

No deferred tax asset has been recognised in relation to deductible temporary differences of HK\$82,000 (2020: HK\$145,000) relating to the depreciation charges as it is not material.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

## 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
<b>Year ended 31 March 2021</b>						
<b>Executive directors:</b>						
Mr. Lau Wai Kwok ("Mr. Lau")	–	2,395	46	18	119	2,578
Ms. Lau Tsz Yan	–	1,403	46	18	41	1,508
Mr. So Cheuk Wah, Benton	–	984	46	18	32	1,080
<b>Non-executive directors:</b>						
Mr. Wong Chu Kee, Daniel ("Mr. Wong")	150	–	11	–	–	161
Mr. Chu Siu Sum, Alex ("Mr. Chu")	–	–	11	–	–	11
Mr. Chan Kin Mei, Stanley	150	–	11	–	–	161
<b>Independent non-Executive directors:</b>						
Mr. Au Yu Chiu Steven	150	–	2	–	–	152
Mr. Chung Fuk Wing Danny	150	–	2	–	–	152
Mr. Ko Man Fu	150	–	2	–	–	152
Mr. Mak Wai Sing	150	–	2	–	–	152
	900	4,782	179	54	192	6,107

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

## 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
<b>Year ended 31 March 2020</b>						
<b>Executive directors:</b>						
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
<b>Non-executive directors:</b>						
Mr. Wong	150	–	19	–	–	169
Mr. Chu	–	–	19	–	–	19
Mr. Chan Kin Mei, Stanley	150	–	19	–	–	169
<b>Independent non-Executive directors:</b>						
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:

- (i) The amount represents the estimated value of share options granted to the directors under the Company's share option scheme. The value of these share options is measured according to the accounting policies for share-based payments as set out in note 4(j)(iv) to the consolidated financial statements. Further details of the options granted are set out in note 27 to the consolidated 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 2021

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

### (b) Five highest-paid individuals

The five highest paid individuals of the Group included two directors (2020: three) whose emoluments are reflected in the analysis presented above.

The analysis of the emoluments to the remaining three (2020: two) individuals is set out below:

	2021 HK\$'000	2020 HK\$'000
Salaries and allowances	4,551	1,946
Discretionary bonuses	102	91
Contribution to defined contribution pension plans	54	36
Share-based payment	46	76
	4,753	2,149

Their remuneration fell within the following bands:

	2021	2020
HK\$1,000,001 to HK\$1,500,000	2	2
HK\$2,000,001 to HK\$2,500,000	1	–

During the year, no director or any of the highest-paid individuals waived or agreed to waive any emoluments (2020: 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 2021 of HK0.90 cent (2020: HK0.45 cent) per ordinary share (tax exclusive) amounting to approximately HK\$7,204,000 (2020: HK\$3,600,000) was proposed pursuant to a resolution passed by the Board of Directors on 17 June 2021 and subject to the approval by the shareholders at the annual general meeting of the Company to be held on 17 September 2021 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 2021, the calculation of basic earnings per share is based on the profit for the year attributable to the owners of the Company of HK\$21,720,000 (2020: HK\$10,695,000) and on the basis of the weighted average number of 800,000,000 (2020: 800,000,000) ordinary shares in issue.

The 15,900,000 options granted on 15 April 2019 are not included in the calculation of diluted earnings per share because they are anti-dilutive for the years ended 31 March 2021 and 2020. These options could potentially dilute basic earnings per share in the future.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

## 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
<b>At 1 April 2019</b>					
Cost	1,419	9,951	344	2,965	14,679
Accumulated depreciation	(681)	(1,743)	(139)	(2,379)	(4,942)
Net book amount	738	8,208	205	586	9,737
<b>Year ended 31 March 2020</b>					
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
<b>At 31 March 2020 and 1 April 2020</b>					
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
<b>Year ended 31 March 2021</b>					
Opening net book amount	453	6,711	141	694	7,999
Additions	–	–	–	212	212
Depreciation	(285)	(1,497)	(83)	(390)	(2,255)
Closing net book amount	168	5,214	58	516	5,956
<b>At 31 March 2021</b>					
Cost	1,419	9,951	364	3,738	15,472
Accumulated depreciation	(1,251)	(4,737)	(306)	(3,222)	(9,516)
Net book amount	168	5,214	58	516	5,956



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

## 14. LEASES

The net book value of the Group's right-of-use assets included in property, plant and equipment as at 31 March 2021 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

	2021 HK\$'000	2020 HK\$'000
Right-of-use assets		
Properties leased for own use, carried at depreciated cost	5,214	6,711
Lease liabilities		
Current	1,538	1,408
Non-current	4,311	5,849

There was no addition to the right-of-use assets during the year ended 31 March 2021.

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

	2021 HK\$'000	2020 HK\$'000
Depreciation of right-of-use assets: properties leased for own use	1,497	1,497
Interest on lease liabilities	339	409

The total cash outflow for leases for the year ended 31 March 2021 was HK\$1,562,000 (2020: HK\$1,497,000) (note 29).

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

The Group lease an office, warehouse and carpark. Rental contracts are typical 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 lessor. Leased assets are not used as security for borrowing purposes.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

## 14. LEASES (Continued)

Future lease payments are due as follows:

	Minimum lease payments HK\$'000	Interest HK\$'000	Present value HK\$'000
<b>As at 31 March 2020</b>			
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
<b>As at 31 March 2021</b>			
Not later than one year	1,803	265	1,538
Later than one year and not later than two years	1,868	182	1,686
Later than two years and not later than five years	2,730	105	2,625
	6,401	552	5,849

## 15. INVESTMENTS IN SUBSIDIARIES

The particulars of the Company's subsidiaries as at 31 March 2021 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 2021

## 16. FINANCE LEASE RECEIVABLES

	2021 HK\$'000	2020 HK\$'000
Current finance lease receivables	213	280
Non-current finance lease receivables	244	172
	457	452

### 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	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Not later than one year	291	288	213	280
Later than one year and not later than five years	333	358	244	172
	624	646	457	452
Less: unearned finance income	(167)	(194)	–	–
Present value of minimum lease payments receivables	457	452	457	452

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

	2021 HK\$'000	2020 HK\$'000
Merchandise	3,997	3,658

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

## 18. TRADE RECEIVABLES

	2021 HK\$'000	2020 HK\$'000
Trade receivables, gross	83,892	102,586
Less: Provision for impairment	(150)	(394)
	83,742	102,192
Less: non-current portion	–	(2,893)
	83,742	99,299

The credit period is generally 7 to 60 days.

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

	2021 HK\$'000	2020 HK\$'000
Within 1 month	24,549	28,667
More than 1 month but not more than 3 months	15,632	29,808
More than 3 months but not more than 6 months	33,888	22,055
More than 6 months but not more than a year	6,584	12,631
More than a year	3,089	9,031
	83,742	102,192

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:

	2021 HK\$'000	2020 HK\$'000
Opening loss allowance as at 1 April	394	296
(Reversal of)/provision for expected credit loss for the year	(244)	98
At the end of the year	150	394

At 31 March 2021, the management had determined that the provision of expected credit loss of trade receivables was approximately HK\$150,000 (2020: HK\$394,000), and there was a reversal of expected credit loss approximately HK\$244,000 provided during the year (2020: recognition of expected credit loss of HK\$98,000).

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 2021

## 19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2021 HK\$'000	2020 HK\$'000
Other deposits	4,037	4,499
Other receivables	97	89
Prepayments	5,563	6,094
	9,697	10,682
Less: non-current portion of other receivables	(2,356)	(2,356)
	7,341	8,326

## 20. CASH AND CASH EQUIVALENTS AND BANK DEPOSITS

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.

The Group's bank deposits of HK\$2,021,000 (2020: nil) has been placed with a bank as tender deposit for a government project, which will be released upon the project completed.

## 21. TRADE PAYABLES

	2021 HK\$'000	2020 HK\$'000
Trade payables	98,351	91,588

The credit period ranges from approximately 30 to 90 days.

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

	2021 HK\$'000	2020 HK\$'000
Within 1 month	48,461	44,486
More than 1 month but not more than 3 months	43,789	36,262
More than 3 months but not more than 6 months	3,578	3,350
More than 6 months but not more than a year	1,325	3,604
More than a year	1,198	3,886
	98,351	91,588



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

## 22. ACCRUALS, DEPOSITS RECEIVED AND OTHER PAYABLES

	2021 HK\$'000	2020 HK\$'000
Other payables and accrued expenses	3,577	2,996
Staff commission	6,631	5,065
Other deposits received	849	832
Contract liabilities (note)	18,718	8,078
	29,775	16,971
Less: Non-current portion of other payables	(627)	(636)
	29,148	16,335

Note:

Contract liabilities

	2021 HK\$'000	2020 HK\$'000
Contract liabilities arising from:		
— Provision of IT infrastructure solutions	18,718	8,078

## 23. AMOUNT DUE TO A RELATED COMPANY

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

	2021 HK\$'000	2020 HK\$'000
ServiceOne Limited	91	477

Notes:

- (i) ServiceOne Limited and the Company are under common control of the same shareholders group.
- (ii) The amount due to the related company is unsecured, interest-free and repayable on demand.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

## 24. SHARE CAPITAL

	Number	Amount HK\$'000
<b>Authorised:</b>		
Ordinary shares of HK\$0.01 each		
At 31 March 2020, 1 April 2020 and 31 March 2021	10,000,000,000	100,000
<b>Issued and fully paid:</b>		
Ordinary shares of HK\$0.01 each		
At 31 March 2020, 1 April 2020 and 31 March 2021	800,000,000	8,000

## 25. RESERVES

Details of the movements on the Group's reserves for the years ended 31 March 2021 and 2020 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 options reserve HK\$'000 (note (b))	Accumulated losses HK\$'000	Total HK\$'000
At 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 and 1 April 2020	66,819	607	(12,906)	54,520
Dividend declared and paid	(3,600)	–	–	(3,600)
Recognition of equity-settled share-based payment	–	363	–	363
Loss for the year	–	–	(482)	(482)
At 31 March 2021	63,219	970	(13,388)	50,801



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

## 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 2021

## 26. HOLDING COMPANY STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2021

	Notes	2021 HK\$'000	2020 HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current asset</b>			
Investment in a subsidiary		—*	—*
<b>Current assets</b>			
Prepayments		769	112
Amounts due from subsidiaries		57,153	62,054
Cash and cash equivalents		1,195	731
		59,117	62,897
<b>Current liability</b>			
Accruals		316	377
		316	377
<b>Net current assets</b>		58,801	62,520
<b>Total assets less current liability</b>		58,801	62,520
<b>Net assets</b>		58,801	62,520
<b>EQUITY</b>			
Share capital	24	8,000	8,000
Reserves	25	50,801	54,520
<b>Total equity</b>		58,801	62,520

\* 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 2021

## 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 year ended 31 March 2020 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 2021

## 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 years ended 31 March 2021 and 2020 are set out as follows:

For the year ended 31 March 2021

Name of Grantee	Date of Grant	Exercise price per share	Outstanding as at 1 April 2020	Number of share options			Outstanding as at 31 March 2021
				Granted during the year	Exercised during the year	Lapsed/ cancelled during the year	
Executive Directors							
Mr. Lau	15 April 2019	0.111	2,000,000	–	–	–	2,000,000
Ms. Lau Tsz Yan	15 April 2019	0.111	2,000,000	–	–	–	2,000,000
Mr. So Cheuk Wah Benton	15 April 2019	0.111	2,000,000	–	–	–	2,000,000
Non-executive Directors							
Mr. Wong	15 April 2019	0.111	500,000	–	–	–	500,000
Mr. Chu	15 April 2019	0.111	500,000	–	–	–	500,000
Mr. Chan Kin Mei Stanley	15 April 2019	0.111	500,000	–	–	–	500,000
Independent non-executive Directors							
Mr. Au Yu Chiu Steven	15 April 2019	0.111	100,000	–	–	–	100,000
Mr. Chung Fuk Wing Danny	15 April 2019	0.111	100,000	–	–	–	100,000
Mr. Ko Man Fu	15 April 2019	0.111	100,000	–	–	–	100,000
Mr. Mak Wai Sing	15 April 2019	0.111	100,000	–	–	–	100,000
Other employees							
In aggregate	15 April 2019	0.111	8,000,000	–	–	–	8,000,000
			15,900,000	–	–	–	15,900,000

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

## 27. SHARE OPTION SCHEME (Continued)

For the year ended 31 March 2020

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

## 27. SHARE OPTION SCHEME (Continued)

The exercise price of options outstanding at the end of the year 31 March 2021 was HK\$0.111 (2020: HK\$0.111) and their weighted average remaining contractual life was 8.04 years (2020: 9.04 years).

At the end of the reporting period, the Company had 15,900,000 (2020: 15,900,000) share options outstanding under the Scheme, of which 3,180,000 were vested (2020: nil) and 12,720,000 were unvested (2020: 15,900,000). The 15,900,000 (2020: 15,900,000) share options outstanding under the Scheme represented approximately 2.0% (2020: 2.0%) of the shares in issue.

During year ended 31 March 2020, the weighted average fair value of option granted during the year was approximately HK\$1,400,000, of which the Group recognised a share options expense of approximately HK\$363,000 and HK\$607,000 during the years ended 31 March 2021 and 2020 respectively.

## 28. RELATED PARTY TRANSACTIONS

### (a) Related party transactions

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

Nature of transactions		2021 HK\$'000	2020 HK\$'000
ServiceOne Limited	Cost of sales	2,831	2,839
	— Outsourcing IT support services		
ServiceOne Limited	Sales	218	212
ServiceOne Limited	Maintenance services	48	48
ServiceOne Technology	Cost of Sales	156	156
Services Macau Limited	— Outsourcing IT support services		

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

## 28. RELATED PARTY TRANSACTIONS (Continued)

### (b) Compensation of key management personnel

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

	2021 HK\$'000	2020 HK\$'000
Salaries, allowances and benefits in kind	7,816	7,540
Discretionary bonuses	289	445
Retirement scheme contributions	108	108
Share-based payment	227	380
	8,440	8,473

Their remuneration fell within the following bands:

	2021	2020
Nil to HK\$1,000,000	10	10
HK\$1,000,001 to HK\$1,500,000	1	2
HK\$1,500,001 to HK\$2,000,000	2	–
HK\$2,000,001 to HK\$2,500,000	1	–
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\$137,000 (2020: HK\$166,000).

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

## 29. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of liabilities arising from financing activities:

	Lease liabilities (note 14) HK\$'000
At 1 April 2019	8,345
Changes from cash flows:	
Interest paid on lease liabilities	(409)
Principal elements of lease payments	(1,088)
Total changes from financing cash flows:	(1,497)
Exchange adjustments:	
Changes in fair value:	
Other changes:	
Interest expenses on lease liabilities	409
Total other changes	409
At 31 March 2020 and 1 April 2020	7,257
Changes from cash flows:	
Interest paid on lease liabilities	(339)
Principal elements of lease payments	(1,223)
Total changes from financing cash flows:	(1,562)
Exchange adjustments:	
Changes in fair value:	
Other changes:	
Interest expenses on lease liabilities	339
Rent concessions	(185)
Total other changes	154
At 31 March 2021	5,849



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

## 30. 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.

	2021 HK\$'000	2020 HK\$'000
<b>Financial assets</b>		
Measured at amortised cost:		
Trade receivables	83,742	102,192
Other receivables and deposits	4,134	4,588
Finance lease receivables	457	452
Bank deposits	2,021	–
Cash and cash equivalents	152,105	95,399
	<b>242,459</b>	<b>202,631</b>
<b>Financial liabilities</b>		
Measured at amortised cost:		
Trade payables	98,351	91,588
Accruals, deposits received and other payables	10,430	8,257
Lease liabilities	5,849	7,257
Amount due to a related company	91	477
	<b>114,721</b>	<b>107,579</b>

## 31. FINANCIAL RISK MANAGEMENT

The Group's financial assets that derive directly from its operations are trade and other receivables, deposits, finance lease receivables, bank deposits 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

For the year ended 31 March 2021

## 31. 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 a certain extent, a concentration of credit risk, the balance due from the Group's largest customer amounted to 22.39% and 11.04% of the total trade receivables at 31 March 2021 and 2020 respectively. The balances due from the Group's five largest customers amounted to 43.23% and 29.12% of the total trade receivables at 31 March 2021 and 2020 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 banks 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

For the year ended 31 March 2021

## 31. 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 2021 and 2020:

	Expected loss rate (%)	2021 Gross carrying amount (HK\$'000)	Loss allowance (HK\$'000)
Current (not past due)	0.05%	26,414	14
Not more than 3 months past due	0.07%	20,806	15
3 to 6 months past due	0.28%	31,530	88
More than 6 months but less than a year past due	0.60%	5,120	31
More than a year past due	10.38%	22	2
		<b>83,892</b>	<b>150</b>

  

	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
		<b>102,586</b>	<b>394</b>

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

## 31. 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, amount due to a related company and lease liabilities as well as 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 year but less than 3 years HK\$'000	More than 3 year but less than 4 years HK\$'000	More than 4 year but less than 5 years HK\$'000	Over 5 years HK\$'000
<b>At 31 March 2021</b>								
Trade payables	98,351	98,351	98,351	–	–	–	–	–
Accruals, deposits received and other payables	10,430	10,430	10,430	–	–	–	–	–
Lease liabilities	5,849	6,401	1,803	1,868	1,868	862	–	–
Amount due to a related company	91	91	91	–	–	–	–	–
	<b>114,721</b>	<b>115,273</b>	<b>110,675</b>	<b>1,868</b>	<b>1,868</b>	<b>862</b>	<b>–</b>	<b>–</b>
<b>At 31 March 2020</b>								
Trade payables	91,588	91,588	91,588	–	–	–	–	–
Accruals, deposits received and other payables	8,257	8,257	8,257	–	–	–	–	–
Lease liabilities	7,257	8,148	1,747	1,803	1,868	1,868	862	–
Amount due to a related company	477	477	477	–	–	–	–	–
	<b>107,579</b>	<b>108,470</b>	<b>102,069</b>	<b>1,803</b>	<b>1,868</b>	<b>1,868</b>	<b>862</b>	<b>–</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

## 31. FINANCIAL RISK MANAGEMENT (Continued)

### (c) Currency risk

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

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

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

	HK\$'000 MOP	USD
<b>At 31 March 2021</b>		
Cash and cash equivalents	787	2,120
Overall net exposure	787	2,120
<b>At 31 March 2020</b>		
Cash and cash equivalents	815	3,236
Overall net exposure	815	3,236

#### *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 amortised 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 2021

## 32. 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 2021 and 2020 amounted to approximately HK\$121,995,000 and HK\$103,512,000 respectively.

## 33. AGGREGATE AMOUNT OF AUTHORISED LOANS

No outstanding loans have been made under the authority of sections 280 and 281 of the Companies Ordinance during the year ended 31 March 2021 (2020: nil).

## 34. EVENTS AFTER REPORTING DATE

The Company is currently contemplating a possible acquisition of a group of companies engaged in the provision of post-implementation IT infrastructure management services to end-users in the Greater China Area and the Asia Pacific region from the Company's controlling shareholders. As at the date of this report, negotiations are still ongoing and no definitive agreement has been entered into by the Group regarding the possible acquisition.

## 35. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorized for issue by the board of directors on 17 June 2021.