



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  
**2022**

## 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 Listed 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	12
Corporate Governance Report	17
Directors' Report	27
Summary of Financial Information	40
Independent Auditor's Report	41
Consolidated Statement of Comprehensive Income	45
Consolidated Statement of Financial Position	46
Consolidated Statement of Changes in Equity	48
Consolidated Statement of Cash Flows	49
Notes to the Consolidated Financial Statements	50



# 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

Mr. Chan Kin Mei Stanley  
Ms. Lau Tsz Yan  
Mr. So Cheuk Wah Benton

### Non-executive Director

Mr. Chu Siu Sum Alex

### 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. 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

## AUDITOR

BDO Limited  
Certified Public Accountants  
Public Interest Entity Auditor accordance with the Financial  
Reporting Council Ordinance  
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





# Corporate Information

## 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 2022 (the "Reporting Year") increased by approximately 27.8% from that for the year ended 31 March 2021 (the "Corresponding Year") to approximately HK\$682.2 million.
- Gross profit for the Reporting Year increased by approximately 45.7% from the Corresponding Year to approximately HK\$104.9 million.
- Profit for the year attributable to owners of the Company for the Reporting Year dropped by approximately 29.9% to approximately HK\$15.2 million as compared to the Corresponding Year. Excluding the legal and professional fees of HK\$3.1 million for the very substantial acquisition (the Acquisition as defined in Note 42 under Notes to the Consolidated Financial Statements) recognised for the Reporting Year and the government subsidy of HK\$4.5 million from the Employment Support Scheme under the Anti-Epidemic Fund recognised for the Corresponding Year, the adjusted profit attributable to owners of the Company for the Reporting Year amounted to HK\$18.3 million (the Corresponding Year: HK\$17.2 million), representing an increase of approximately 6.5% as compared with that of the Corresponding Year.
- Basic earnings per share decreased by approximately 30.1% from approximately HK2.72 cents for the Corresponding Year to approximately HK1.90 cents for the Reporting Year.



# 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 2022 ("FY2022").

For FY2022, the Group recorded a revenue of HK\$682.2 million with an approximately 27.8% increase from HK\$533.9 million as compared with the year ended 31 March 2021 ("FY2021") whereas the adjusted profit attributable to owners of the Company increased by approximately 6.5% to HK\$18.3 million despite the unprecedentedly challenging and unfavorable business environment due to the Omicron variant of Covid-19. The Group was able to deploy the strategy of increasing our market share as well as sustaining the gross profit margin in FY2022. In addition, on 8 October 2021, the Group completed the acquisition (the "Acquisition") of 70% of the issued share capital of ServiceOne International Holdings Limited ("S1IHL") which is principally engaged in the provision of IT infrastructure management services. Since then, the financial results, assets and liabilities of S1IHL have been consolidated into the financial statements of the Company. Basic earnings per share for FY2022 was HK1.90 cents as compared with HK2.72 cents for FY2021.

The Board has recommended a final dividend of HK0.77 cent (2021: HK0.90 cent) per ordinary share, amounting to HK\$6,185,000 for FY2022 (2021: HK\$7,230,000). 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.

Looking back, what we reported last year unfortunately remained unchanged. The worries of slow economy, the continuous outbreak of Covid-19 and Sino-US trade tension not only still exist but have even deteriorated. These have been significantly impacting the market sentiment globally and locally. The situation was aggravated by the outbreak of the Russia-Ukraine war, the outburst of the fifth wave of Covid-19 in Hong Kong and the lockdown of Shanghai since the beginning of April 2022.

Given the extremely unfavorable business situation last year, we had to thank our management for remaining focus on market development; continuously enhancing our customer base across the public and private sectors; constantly providing the highest standard of services and support to our clients; resiliently sustaining our market position and reputation through the good execution of our business strategy; as well as partnering with vendors in providing the latest technologies solutions to enable the effective and efficient digital transformation of our customers.

In fighting through the past two years' uphill battle which we are still facing, we realized with affirmation the power of information technologies which has helped to keep the disruption to commercial, social and educational activities to a minimum. We have been witnessing the change of way of living and way of doing business by adopting the technologies and applications. We have been navigating with our business partners throughout the digital transformation journey to well prepare for the new normal business dimension.

As abovementioned, we have completed the Acquisition pursuant to which S1IHL has become a 70% owned subsidiary of the Company. S1IHL is engaged in the provision of IT infrastructure management services to customers in the Asia-Pacific region especially the Greater China Area. Effectively the Group has been transformed into one of the largest IT services providers in the region and is able to capture on a timely basis the business opportunities generated from the national development projects such as the initiative of the Guangdong-Hong Kong-Macau Greater Bay Area and One Belt One Road. The Group has well positioned itself as being rooted in Hong Kong and able to have accessible markets in not only Greater China Area but also the Asia Pacific region.



# Chairman's Statement

In light of our continuous and promising development of IT Infrastructure Solutions Business and the integration of post-implementation IT Infrastructure Management Services End-user Business, the enlarged Group of companies would complement one another and be able to leverage on the diversified customer base of individual business operations. We would be able to offer the most comprehensive IT services and solutions to the market. We are confident that we could accumulate a stronger customer base across both private and public sectors in Hong Kong and Macau; global and regional corporates in the Greater Bay Area, Greater China Area as well as Asia Pacific region.

Therefore, with the leadership of our Board and the competence of our management team, we are confident that the shareholder value will be continuously enhanced as expected; the enterprise value will further be created and sustained throughout the deployment of our corporate strategy as planned.

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 support to the Group during the reporting year which was unusual and unprecedentedly difficult.

**Wong Chu Kee Daniel**

*Chairman and non-executive Director*

Hong Kong, 24 June 2022





# 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.

On 8 October 2021, the Group completed the acquisition (the "Acquisition") of 70% of the issued share capital of S1IHL which is principally engaged in the provision of IT infrastructure management services and it has become an indirect non-wholly-owned subsidiary of the Company. The financial results, assets and liabilities of S1IHL have been consolidated into the financial statements of the Company since 8 October 2021. Details of the Acquisition are set out in the Company's announcements dated 9 July 2021 and 8 October 2021 and the circular of the Company dated 17 September 2021.

## BUSINESS REVIEW

For the year ended 31 March 2022 (the "Reporting Year") as compared to the last corresponding year ended 31 March 2021 (the "Corresponding Year"), the Group's revenue increased by approximately 27.8% and our gross profit increased by approximately 45.7%.

## OUTLOOK

Our Group considers that the current business environment for the short-to-medium term continues to be challenging with the new wave of COVID infection caused by the Omicron variant. The Group's performance is likely to be affected by the negative business sentiment due to the ongoing global outbreak of the coronavirus epidemic, the delay of customer projects due to COVID lockdown or customers' work from home policy, the uncertain global economy due to the continuing US-China tensions, the prolonged shipment schedules of various IT hardware due to global component shortage, the slowed global supply chain due to China's COVID-19 lockdowns, the contraction in China's economy, and the global economic pressure of increasing inflation. These factors might have a negative impact on our business volume, delay our products and services delivery, and exert pressure on our pricing terms and hence on our profit margin and profitability. Given the level of uncertainty on the duration of the economic crisis and the shape of recovery, there is a wide range of possible outcomes for the year.

Our Group dynamically adjusts our business prioritization plans for the short-to-medium term to reflect the shift in current customer demand and capture new business opportunities that help our customers navigate their challenges.

Regarding our IT infrastructure solutions business, we believe that enterprises and institutions will continue to adopt digital transformation to enhance operational efficiency and create digital business models by digitalizing or doing business online. Therefore, we continue to strengthen our product portfolio and support resources to provide our customers with the best-valued solutions and services. We remain focused on our long-term plan to drive strategic development and growth in three key business opportunities, namely:

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

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



# Management Discussion and Analysis

To capitalise on the opportunities mentioned above, we continue to strengthen our strategic relationship with our suppliers while enhancing our specialised technical expertise and domain know-how on the latest and proven infrastructure solutions to deliver larger-scale projects. We also strive to develop a more diversified customer base across private and public sectors.

Regarding our IT infrastructure management services, we believe enterprises and institutions will continue to demand high-quality services across the growing Asia-Pacific region, including outsourcing, helpdesk, workflow automation services, project management, and hardware maintenance. Our recent expansion in Kuala Lumpur, Malaysia, improves our resources' geographical distribution, providing resilience to serve our customers in the uncertain global economy.

Therefore we continue to explore business opportunities to:

- (i) Expand our customer base to cover new industries across the Asia Pacific region.
- (ii) Create additional values for our customers by expanding our services portfolio to include consulting services and vertical retail solutions.

These initiatives enable us to provide higher value and more comprehensive services to more customers across more industries.

Further to the successful completion of the Acquisition, we will continue to explore any appropriate merger and acquisition opportunities to enhance 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 new normal business environment, the Group will continue to be cautious in managing the business risk; be well prepared to tackle the challenges in such an ever-changing economic and business environment; and monitor and execute the Group's strategy carefully to drive sustainable business growth. Furthermore, throughout the past two years' epidemic situation, we have taken prudent and decisive steps on cost optimization in line with the revenue model. We have further strengthened the Group to become a more resilient organization in dealing with the changing business environment in the post-COVID-19 local and global economy.

To conclude, we will continue to focus on our core businesses in providing innovative and integrated IT infrastructure solutions and IT infrastructure management services in both private and public sectors across the Asia-Pacific region in order to enable our customers to extract the maximum value from their IT investment and engagement.

## FINANCIAL REVIEW

### Revenue

The Group's revenue increased by approximately 27.8% from approximately HK\$533.9 million for the Corresponding Year to approximately HK\$682.2 million for the Reporting Year, which was primarily attributable to the net effect of the decrease in demand from our customers for the IT infrastructure solutions during the Reporting Year as compared to the Corresponding Year and the contribution from the IT infrastructure management services amounted to approximately HK\$154.9 million. Such business was acquired by the Group in the third quarter of the Reporting Year.

# Management Discussion and Analysis

## Gross profit and gross profit margin

For the Reporting Year, our gross profit amounted to approximately HK\$104.9 million, representing an increase of approximately HK\$32.9 million, or approximately 45.7%, as compared to that of the Corresponding Year of approximately HK\$72.0 million.

The Group's gross profit margin for the Reporting Year was approximately 15.4%, representing an increase of approximately 1.9 percentage points as compared to that of the Corresponding Year of approximately 13.5%. The increase in the Group's gross profit margin was mainly due to the higher gross profit margin generated from IT infrastructure management services.

## Other income and gains

Other income and gains decreased by approximately HK\$3.4 million, or approximately 57.2%, from approximately HK\$6.0 million for the Corresponding Year to approximately HK\$2.6 million for the Reporting Year. The decrease was mainly due to the net effect of (i) a gain on lease modification of HK\$0.7 million, (ii) an increase in write back of other payables HK\$0.6 million; (iii) decrease in interest income by \$0.3 million; (iv) the non-recurrent government subsidy from the Employment Support Scheme under the Anti-Epidemic Fund to the Group of which HK\$4.5 million was recognised for the Corresponding Year and (v) increase in other income and gains generated from IT infrastructure management services by \$0.5 million.

## Selling expenses

For the Reporting Year, the Group's selling expenses amounted to approximately HK\$40.4 million, which was comparable with that of the Corresponding Year.

## Administrative expenses

The Group's administrative expenses for the Reporting Year were approximately HK\$42.3 million, representing an increase of approximately HK\$29.9 million (or approximately 240.4%) from approximately HK\$12.4 million for the Corresponding Year. Such increase was mainly attributed by (i) the professional fee incurred for the Acquisition amounted to HK\$3.1 million, (ii) increase in staff cost by HK\$0.6 million; (iii) increase in recruitment fee by HK\$0.2 million; (iv) increase in auditor's remuneration by HK\$0.3 million and (v) HK\$26.0 million of administrative expenses incurred by IT infrastructure management services.

## Expected credit losses on financial assets

The Group has applied the simplified approach to financial assets to provide for expected credit losses prescribed by HKFRS 9 Financial Instruments. As a result, an impairment loss of less than HK\$0.1 million was charged for the Reporting Year (the Corresponding Year: a reversal of impairment loss of HK\$0.2 million was recognised).

## Finance cost

The Group's finance costs for the Reporting Year were approximately HK\$3.0 million, representing an increase of approximately HK\$2.7 million (or approximately 774.9%) from approximately HK\$0.3 million for the Corresponding Year. Such increase was mainly caused by the recognition of interest expenses for convertible bonds issued on 8 October 2021, for the purpose of the partial settlement of the Acquisition.



# Management Discussion and Analysis

## Income tax expense

The Group's income tax expense for the Reporting Year was approximately HK\$4.9 million, representing an increase of approximately 48.6% from approximately HK\$3.3 million for the Corresponding Year and such increase was mainly due to the income tax expense incurred by IT infrastructure management services. The effective tax rate for the Reporting Year was 18.0%, after excluding the non-deductible professional fees of HK\$3.1 million incurred for the Acquisition and HK\$2.6 million interest expenses on convertible bonds, which was comparable to that of 16.2%, after excluding the government grants of HK\$4.5 million which were exempted from profits tax, for the Corresponding Year.

## Profit attributable to owners of the Company

The profit attributable to owners of the Company decreased by approximately 29.9% from approximately HK\$21.7 million for the Corresponding Year to approximately HK\$15.2 million for the Reporting Year, which was primarily attributable to the above mentioned effects.

Earnings per share for profit attributable to owners of the Company for the year ended 31 March 2022 amounted to HK1.90 cents, as compared to HK2.72 cents in 2021.

## LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

We financed our operations primarily through cash generated from our operating activities. As at 31 March 2021 and 2022, we had cash and cash equivalents of approximately HK\$152.1 million and HK\$158.5 million, respectively, which were cash at banks and in hand. As at 31 March 2022, HK\$2.0 million was pledged for government project (2021: HK\$2.0 million).

The banking facility granted to the Group as at 31 March 2022 amounted to HK\$10.0 million (31 March 2021: HK\$10.0 million), of which HK\$2.0 million was utilised (31 March 2021: HK\$2.0 million).

During the Reporting Year, we did not have any bank borrowings and the Company issued convertible bonds on 8 October 2021 (the "Convertible Bond"), for the purpose of the partial settlement of the Acquisition. The Convertible Bond shall mature on the fifth anniversary of the date of the issue and subject to interest of 2.5% per annum, payable annually in arrears.

As at 31 March 2022, the gearing ratio of the Group was 0.44 (31 March 2021: 0.05), which was calculated based on total debts including Convertible Bond and lease liabilities divided by equity attributable to owners of the Company. Excluding the lease liabilities from total debts, the gearing ratio was 0.37 as at 31 March 2022 (31 March 2021: nil).

## CAPITAL STRUCTURE

As at 31 March 2022, the capital structure of our Company comprised issued share capital and reserves.

## FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save for the matters as set out in the Company's announcement dated on 21 June 2022, the Group did not have other plans for material investments and capital assets.



# Management Discussion and Analysis

## MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

Except for the Acquisition relating to the acquisition of 70.0% of the issued share capital of S1IHL, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies during FY2022. For details of the Acquisition please refer to the Company's announcements dated 9 July 2021 and 8 October 2021 as well as the Company's circular to the Shareholders dated 17 September 2021.

## SIGNIFICANT INVESTMENTS

As at 31 March 2022, the Group did not hold any significant investments (31 March 2021: nil).

## CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 March 2022 (31 March 2021: nil).

## EXPOSURE TO EXCHANGE RATE FLUCTUATION

Our Group operates mainly in Hong Kong and Mainland China and conducts our business primarily in Hong Kong dollars and RMB. We are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to RMB. The Group will continue to take proactive measures and monitor closely of its exposure to such currency movement.

## CHARGE ON GROUP'S ASSETS

HK\$2.0 million was pledged for government project as at 31 March 2022 (31 March 2021: HK\$2.0 million). Save as disclosed above, there was no charge on the Group's assets as at 31 March 2022.

## INFORMATION ON EMPLOYEES

As at 31 March 2022, the Group had 903 employees (31 March 2021: 90) working in Mainland China, Hong Kong and Macau. 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 directors' remuneration) for the Reporting Year amounted to approximately HK\$116.8 million (2021: HK\$46.8 million). The dedication and hard work of the Group's staff during FY2022 are generally appreciated and recognised.





# Biographical Details of the Directors and Senior Management

## CHAIRMAN AND NON-EXECUTIVE DIRECTOR

**Mr. Wong Chu Kee Daniel (黃主琦)**, aged 61, 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. 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"), a subsidiary principally engaged in providing IT support services across Hong Kong, Macau and China. Currently he is the Chairman and a director of ServiceOne.

## CHIEF EXECUTIVE OFFICER AND EXECUTIVE DIRECTOR

**Mr. Lau Wai Kwok (劉偉國)**, aged 53, 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

**Mr. Chan Kin Mei Stanley (陳健美)**, aged 50, is an executive Director since the re-designation of his office with effect from 8 November 2021. He is 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. Following the re-designation of Mr. Chan from a non-executive Director to an executive Director, Mr. Chan ceased to be a member of the audit committee of the Company. Currently, he is the chairman of our corporate governance 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.

**Ms. Lau Tsz Yan (劉紫茵)**, aged 49, is an executive Director and the general manager of our Group. Ms. Lau was appointed as an executive Director on 15 March 2016. She is responsible for the overall management of Expert HK and Expert Macau.

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 48, is an executive Director and the general sales manager, public sector 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.

# Biographical Details of the Directors and Senior Management

## NON-EXECUTIVE DIRECTOR

**Mr. Chu Siu Sum Alex (朱兆深)**, aged 61, 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 since December 2007. He is currently a director and an advisor of ServiceOne.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Au Yu Chiu Steven (區裕釗)**, aged 63, was appointed as an independent non-executive Director on 15 March 2016.

He is responsible for bringing an independent judgment to bear on issues of strategy, investment, policy, performance, accountability, resources, key appointments and standards of conduct. He is also the chairman of our 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 66, 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 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 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 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 32 years. He is currently working as a consultant at the law firm Hau, Lau, Li & Yeung.

**Mr. Mak Wai Sing (麥偉成)**, 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 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 31 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 51, is 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 44, is 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 63, 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 17 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 16 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 FY2022, save for the deviation from such code disclosed below.

Pursuant to code provision C.6.1 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 A.2.1 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*)  
Mr. Chan Kin Mei Stanley  
Ms. Lau Tsz Yan  
Mr. So Cheuk Wah Benton

### Non-executive Directors

Mr. Wong Chu Kee Daniel (*Chairman*)  
Mr. Chu Siu Sum Alex

### Independent non-executive Directors

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

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

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

A board diversity policy has been formulated by the Board setting out the approach to maintaining a board with a diversity of directors. The Company recognises the benefits of diversity at the Board level as an essential element in supporting its sustainable development. All Board appointments will continue to be based on meritocracy with due regard for the benefits of diversity on the Board. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The Directors believe that the composition of the Board reflects the necessary balance of skills and experience appropriate for the requirements of the business development of the Group and for effective leadership as all the executive Directors and non-executive Directors possess extensive experience in the IT industry while the independent non-executive Directors possess professional knowledge and broad experience in finance, law and management. The Directors are of the opinion that the present structure of the Board can ensure the independence and objectivity of the Board and provide a system of checks and balances to safeguard the interests of the shareholders and the Company.

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 2022 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 2022. 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. Chan Kin Mei Stanley, Mr. Chu Siu Sum Alex, Mr. Au Yu Chiu Steven and Mr. Chung Fuk Wing Danny will retire from office as Director. Mr. Chung Fuk Wing Danny has decided not to offer himself for re-election. All the other retiring Directors, being eligible, will offer themselves for re-election at the forthcoming annual general meeting of the Company to be held on 16 September 2022 (the "2022 AGM") pursuant to article 84(1) of our memorandum and articles of association.

At the 2022 AGM, separate ordinary resolutions will be put forward to the shareholders of the Company in relation to the proposed re-election of Mr. Chan Kin Mei Stanley as an executive Director, Mr. Chu Siu Sum Alex as a non-executive Director and Mr. Au Yu Chiu Steven as an independent non-executive Director, 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 2025.

## 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 C.1.4 of the CG Code regarding continuous professional development. During the year ended 31 March 2022, 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. Chung Fuk Wing Danny, Mr. Ko Man Fu and Mr. Mak Wai Sing, each being an independent non-executive Director. Mr. Chan Kin Mei Stanley also served as a member of the Audit Committee until he was re-designated from a non-executive director to an executive director on 8 November 2021. 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 2022 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 2022 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; Mr. Au Yu Chiu Steven, Mr. Chung Fuk Wing Danny and Mr. Mak Wai Sing, each being an independent non-executive Director. The written terms of reference of the Remuneration Committee as suggested under the CG Code are posted on the GEM website and the Company's website.

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

The remuneration of members of the senior management (excluding executive Directors) by band for the year ended 31 March 2022 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 11 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 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 act as Nomination Committee members will abstain from assessing their own independence and re-appointment.

## Corporate Governance Committee

The chairman of the Corporate Governance Committee is Mr. Chan Kin Mei Stanley, an 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 2022 is set out as follows.

	Number of Board Meetings attended/ eligible to attend	Number of General Meetings 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)	6/6	2/2	N/A	N/A	1/1	1/1
Mr. Chan Kin Mei Stanley	6/6	2/2	3/3	N/A	N/A	1/1
Ms. Lau Tsz Yan	6/6	2/2	N/A	N/A	N/A	N/A
Mr. So Cheuk Wah Benton	6/6	2/2	N/A	N/A	N/A	N/A
<i>Non-executive Directors:</i>						
Mr. Wong Chu Kee Daniel (Chairman)	6/6	2/2	N/A	N/A	N/A	1/1
Mr. Chu Siu Sum Alex	6/6	2/2	N/A	2/2	1/1	N/A
<i>Independent non-executive Directors:</i>						
Mr. Au Yu Chiu Steven	6/6	2/2	5/5	2/2	1/1	1/1
Mr. Chung Fuk Wing Danny	6/6	2/2	5/5	2/2	1/1	N/A
Mr. Ko Man Fu	6/6	2/2	5/5	2/2	1/1	N/A
Mr. Mak Wai Sing	6/6	2/2	5/5	2/2	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 FY2022.

## 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 2022 amounted to HK\$1.0 million.

The fee paid or payable to BDO Limited in respect of other permissible non-audit services amounted to approximately HK\$1.0 million, out of which HK\$980,000 was the fee for acting as reporting accountant on a very substantial acquisition of the Group.

## 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 41 to 44 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 2022, 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 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 2022, 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 2022.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. In the past years, the Group was 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. Pursuant to the completion of the acquisition of 70% of the issued capital of S1IHL during the year ended 31 March 2022, the Group has expanded its principal activities to the Provision of IT infrastructure management services including IT hardware maintenance, helpdesk, IT outsourcing and workflow automation services to end-users.

Details of the principal activities of its subsidiaries are set out in Note 18 to the consolidated financial statements.

## BUSINESS REVIEW

A fair review of the Group's business and the analysis of the Group's performance for the year ended 31 March 2022 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 11 of this annual report.

## SEGMENTAL INFORMATION

An analysis of the Group's revenue from operations by geographical locations of customers for the year ended 31 March 2022 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 2022 and its consolidated financial position as at that date are set out in the consolidated financial statements on pages 45 to 47 of this annual report respectively.

The Board has resolved to recommend the payment of a final dividend of HK0.77 cent per ordinary share (2021: HK0.90 cent) for the year ended 31 March 2022 subject to the approval of the shareholders at the forthcoming annual general meeting (the "AGM"). The final dividend will be paid on or about Tuesday, 11 October 2022 to shareholders whose names appear on the register of members of the Company at the close of business on Tuesday, 27 September 2022.

## CLOSURE OF THE REGISTER OF MEMBERS

The AGM is scheduled to be held on Friday, 16 September 2022. 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, 13 September 2022 to Friday, 16 September 2022, 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 Friday, 9 September 2022.

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, 23 September 2022 to Tuesday, 27 September 2022, 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, 22 September 2022.



# 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 40 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 14 to the consolidated financial statements.

## SHARE CAPITAL

Details of the Company's share capital are set out in Note 29 to the consolidated financial statements.

## RESERVES

Details of the movements in the reserves of the Company and the Group are set out in Note 30 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 2022, the distributable reserves of the Company amounted to approximately HK\$39.8 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 2022, so far as the Company is aware, the aggregate revenue attributable to our five largest customers and the largest customer accounted for approximately 19.5% and 6.2%, respectively, of the Group's total revenue for the financial year. Purchases from the Group's five largest suppliers accounted for approximately 50.5% of the Group's total purchases for the financial year and the purchase from the largest supplier included therein amounted to approximately 18.3%.

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*)  
Mr. Chan Kin Mei Stanley  
Ms. Lau Tsz Yan  
Mr. So Cheuk Wah Benton

### Non-executive Directors

Mr. Wong Chu Kee Daniel (*Chairman*)  
Mr. Chu Siu Sum Alex

### Independent non-executive Directors

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

Mr. Chan Kin Mei Stanley was re-designated from a non-executive Director to an executive Director on 8 November 2021.

In accordance with Article 84 of the Company's articles of association, Mr. Chan Kin Mei Stanley, Mr. Chu Siu Sum Alex, Mr. Au Yu Chiu Steven and Mr. Chung Fuk Wing Danny shall retire by rotation at the forthcoming annual general meeting of the Company. Mr. Chung Fuk Wing Danny has decided not to offer himself for re-election. All the other retiring directors, 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 2022 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 a term of three years commencing 15 March 2022. The service contracts and the letters of appointment are subject to termination in accordance with their respective terms. The service contracts may be renewed in accordance with our articles of association and the applicable GEM Listing Rules.

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



# Directors' Report

## DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Company are set out on pages 12 to 16 of this annual report.

## EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the five highest paid individuals of the Group are set out in Note 11 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 2022 are set out in Note 4(m)(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 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 2022, 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:

### (i) Long position in the shares and underlying shares of the Company

Name of Director	Capacity	Number of shares held	Approximate percentage (note 1)	Number of underlying shares held (note 2)	Approximate percentage (note 1)
Mr. Lau Wai Kwok ("Mr. Lau")	Beneficial owner	100,000,000	12.4%	2,000,000	0.2%
Mr. Chan Kin Mei Stanley ("Mr. Chan")	Beneficial owner	6,720,000	0.8%	500,000	0.1%
Ms. Lau Tsz Yan ("Ms. Lau")	Beneficial owner	800,000	0.1%	1,200,000	0.1%
Mr. So Cheuk Wah Benton ("Mr. So")	Beneficial owner	–	–	2,000,000	0.2%
Mr. Wong Chu Kee Daniel ("Mr. Wong")	Beneficial owner	53,300,000	6.6%	500,000	0.1%
Mr. Chu Siu Sum Alex ("Mr. Chu")	Beneficial owner	226,890,000	28.2%	500,000	0.1%
	Interest of controlled corporations	–	–	450,000,000	56.0%
Mr. Au Yu Chiu Steven ("Mr. Au")	Beneficial owner	–	–	100,000	0.0%
Mr. Chung Fuk Wing Danny ("Mr. Chung")	Beneficial owner	–	–	100,000	0.0%
Mr. Ko Man Fu ("Mr. Ko")	Beneficial owner	–	–	100,000	0.0%
Mr. Mak Wai Sing ("Mr. Mak")	Beneficial owner	–	–	100,000	0.0%



# Directors' Report

Notes:

1. The approximate percentage is calculated based on the total number of issued shares as at 31 March 2022 (i.e. 803,280,000 shares).
2. For all the Directors above except for Mr. Chu, the underlying shares represent the unlisted physically settled share options granted to the Directors on 15 April 2019 ("Date of Grant") under the share option scheme adopted by the Company pursuant to an ordinary resolution of all the then shareholders passed on 15 March 2016. For Mr. Chu, the underlying shares consist of (a) 500,000 share options granted to the Directors on the Date of Grant mentioned above; and (b) 450,000,000 shares of the Company to be issued upon exercise of the conversion rights attached to the convertible bond, issued by the Company as partial settlement of the consideration of the Acquisition to ServiceOne Global Holdings Limited ("ServiceOne Global"). ServiceOne Global is owned as to 70% by China Expert Systems Limited ("China Expert"), which is held as to 40% by Mr. Chu.

## (ii) Long position in the debentures of the Company

Name of Director	Nature of debentures held	Amount of debentures held (HK\$) (Note)
Mr. Chu	Interest of controlled corporations	75,600,000

Note: These represent the convertible bond issued by the Company to ServiceOne Global as partial settlement of the consideration of the Acquisition. ServiceOne Global is owned as to 70% by China Expert, which is held as to 40% by Mr. Chu.

Save as disclosed above, as at 31 March 2022, 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 2022, 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:

### (i) Substantial shareholders — long position in the shares and underlying shares of the Company

Name of shareholder	Capacity	Number of shares held	Approximate percentage (note 1)	Number of underlying shares held	Approximate percentage (note 1)
Mr. Mok Chu Leung Terry ("Mr. Mok")	Beneficial owner	91,800,000	11.4%	–	–
Mr. Cheung Nap Kai ("Mr. Cheung")	Beneficial owner	89,760,000	11.2%	–	–
Ms. Yan Yihong ("Ms. Yan")	Interest of spouse (note 2)	91,800,000	11.4%	–	–
Ms. Tuen Chi Keung ("Ms. Tuen")	Interest of spouse (note 3)	89,760,000	11.2%	–	–
Ms. Luk Yuen Wah Nancy ("Ms. Luk")	Interest of spouse (note 4)	226,890,000	28.2%	450,500,000	56.1%
Ms. Keung Lai Wa Dorathy Linndia ("Ms. Keung")	Interest of spouse (note 5)	100,000,000	12.4%	2,000,000	0.2%
ServiceOne Global	Beneficial owner (note 6)	–	–	450,000,000	56.0%
China Expert	Interest of a controlled corporation (note 6)	–	–	450,000,000	56.0%

# Directors' Report

Notes:

1. The approximate percentage is calculated based on the total number of issued shares as at 31 March 2022 (i.e. 803,280,000 shares).
2. Under the SFO, Ms. Yan, the spouse of Mr. Mok, is deemed to be interested in all the Shares in which Mr. Mok is interested.
3. Under the SFO, Ms. Tuen, the spouse of Mr. Cheung, is deemed to be interested in all the Shares in which Mr. Cheung is interested.
4. Under the SFO, Ms. Luk, the spouse of Mr. Chu, is deemed to be interested in all the Shares and underlying Shares in which Mr. Chu is interested.
5. Under the SFO, Ms. Keung, the spouse of Mr. Lau, is deemed to be interested in all the Shares and the underlying Shares in which Mr. Lau is interested.
6. These represent 450,000,000 shares of the Company to be issued upon exercise of the conversion rights attached to the convertible bond issued by the Company as partial settlement of the consideration of the Acquisition to ServiceOne Global. ServiceOne Global is owned as to 70% by China Expert, which is held as to 40% by Mr. Chu.

## (ii) Other person — long position in the shares and underlying shares of the Company

Name of shareholder	Capacity	Number of shares held	Approximate percentage (note 1)	Number of underlying shares held	Approximate percentage (note 1)
Ms. Lee Kit Ling Monita ("Ms. Lee")	Interest of spouse (note 2)	53,300,000	6.6%	500,000	0.1%

Notes:

1. The approximate percentage is calculated based on the total number of issued shares of the Company as at 31 March 2022, that is, 803,280,000 shares.
2. Under the SFO, Ms. Lee, the spouse of Mr. Wong, is deemed to be interested in all the shares and underlying shares in which Mr. Wong is interested.

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 2022 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 2022, the Company had 11,920,000 share options outstanding under the Scheme, which represented approximately 2.0% of the Shares in issue as at the date, of which 3,040,000 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 32 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 2022.

## 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 2022.

## 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 FY2022.

## RELATED PARTY TRANSACTIONS

Save as disclosed in Note 35 to the consolidated financial statements, no other related party transactions were conducted by the Group during the year ended 31 March 2022.

## CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 March 2022, the Group had the following non-exempt continuing connected transactions:

- (i) The Company (for itself and as trustee for the benefit of its subsidiaries) entered into the IT Services Agreement with ServiceOne Global, an associate of the Controlling Shareholders as defined in the GEM Listing Rules, dated 9 July 2021. Pursuant to the IT Services Agreement, ServiceOne Global and its subsidiaries (the "ServiceOne Global Group") shall provide outsourced IT services to the Group for the provision of the IT hardware maintenance and support services and IT Software services for its customers, which services the Group generally does not carry out on its own but outsources to sub-contractors. The service fees of such outsourcing services will be determined from time to time in the ordinary and usual course of business, on normal commercial terms, negotiated on arm's length basis and on terms similar or no less favorable to the Group than available from independent IT service providers for the provision of similar services. The IT Services Agreement commenced on 8 October 2021 (date of completion of the Group's acquisition of 70% of the issued capital of S1IHL) and will expire on 31 March 2024. For FY2022 the total service fees paid for such outsourcing services by the Group to the ServiceOne Global Group amounted to HK\$5,393,000.

For FY2022 and the years ending 31 March 2023 and 31 March 2024, the annual cap for the total amount of the service fees for the said outsourcing services shall not exceed HK\$13,500,000, HK\$24,600,000 and HK\$26,200,000 respectively.

Further details of the Framework IT Support Agreement were disclosed in the circular to the shareholders of the Company dated 17 September 2021.





## Directors' Report

- (ii) The Company (for itself and as trustee for the benefit of its subsidiaries) entered into the Framework IT Support Agreement with ServiceOne Global dated 26 April 2021. Pursuant to the Framework IT Support Agreement, the ServiceOne Global Group shall provide IT support services to the Group for its customers, which are services the Group generally does not provide to its customers on its own, including certain implementation work that requires broad level of skills but large labour force, as well as certain maintenance work, such as extended product warranties, technical support and software development. The service fees of such IT support services will be determined from time to time by the parties on arm's length basis and normal commercial terms and with reference to, among others, the requirements of the Group in respect of the IT support services to be provided, the prevailing market prices for the same or similar services obtained from independent service providers and the prevailing market competitive conditions, and any other factors which may affect the terms and conditions at the material times. The Framework IT Support Agreement commenced on 26 April 2021 and will expire on 31 March 2024. Pursuant to the completion of the Group's acquisition of 70% of the issued capital of S1IHL, ServiceOne Global, the Company and S1IHL entered into a novation agreement on 8 October 2021 pursuant to which ServiceOne Global agreed to assign all rights and benefits in the Framework IT Support Agreement to S1IHL with effect from 8 October 2021. For FY2022 the total service fees paid for such IT support services to the ServiceOne Global Group and S1IHL and its subsidiaries amounted to HK\$1,918,000 and HK\$886,000 respectively.

For FY2022 and the years ending 31 March 2023 and 31 March 2024, the annual cap for the total amount of the service fees for the said IT support services shall not exceed HK\$3,500,000, HK\$4,100,000 and HK\$4,800,000, respectively.

Further details of the Framework IT Support Agreement were disclosed in the Company's announcements dated 26 April 2021 and 8 October 2021.

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

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

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



# Directors' Report

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

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

Other related party transactions entered into by the Group during the year ended 31 March 2022 which constitute fully exempt continuing connected transactions under Chapter 20 of the GEM Listing Rules are disclosed in Note 35(a) to the consolidated financial statements.

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

Save as the related party transactions disclosed in Note 35 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 2022 or during the financial year.

## CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 17 to 26 of this annual report.

## SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, the Company has maintained the public float as required under the GEM Listing Rules throughout the year ended 31 March 2022.

## 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 consolidated financial statements of the Company for the year ended 31 March 2022 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 of the Company's shares on the Stock Exchange.



# Directors' Report

## EVENTS AFTER THE REPORTING DATE

Save as disclosed in Note 43 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, 24 June 2022

## Summary of Financial Information

	2022 HK\$'000	For the year ended 31 March			
		2021 HK\$'000	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000
Revenue	682,189	533,944	467,293	432,529	337,223
Gross profit	104,948	72,008	58,383	53,950	43,249
Profit before income tax expense	21,812	25,051	12,781	12,702	7,933
Profit for the year attributable to Owners of the Company	15,217	21,720	10,695	10,753	6,889
Earnings per share — Basic (HK cent)	1.90	2.72	1.34	1.34	0.86

  

	2022 HK\$'000	As at 31 March			
		2021 HK\$'000	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000
Total assets	539,762	257,975	220,382	212,702	183,894
Total liabilities	368,885	135,980	116,870	116,995	98,940
Total equity	170,877	121,995	103,512	95,707	84,954

# 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 the 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 45 to 120, which comprise the consolidated statement of financial position as at 31 March 2022, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the 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 2022, 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 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, 21 and 39(a) to the consolidated financial statements.*

The carrying amount of the Group's gross trade receivables as at 31 March 2022 was approximately HK\$146,045,000.

Management reviews trade receivables for expected credit losses ("ECLs") 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 macroeconomics.



# 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 ECLs 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 sale invoices and other source documents, to ensure that it was appropriate for management to use them for impairment assessment;
- Conducting a detailed discussion with management on significant overdue trade receivables as to whether these aged receivables were impaired; and
- Reviewing the adequacy and appropriateness of the ECLs made by management with reference to the ageing profiles, settlement records, and other facts and circumstances currently available.

## Impairment assessment of goodwill

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

We identified impairment assessment of goodwill as a key audit matter due to the involvement of significant management judgement and assumptions in this assessment.

As disclosed in Note 17 to the consolidated financial statements, the carrying amount of goodwill attributable to the cash generating unit of IT infrastructure management services amounted to approximately HK\$100,078,000 as at 31 March 2022. For the purpose of assessing impairment, the recoverable amount of this cash-generating unit to which the goodwill has been allocated is determined by management based on value-in-use calculations using financial budgets based on past performance and expectation for market development, where the key inputs parameters include growth rates and discount rate.

Based on the management's assessment, there is no impairment of the goodwill allocated to any of the cash-generating unit based on the calculations of value-in-use.

Our response:

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

- Assessing the appropriateness of basis of calculations of the value-in-use prepared by management;
- Evaluating the reasonableness key inputs and assumptions used by the management in the cash flow projection, which include estimate of growth rates used in the financial budget, long term growth rate, and discount rates; and
- Checking the mathematical accuracy of management's estimates of the value-in-use.



# Independent Auditor's Report

## OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information in the Company's 2022 annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

## RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE 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 HKSAAs 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 HKSAAs, 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.



# Independent Auditor's Report

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

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

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

From the matters communicated with the directors, 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*  
**Tang Tak Wah**  
Practising Certificate Number P06262

Hong Kong, 24 June 2022

# Consolidated Statement of Comprehensive Income

For the year ended 31 March 2022

	Notes	2022 HK\$'000	2021 HK\$'000
Revenue	7	682,189	533,944
Cost of sales		(577,241)	(461,936)
Gross profit		104,948	72,008
Other income and gains	7	2,580	6,023
Selling expenses		(40,407)	(40,472)
Administrative expenses		(42,260)	(12,413)
(Provision for)/reversal of expected credit losses on financial assets		(83)	244
Finance costs	8	(2,966)	(339)
Profit before income tax expense	9	21,812	25,051
Income tax expense	10	(4,949)	(3,331)
Profit for the year		16,863	21,720
Other comprehensive income for the year			
Item that may be reclassified subsequently to profit or loss:			
— Exchange difference arising from translation of foreign operations		815	—
Total comprehensive income for the year		17,678	21,720
Profit for the year attributable to:			
Owners of the Company		15,217	21,720
Non-controlling interests		1,646	—
		16,863	21,720
Total comprehensive income for the year attributable to:			
Owners of the Company		15,787	21,720
Non-controlling interests		1,891	—
		17,678	21,720
Earnings per share	13		
— Basic		HK1.90 cents	HK2.72 cents
— Diluted		HK1.74 cents	HK2.72 cents

# Consolidated Statement of Financial Position

As at 31 March 2022

	Notes	2022 HK\$'000	2021 HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	14	12,530	5,956
Intangible assets	16	17,299	–
Goodwill	17	100,078	–
Finance lease receivables	19	73	244
Restricted bank deposits	24	2,021	–
Other receivables	23	4,310	2,356
		<b>136,311</b>	<b>8,556</b>
<b>Current assets</b>			
Inventories	20	11,952	3,997
Trade receivables	21	145,812	83,742
Prepayments, deposits and other receivables	23	44,157	7,341
Finance lease receivables	19	171	213
Restricted bank deposits	24	–	2,021
Bank deposits	24	42,900	–
Cash and cash equivalents	24	158,459	152,105
		<b>403,451</b>	<b>249,419</b>
<b>Current liabilities</b>			
Trade payables	25	132,171	98,351
Accruals, deposits received and other payables	26	118,212	29,148
Amount due to a related company	27	–	91
Consideration payable		43,148	–
Lease liabilities	15	3,277	1,538
Tax payables		3,624	1,914
		<b>300,432</b>	<b>131,042</b>
<b>Net current assets</b>		<b>103,019</b>	<b>118,377</b>
<b>Total assets less current liabilities</b>		<b>239,330</b>	<b>126,933</b>
<b>Non-current liabilities</b>			
Other payables	26	1,988	627
Lease liabilities	15	7,163	4,311
Convertible bonds	33	56,494	–
Deferred tax liabilities	28	2,808	–
		<b>68,453</b>	<b>4,938</b>
<b>Net assets</b>		<b>170,877</b>	<b>121,995</b>



# Consolidated Statement of Financial Position

As at 31 March 2022

	Notes	2022 HK\$'000	2021 HK\$'000
<b>EQUITY</b>			
Share capital	29	8,033	8,000
Reserves		143,844	113,995
		151,877	121,995
<b>Equity attributable to owners of the Company</b>			
Non-controlling interests	36	19,000	–
<b>Total equity</b>		170,877	121,995

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 2022

	Reserves									
	Share capital HK\$'000 (note 29)	Share premium HK\$'000 (note 30)	Share options reserve HK\$'000 (note 30)	Merger reserve HK\$'000 (note 30)	Translation reserve HK\$'000 (note 30)	Convertible bonds equity reserve HK\$'000 (note 30)	Retained earnings HK\$'000	Total reserve HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
At 1 April 2020	8,000	66,819	607	(25,395)	–	–	53,481	95,512	–	103,512
Profit and total comprehensive income for the year	–	–	–	–	–	–	21,720	21,720	–	21,720
Dividend approved and paid in respect of the previous year (note 12)	–	(3,600)	–	–	–	–	–	(3,600)	–	(3,600)
Recognition of equity-settled share-based payment (note 32)	–	–	363	–	–	–	–	363	–	363
At 31 March 2021 and 1 April 2021	8,000	63,219	970	(25,395)	–	–	75,201	113,995	–	121,995
Profit for the year	–	–	–	–	–	–	15,217	15,217	1,646	16,863
Exchange differences arising from translation of foreign operations	–	–	–	–	570	–	–	570	245	815
Total comprehensive income for the year	–	–	–	–	570	–	15,217	15,787	1,891	17,678
Acquisition of subsidiaries (note 42)	–	–	–	–	–	–	–	–	17,109	17,109
Dividend approved and paid in respect of the previous year (note 12)	–	(7,230)	–	–	–	–	–	(7,230)	–	(7,230)
Share issued upon exercise of share options (note 29)	33	592	(263)	–	–	–	–	329	–	362
Share options lapsed	–	–	(35)	–	–	–	35	–	–	–
Issue of convertible bonds (note 33)	–	–	–	–	–	20,750	–	20,750	–	20,750
Recognition of equity-settled share-based payment (note 32)	–	–	213	–	–	–	–	213	–	213
At 31 March 2022	8,033	56,581	885	(25,395)	570	20,750	90,453	143,844	19,000	170,877

# Consolidated Statement of Cash Flows

For the year ended 31 March 2022

	Notes	2022 HK\$'000	2021 HK\$'000
<b>Cash flows from operating activities</b>			
Profit before income tax expense		21,812	25,051
Adjustments for:			
Interest income	7	(206)	(509)
Interest expenses on lease liabilities	8	416	339
Interest expenses on convertible bonds	8	2,550	–
Depreciation of property, plant and equipment	14	4,593	2,255
Amortisation of intangible assets	16	2,022	–
Write back of other payables	7	(610)	(146)
(Reversal of )/write-down of inventories to net realisable value	9	(1)	22
Provision for/(reversal of) expected credit loss of financial assets		83	(244)
Equity settled share-based payment expenses	9	213	363
Gain on lease modification	7	(654)	–
Written off of property, plant and equipment	9	12	–
Rent concession	7	(1)	(185)
<b>Operating cash flows before working capital changes</b>		<b>30,229</b>	<b>26,946</b>
Increase in inventories		(4,744)	(361)
(Increase)/decrease in trade receivables		(19,076)	18,694
(Increase)/decrease in prepayments, deposits and other receivables		(19,754)	985
Decrease/(increase) in finance lease receivables		213	(5)
Decrease in amount due to a related company		–	(386)
Increase in trade payables		24,465	6,763
Increase in accruals, deposits received and other payables		20,191	12,950
<b>Cash generated from operations</b>		<b>31,524</b>	<b>65,586</b>
Income tax paid		(5,630)	(1,994)
<b>Net cash generated from operating activities</b>		<b>25,894</b>	<b>63,592</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(1,352)	(212)
Purchase of intangible assets		(11)	–
Acquisition of subsidiaries, net of cash acquired	42	34,779	–
Increase in bank deposits		(42,900)	–
Increase in restricted bank deposits		–	(2,021)
Interest received		206	509
<b>Net cash used in investing activities</b>		<b>(9,278)</b>	<b>(1,724)</b>
<b>Cash flows from financing activities</b>			
Interest paid on lease liabilities	37	(416)	(339)
Interest paid on convertible bonds	37	(906)	–
Dividend paid	12	(7,230)	(3,600)
Proceeds from issuance of new shares		362	–
Principal element of lease payments	37	(3,456)	(1,223)
<b>Net cash used in financing activities</b>		<b>(11,646)</b>	<b>(5,162)</b>
<b>Net increase in cash and cash equivalents</b>		<b>4,970</b>	<b>56,706</b>
<b>Effect of foreign exchange rate changes</b>		<b>1,384</b>	<b>–</b>
<b>Cash and cash equivalents at beginning of the year</b>		<b>152,105</b>	<b>95,399</b>
<b>Cash and cash equivalents at end of the year</b>		<b>158,459</b>	<b>152,105</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

## 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 on 12 April 2016 (the “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 and provision of IT infrastructure management services in the Greater China Area (i.e. Hong Kong, Macau, Taiwan and all other parts of the People’s Republic of China) and the Asia-Pacific region (including Japan, Korea, Singapore, Malaysia and Australia).

## 2. BASIS OF PREPARATION

### (a) Statement of compliance

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), Hong Kong Accounting Standards (“HKASs”) issued by the Hong Kong Institute of Certified Public Accountants and Interpretations (hereinafter collectively referred to as the “HKFRS”) and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

### (b) Basis of measurement

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

### (c) Functional and presentation currency

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

## 3. ADOPTION OF HKFRSs

### (a) Adoption of new/revised HKFRSs — effective 1 April 2021

Amendments to HKFRS 9, HKAS 39,  
HKFRS 7, HKFRS 4 and HKFRS 16  
Amendment to HKFRS 16

Interest Rate Benchmark Reform — Phase 2

COVID-19-Related Rent Concessions beyond 30 June 2021

The application of the amendments to HKFRSs in the current year has no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in this consolidated financial statements. The Group has not early applied any new or amended HKFRSs that is not yet effective for the current accounting year.

### (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	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>2</sup>
Amendments to HKFRS 3	Reference to the Conceptual Framework <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosures of Accounting Policies <sup>2</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>2</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>3</sup>
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use <sup>1</sup>
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract <sup>1</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020 <sup>1</sup>

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

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

## 3. ADOPTION OF HKFRSs (Continued)

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

#### *Amendments to HKAS 1 and HKFRS Practice Statement 2, Disclosure of Accounting Policies*

The amendments to Disclosure of Accounting Policies were issued following feedback that more guidance was needed to help companies 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.

#### *Amendments to HKAS 12, Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.

Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting nor taxable profit. For example, this may arise upon recognition of a lease liability and the corresponding right-of-use asset applying HKFRS 16 at the commencement date of a lease.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

## 3. ADOPTION OF HKFRSs (Continued)

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

#### *Amendments to HKAS 12, Deferred Tax related to Assets and Liabilities arising from a Single Transaction* (Continued)

Following the amendments to HKAS 12, an entity is required to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in HKAS 12.

The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period an entity recognises:

- A deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with:
  - Right-of-use assets and lease liabilities
  - Decommissioning, restoration and similar liabilities and the corresponding amounts recognised as part of the cost of the related asset
- The cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date.

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

#### *Amendments to HKAS 16, Property, Plant and Equipment: 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

## 3. ADOPTION OF HKFRSs (Continued)

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

#### *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.

#### *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 anticipate that the application of these amendments may have an impact on the consolidated financial statements in future periods should such transaction arise.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

## 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* (Continued)

Annual Improvements to HKFRSs 2018–2020

- HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards, which permit 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 clarify 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 amend 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 remove 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 2022

## 4. SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. 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) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income Taxes" and HKAS 19 "Employee Benefits", respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 "Share-based Payment" at the acquisition date (see the accounting policy below);
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that standard;
- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (i) the lease term ends within 12 months of the acquisition date; or (ii) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favorable or unfavorable terms of the lease when compared with market terms; and



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (c) Business combinations (Continued)

- Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (d) Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see Note 3(c)) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGUs") (or group of CGUs) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A CGU (or group of CGUs) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the CGU (or group of CGUs) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of CGUs).

On disposal of the relevant CGU, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal (or any of the CGU within group of CGUs in which the Group monitors goodwill). When the Group disposes of an operation within the CGUs (or group of CGUs), the amount of goodwill disposed of is measured on the basis of the relative values of the CGUs disposed of and the portion of the CGUs (or group of CGUs) retained.

### (e) 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 2022

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (f) Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

The intangible assets recognised by the Group and their useful economic life are as follows:

Backlog orders	6 years
Customer relationships	5 years
Software	3 years

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

### (g) 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (h) 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 method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

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

The Group recognises loss allowances for expected credit losses ("ECLs") on trade receivables and other 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 measures 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (h) Financial instruments (Continued)

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

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

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

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

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

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

#### (iii) *Financial liabilities*

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

Financial liabilities at amortised cost including trade and other payables, accruals and deposits received, consideration payable 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.



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (h) Financial instruments (Continued)

#### (iv) *Convertible bonds*

Convertible bonds issued by the Group that contain both the liability and conversion option components are classified separately into their respective items on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest rate of similar non-convertible debts. The difference between the fair value of the convertible bonds as a whole and the fair value assigned to the liability component, representing the conversion option for the holder to convert the bonds into equity, is included in equity (convertible bonds equity reserve).

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The equity component, represented by the option to convert the liability component into ordinary shares of the Company, will remain in convertible bonds equity reserve until the embedded option is exercised (in which case the balance stated in convertible bonds equity reserve will be transferred to share capital and share premium). Where the option remains unexercised at the expiry dates, the balance stated in convertible bonds equity reserve will be released to the retained earnings. No gain or loss is recognised upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and equity components in proportion to the allocation on initial recognition. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bonds using the effective interest method.

#### (v) *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.

#### (vi) *Equity instruments*

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (h) Financial instruments (Continued)

#### (vii) 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.

### (i) 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.

### (j) Leasing

All 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 of 12 months or less and do not contain purchase option. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

#### *Right-of-use asset*

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (j) Leasing (Continued)

#### *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 lessee'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.

### (k) Provision and contingent liabilities

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

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

At the end of each reporting period, the Group reviews the carrying amounts of property, plant and equipment, right-of-use assets, and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of property, plant and equipment, right-of-use assets, and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the CGU to which the asset belongs.

In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual CGUs, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value-in-use. In assessing value-in-use, the estimated future cash flows of the tangible asset (or the CGU) are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or the CGU) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a CGU, the Group compares the carrying amount of a group of CGUs, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of CGUs, with the recoverable amount of the group of CGUs. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or CGU or a group of CGUs) is increased to the revised estimate of its recoverable amount, but the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a CGU or a group of CGUs) 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 2022

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (m) 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. 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.

The Group also participates in a state-managed retirement benefit scheme in the People's Republic of China excluding Hong Kong, Macau and Taiwan ("Mainland China") pursuant to which the Group pays a fixed percentage of its qualifying staff's wages as contributions to the scheme. Contributions are made based on a percentage of the employees' basic salaries and are recognised as an expense in profit or loss when employees have rendered service entitling them to the contributions.

#### (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 2022

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (n) 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.

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as translation reserve (attributed to non-controlling interests as appropriate). Exchange differences recognised in profit or loss of group entities’ separate financial statements on the translation of long-term monetary items forming part of the Group’s net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as translation reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the translation reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

### (o) Borrowing costs

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

### (p) 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 2022

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (q) 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 2022

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (q) Revenue recognition (Continued)

#### (ii) *Provision of IT infrastructure management services*

IT infrastructure management services include IT hardware maintenance, helpdesk, IT outsourcing and workflow automation services.

IT hardware maintenance and helpdesk services represent ongoing maintenance and support service on hardware and software purchased from the Group or third party suppliers. IT outsourcing services represent contracts with its customers to second IT staff to work for the customers for a fixed period of time whereby the seconded staff are responsible for carrying out a wide range of IT-related services for the customers, such as system administration, unit testing, preparation of technical specification, system design, development and support. For the provision of hardware maintenance and helpdesk service as well as IT outsourcing services, revenue is recognised when the relevant services are rendered.

Each of IT hardware maintenance and helpdesk services and IT outsourcing services represent single performance obligation that is distinct or a series of distinct services that are substantially the same and have the same pattern of transfer to the customer. The customers simultaneously receive and consume the benefits provided by the Group's performance as the Group performs and therefore the service are satisfied over time. The Group satisfied the performance obligation and recognises revenue over time with reference to the actual service period passed relative to the total contract period. The portion of service fee received in advance but not earned is recorded as contract liabilities.

Workflow automation services involve integrating software sourced from third party suppliers with hardware to fulfil customers' requirement in relation to their IT infrastructure. It includes a comprehensive set of activities in the contract, such as installation, trial launch and implementation, which are highly interdependent and interrelated. Revenue from the provision of workflow automation services is recognised at a point in time when the services are rendered according to the terms of the agreements and the customer acknowledged the receipt of the services, at which point the control of service is transferred.

#### **Contract assets**

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

Generally, significant payment terms are disclosed within the contents of a given contract and are in the form of either milestone payment terms representing a percentage of the total budgeted contract price or corresponding directly with the value to the customer of the Group's performance. Revenues recognised in excess of billings are recognised as contract assets and recognised in the consolidated statement of financial position as contract assets under prepayments, deposits and other receivables. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (q) Revenue recognition (Continued)

#### *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.

Amounts billed in accordance with contracted payment schedules but in excess of revenues earned are recognised as contract liabilities and recognised in the consolidated statement of financial position as contract liabilities under accruals, deposits received and other payables.

### (r) Government subsidy

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

### (s) 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 2022

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (s) 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.

### (t) 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 operating segments of the Group are (i) the provision of IT infrastructure solutions services; and (ii) the provision of IT infrastructure management services.

## 5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

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

### Critical judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimations (see below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

#### (a) *Judgments in determining performance obligations and timing of satisfaction of performance obligations*

##### (i) *Performance obligation determination*

In making their judgments, the directors considered the detailed criteria for recognition of revenue set out in HKFRS 15. In determining performance obligations, the directors consider whether the customer benefits from each service on its own and whether it is distinct in the context of the contract. Specifically, when concluding a contract has multiple performance obligations, the directors consider that the individual performance obligation is regularly sold separately and the service is separately identifiable from other promises within the contract.

##### (ii) *Timing of satisfaction of performance obligations*

The directors have determined that certain performance obligations are satisfied over time. The key judgment is whether the Group's performance (i) does not create an asset with alternative use to the Group and the Group has an enforceable right to payment for performance completed to date; or (ii) the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs.

Depends on which better depicts the transfer of value to the customer, the directors make judgement to measure the progress of the projects using either cost-to-cost (input method) or units services transferred to the customer to date (output method).

### Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

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

### (a) Impairment loss for trade receivables

As explained in Note 4(h), the Group's trade receivables are measured on initial recognition at transaction price, and are subsequently measured at amortised cost using the effective interest method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss under expected credit loss model.

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 Group 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.

### (b) Determination of the lease term

In determining the lease term, 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 Group. At the beginning of the year ended 31 March 2022, 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.

### (c) Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the CGU (or group of CGUs) to which goodwill has been allocated, which is the higher of the value-in-use and fair value less costs of disposal. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the CGU (or a group of CGUs) and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows, a material impairment loss/further impairment loss may arise.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

## 6. SEGMENT INFORMATION

The chief operating decision maker is identified as executive directors of the Company. The Group has identified its operating segments based on the regular internal financial information reported to the Company's executive directors for their decisions about resources allocation and review of performance.

The Group's consolidated revenue and results are primarily attributable to the markets in Hong Kong, Mainland China and Macau and all of the Group's consolidated assets and liabilities are located in Hong Kong, Mainland China and Macau.

The following are the Group's reportable segments under HKFRS 8 "Operating Segments":

- Provision of IT infrastructure solutions services ("IT infrastructure solutions");
- Provision of IT infrastructure management services ("IT infrastructure management services") (being a new segment since the completion of acquisition of certain subsidiaries in October 2021 (note 42)).

The following is an analysis of the Group's revenue, assets and liabilities by reportable segments from continuing operations.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

## 6. SEGMENT INFORMATION (Continued)

For the year ended 31 March 2022

	IT infrastructure solutions HK\$'000	IT infrastructure management services HK\$'000	Total HK\$'000
Segment revenue	527,334	154,855	682,189
Segment results	23,633	6,632	30,265
Unallocated expenses			(8,453)
Profit before income tax expense			21,812
<b>Segment assets</b>			
IT infrastructure solutions			251,095
IT infrastructure management services			266,325
Unallocated assets			
— Cash and cash equivalents			22,192
— Others			150
Total assets			539,762
<b>Segment liabilities</b>			
IT infrastructure solutions			165,636
IT infrastructure management services			103,051
Unallocated liabilities			
— Consideration payable			43,148
— Convertible bonds			56,494
— Others			556
Total liabilities			368,885
<b>Other segment information</b>			
Interest income	171	35	206
Interest expenses	(266)	(150)	(416)
Depreciation of property, plant and equipment	(2,149)	(2,444)	(4,593)
Amortisation of intangible assets	—	(2,022)	(2,022)
Provision of expected credit losses on financial assets	(83)	—	(83)
Income tax expenses	(3,329)	(1,620)	(4,949)
Addition to property, plant and equipment	825	527	1,352
Addition to intangible assets	—	11	11

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

## 6. SEGMENT INFORMATION (Continued)

For the year ended 31 March 2021

	IT infrastructure solutions HK\$'000	IT infrastructure management services HK\$'000	Total HK\$'000
Segment revenue	533,944	–	533,944
Segment results	27,448	–	27,448
Unallocated expenses			(2,397)
Profit before income tax expense			25,051
<b>Segment assets</b>			
IT infrastructure solutions			256,012
Unallocated assets			
— Cash and cash equivalents			1,195
— Others			768
Total assets			257,975
<b>Segment liabilities</b>			
IT infrastructure solutions			135,664
Unallocated liabilities			
— Others			316
Total liabilities			135,980
<b>Other information</b>			
Interest income	509	–	509
Interest expenses	(339)	–	(339)
Depreciation of property, plant and equipment	(2,255)	–	(2,255)
Reversal of expected credit losses on financial assets	244	–	244
Income tax expense	(3,331)	–	(3,331)
Addition to property, plant and equipment	212	–	212

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

## 6. SEGMENT INFORMATION (Continued)

### Geographical information

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

	2022 HK\$'000	2021 HK\$'000
Hong Kong	585,411	531,986
Mainland China	85,909	–
Macau	4,091	1,958
Others	6,778	–
	682,189	533,944

Information about the Group's non-current assets by geographical location of the assets (except for financial assets) are presented below:

	2022 HK\$'000	2021 HK\$'000
Hong Kong	128,184	5,956
Mainland China	1,533	–
Macau	190	–
	129,907	5,956

### Information about major customers

There is no single customer who contributed 10% or more revenue to the Group's revenue derived from specific external customers for the year ended 31 March 2022 (2021: 14.9% from a customer).

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

## 7. REVENUE AND OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2022 HK\$'000	2021 HK\$'000
Revenue from contracts with customers:		
Provision of IT infrastructure solutions	527,256	533,857
Provision of IT infrastructure management services	154,855	–
	682,111	533,857
Revenue from other sources:		
Finance leases income	78	87
Total	682,189	533,944
Disaggregation of revenue from contracts with customers:		
At a point in time	553,110	533,857
Overtime	129,001	–
Total	682,111	533,857

An analysis of other income and gains is as follows:

	2022 HK\$'000	2021 HK\$'000
Other income and gains:		
Interest income	206	509
Write back of other payables	930	146
Exchange gain	–	334
Government subsidy (note (a))	322	4,503
Rent concessions (note (b))	1	185
Reversal of write-down of inventories to net realisable value	1	–
Gain on lease modification	654	–
Sundry income	466	346
Total	2,580	6,023

(a) During the year ended 31 March 2022, COVID-19 related government subsidy from Macau Government amounted to HK\$322,000 was received by the Group. During the year ended 31 March 2021, the government subsidy of HK\$4,503,000 represented a one-off subsidy under Employment Support Scheme launched by the Hong Kong Special Administrative Region Government.

(b) The rent concessions related to COVID-19 pandemic of HK\$1,000 (2021: HK\$185,000) has been credited in profit or loss during the year ended 31 March 2022.



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

## 7. REVENUE AND OTHER INCOME AND GAINS (Continued)

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

	2022 HK\$'000	2021 HK\$'000
Trade receivables (note 21)	145,812	83,742
Contract assets (note 22)	19,025	–
Contract liabilities (note 26(a))	(47,520)	(18,718)

The contract liabilities mainly relate to the advance consideration received from customers. Contract liabilities as of 1 April 2021 of HK\$18,718,000 (1 April 2020: HK\$8,078,000) have been recognised as revenue for the year ended 31 March 2022 from performance obligations satisfied in the year due to the delivery of goods and services accepted by customers.

### Transaction price allocated to future performance obligations

The aggregate amount of the transaction price of IT infrastructure management services allocated to performance obligations that are unsatisfied (or partially unsatisfied) were approximately HK\$49,291,000 as at 31 March 2022 (2021: not applicable). Management of the Group expects the majority of the transaction price allocated to the unsatisfied contracts as of the 31 March 2022 will be recognised within 1 to 4 years.

The Group has applied the practical expedient to its 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.

## 8. FINANCE COSTS

	2022 HK\$'000	2021 HK\$'000
Interest expenses on lease liabilities (note 15)	416	339
Interest expenses on convertible bonds (note 33)	2,550	–
	2,966	339

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

## 9. PROFIT BEFORE INCOME TAX EXPENSE

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

	2022 HK\$'000	2021 HK\$'000
Costs of inventories recognised as expenses	482,418	395,716
Auditor's remuneration	975	645
Depreciation of property, plant and equipment (note 14)	4,593	2,255
Amortisation of intangible assets (note 16)	2,022	—
Written off of property, plant and equipment (note 14)	12	—
Exchange losses, net	55	—
Short-term lease with application of recognition exemption	474	—
(Reversal of)/write-down of inventories to net realisable value	(1)	22
Staff costs (including directors' remuneration (note 11(a)))		
— Wages, salaries and other benefits	114,714	45,126
— Contribution to defined contribution pension plans	1,855	1,315
— Equity settled share-based payment expenses (note 32)	213	363
	116,782	46,804

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

## 10. INCOME TAX EXPENSE

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

	2022 HK\$'000	2021 HK\$'000
Current tax		
Hong Kong profits tax		
Tax for the year	5,110	3,353
Over-provision in respect of prior year	(22)	(22)
	5,088	3,331
Others	173	–
	5,261	3,331
Deferred tax (note 28)	(312)	–
Total income tax expense	4,949	3,331

According to the Inland Revenue (Amendment) (No. 3) Ordinance 2018 enacted on 29 March 2018, the two-tiered profits tax regime (the “Regime”) is effective from the year of assessment 2018/19. Profits tax rate for the first HK\$2 million of assessable profits of corporations is lowered to 8.25% with the excess assessable profits continue to be taxed at 16.5%. The Hong Kong profits tax for the year ended 31 March 2022 and 2021 is provided based on the Regime.

Under the Law of Mainland China on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the standard EIT rate of Mainland China subsidiaries is 25%.

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 2022 (2021: HK\$ nil).

Macau Complementary Tax is calculated at the rate of 12% (2021: 12%) on the estimated assessable profit for the year ended 31 March 2022 (2021: HK\$ nil).

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

## 10. 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:

	2022 HK\$'000	2021 HK\$'000
Profit before income tax expense	21,812	25,051
Tax calculated at the statutory rate of 16.5%	3,599	4,134
Effect of different tax rates in other jurisdiction	42	24
Tax effect of expenses not deductible for tax purpose	1,652	85
Tax effect of revenue not taxable for tax purpose	(194)	(961)
Tax effect of deductible temporary differences not recognised	214	266
Tax effect of two-tiered profits tax rates regime	(165)	(165)
Over-provision in respect of prior years	(22)	(22)
Others	(177)	(30)
Income tax expense	4,949	3,331

No deferred tax asset has been recognised in relation to deductible temporary differences of HK\$100,000 (2021: HK\$82,000) relating to the depreciation charges as it is not material.

As at 31 March 2022, the Group had estimated unrecognised tax losses of approximately HK\$28,000 (2021: HK\$ nil), HK\$19,000 (2021: HK\$ nil) and HK\$15,000 (2021: HK\$ nil), respectively, available for offset against future taxable profits in Singapore, South Korea and Australia. No deferred tax asset has been recognised in respect of the estimated unrecognised tax losses due to the unpredictability of future profit streams. The tax losses are subject to final approval by the tax authorities in different tax jurisdictions.

Under the EIT Law of Mainland China, withholding tax is imposed on dividends declared in respect of profits earned by Mainland China subsidiary from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of Mainland China subsidiary amounting to HK\$21,688,000 (2021: HK\$ nil) as at 31 March 2022, as the Group is able to control the timing of the reversal of the temporary differences and it is not probable that the subsidiary will distribute such profits in foreseeable future.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

## 11. 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 2022</b>						
<b>Executive directors:</b>						
Mr. Lau Wai Kwok ("Mr. Lau")	–	2,875	29	18	143	3,065
Mr. Chan Kin Mei, Stanley ("Mr. Chan") (note a)	93	636	7	9	–	745
Ms. Lau Tsz Yan	–	1,268	29	18	73	1,388
Mr. So Cheuk Wah, Benton	–	982	29	18	58	1,087
<b>Non-executive directors:</b>						
Mr. Wong Chu Kee, Daniel ("Mr. Wong")	155	593	7	9	–	764
Mr. Chu Siu Sum, Alex ("Mr. Chu")	155	60	7	3	–	225
<b>Independent non-executive directors:</b>						
Mr. Au Yu Chiu Steven	155	–	1	–	–	156
Mr. Chung Fuk Wing Danny	155	–	1	–	–	156
Mr. Ko Man Fu	155	–	1	–	–	156
Mr. Mak Wai Sing	155	–	1	–	–	156
	1,023	6,414	112	75	274	7,898

Note:

(a) Mr. Chan was re-designated from non-executive director to executive director on 8 November 2021.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

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

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

	Fees HK\$'000	Salaries and other benefits HK\$'000	Share- based payment note (i) HK\$'000	Contribution to defined contribution pension plans HK\$'000	Discretionary bonuses note (ii) HK\$'000	Total HK\$'000
Year ended 31 March 2021						
<b>Executive directors:</b>						
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	150	–	11	–	–	161
Mr. Chu	–	–	11	–	–	11
Mr. Chan (note a)	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:

- (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(m)(iv) to the consolidated financial statements. Further details of the options granted are set out in note 32 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 2022

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

### (b) Five highest-paid individuals

The five highest paid individuals of the Group included one director (2021: two) whose emoluments is reflected in the analysis presented above.

The analysis of the emoluments to the remaining four (2021: three) individuals is set out below:

	2022 HK\$'000	2021 HK\$'000
Salaries and allowances	5,144	4,551
Discretionary bonuses	243	102
Contribution to defined contribution pension plans	72	54
Share-based payment	69	46
	5,528	4,753

Their remuneration fell within the following bands:

	2022 Number of individuals	2021 Number of individuals
HK\$1,000,001 to HK\$1,500,000	4	2
HK\$1,500,001 to HK\$2,000,000	Nil	1

During the year, no director or any of the highest-paid individuals waived or agreed to waive any emoluments (2021: nil). No emoluments were paid by the Group to the directors or any of the highest paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

## 12. DIVIDENDS

	2022 HK\$'000	2021 HK\$'000
Dividends for ordinary shareholders of the Company recognised as distribution during the year		
2021 final of HK0.90 cent per share was declared and paid	7,230	–
2020 final of HK0.45 cent per share was declared and paid	–	3,600
	7,230	3,600

A final dividend in respect of the year ended 31 March 2022 of HK0.77 cent per ordinary share (tax exclusive) amounting to HK\$6,185,000 was proposed pursuant to a resolution passed by the Board of Directors on 24 June 2022 and subject to the approval by the shareholders at the annual general meeting of the Company to be held on 16 September 2022 or any adjournment thereof. This proposed dividend is not reflected as dividend payable in the consolidated financial statements.

## 13. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	2022	2021
<b>Earnings</b>		
Profit for the purposes of basic earnings per share (HK\$'000)	15,217	21,720
Effect of dilutive potential ordinary shares:		
— Interest on convertible bonds, net of income tax (HK\$'000)	2,550	–
Profit for the purposes of diluted earnings per share (HK\$'000)	17,767	21,720
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purposes of basic earnings per share	801,828,352	800,000,000
Effect of dilutive potential ordinary shares:		
— Convertible bonds	215,753,425	–
— Share options	2,269,494	–
Weighted average number of ordinary shares for the purposes of diluted earnings per share	1,019,851,271	800,000,000
Basic earnings per share	HK1.90 cents	HK2.72 cents
Diluted earnings per share	HK1.74 cents	HK2.72 cents

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

## 14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK\$'000	Properties leased for own use HK\$'000	Furniture and fixtures HK\$'000	Computer equipment HK\$'000	Total HK\$'000
<b>At 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
<b>Year ended 31 March 2022</b>					
Opening net book amount	168	5,214	58	516	5,956
Additions	31	–	47	1,274	1,352
Effect of lease modification	–	3,602	–	–	3,602
Acquisition of subsidiaries (note 42)	223	5,418	3	526	6,170
Depreciation	(370)	(3,493)	(56)	(674)	(4,593)
Written off	–	–	–	(12)	(12)
Exchange realignment	4	43	–	8	55
Closing net book amount	56	10,784	52	1,638	12,530
<b>At 31 March 2022</b>					
Cost	1,677	31,020	414	8,302	41,413
Accumulated depreciation	(1,621)	(20,236)	(362)	(6,664)	(28,838)
Net book amount	56	10,784	52	1,638	12,530

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

## 15. 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 2022 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

	2022 HK\$'000	2021 HK\$'000
Right-of-use assets		
Properties leased for own use, carried at depreciated cost	10,784	5,214
Lease liabilities		
Current	3,277	1,538
Non-current	7,163	4,311

Except for addition through acquisition of subsidiaries and the effect of lease modification, there was no addition to the right-of-use assets during the year ended 31 March 2022.

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

	2022 HK\$'000	2021 HK\$'000
Depreciation of right-of-use assets: properties leased for own use (note 14)	3,493	1,497
Rent concessions (note 7)	1	185
Short-term lease expense (note 9)	474	–
Interest on lease liabilities (note 8)	416	339

The total cash outflows for leases within operating, investing and financing activities for the year ended 31 March 2022 was HK\$4,346,000 (2021: HK\$1,562,000).

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

The Group leased an office, warehouse and carpark. Rental contracts are typically made for fixed periods of 1 to 4 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 2022

## 15. LEASES (Continued)

Future lease payments are due as follows:

	Minimum lease payments HK\$'000	Interest HK\$'000	Present value HK\$'000
As at 31 March 2021			
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
As at 31 March 2022			
Not later than one year	4,123	846	3,277
Later than one year and not later than two years	3,551	712	2,839
Later than two years and not later than five years	4,588	264	4,324
	12,262	1,822	10,440

## 16. INTANGIBLE ASSETS

	Backlog orders HK\$'000	Customer relationships HK\$'000	Software HK\$'000	Total HK\$'000
<b>Cost</b>				
As at 1 April 2020, 31 March 2021 and 1 April 2021	–	–	–	–
Acquisition of subsidiaries (note 42)	6,414	12,498	407	19,319
Additions	–	–	11	11
Exchange realignment	–	–	19	19
As at 31 March 2022	6,414	12,498	437	19,349
<b>Accumulated amortisation</b>				
As at 1 April 2020, 31 March 2021 and 1 April 2021	–	–	–	–
Provided for the year	641	1,250	131	2,022
Exchange realignment	–	–	28	28
As at 31 March 2022	641	1,250	159	2,050
<b>Net book value</b>				
As at 31 March 2022	5,773	11,248	278	17,299
As at 31 March 2021	–	–	–	–

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

## 17. GOODWILL

	2022 HK\$'000	2021 HK\$'000
At beginning of the year	–	–
Acquisition of subsidiaries (note 42)	100,078	–
At end of the year	100,078	–

For the purpose of impairment testing, goodwill has been allocated to a CGU, representing S1IHL and its subsidiaries (the "S1IHL Group") which were acquired by the Group during the year ended 31 March 2022, and being the IT infrastructure management services segment.

During the year ended 31 March 2022, the management performed impairment review for the goodwill. The recoverable amount of the S1IHL's CGU has been determined by a value-in-use calculation based on the cash flow forecast derived from the most recent financial budgets and estimated future cash flows covering a 5-year period as approved by management and using a pre-tax discount rate of 22.1% (2021: not applicable), that reflect current market assessments of the time value of money and the risks specific to the S1IHL's CGU. The cash flows beyond the five-year period are extrapolated using 2% (2021: not applicable) growth rate. The growth rate is based on industry growth forecasts. Gross margins are based on past practices and expectation of future changes in the market.

As at 31 March 2022, the recoverable amount of S1IHL's CGU was estimated to be HK\$191,000,000, which exceeded its carrying amount by HK\$26,904,000. Management believes that a reasonably possible change in any of those assumptions used would not cause the carrying amount of the CGU containing the goodwill to exceed its recoverable amount.



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

## 18. INVESTMENTS IN SUBSIDIARIES

The particulars of the Company's subsidiaries as at 31 March 2022 are as follows:

Name	Location and date of incorporation/establishment and form of business structure	Description of shares/capital held	Attributable equity interest		Principal activities and place of operations
			direct	indirect	
Expert Systems Group Limited	British Virgin Islands ("BVI"), 24 September 2015, limited liability company	Ordinary, United States Dollars ("USD") 1	100% (2021: 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	– (2021: 100%)	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	– (2021: 100%)	100%	Provision of IT infrastructure solutions, Macau
Expert Systems Technology Limited	BVI, 31 January 2022, limited liability company	Ordinary, USD700	–	100% (2021: nil)	Investment holding, Hong Kong
Expert AI Enabling Limited	Hong Kong, 2 March 2022, limited liability	Ordinary, HK\$1,000	–	100% (2021: nil)	Inactive, Hong Kong
ServiceOne International Holdings Limited	BVI, 2 March 2021, limited liability company	Ordinary, USD10	–	70% (2021: nil)	Investment holding, Hong Kong
ServiceOne Limited	Hong Kong, 5 February 1999, limited liability company	Ordinary, HK\$3,000,000	–	70% (2021: nil)	Provision of IT infrastructure management services, Hong Kong

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

## 18. INVESTMENTS IN SUBSIDIARIES (Continued)

Name	Location and date of incorporation/establishment and form of business structure	Description of shares/capital held	Attributable equity interest		Principal activities and place of operations
			direct	indirect	
ServiceOne Technology Services Macau Limited	Macau, 15 April 2008, limited liability company	Ordinary, MOP25,000	–	70% (2021: nil)	Provision of IT infrastructure management services, Macau
ServiceOne Global Limited	BVI, 24 April 2009, limited liability company	Ordinary, USD1	–	70% (2021: nil)	Investment holding, Hong Kong
SOG Development Limited	Hong Kong, 10 June 2010, limited liability company	Ordinary, HK\$10	–	70% (2021: nil)	Investment holding, Hong Kong
ServiceOne Shanghai Limited* 領冠數碼科技(上海)有限公司	Mainland China, 8 September 2010, limited liability company	Registered and paid up capital USD1,800,000	–	70% (2021: nil)	Provision of IT infrastructure management services, Mainland China
ServiceOne Solutions Singapore Pte. Ltd.	Singapore, 8 June 2018, limited liability company	Ordinary, Singapore Dollar ("SGD") 1,000	–	70% (2021: nil)	Provision of IT infrastructure management services, Singapore
ServiceOne Japan G.K.	Japan, 2 August 2021, limited liability company	Ordinary, Japan Yen 1,000,000	–	70% (2021: nil)	Provision of IT infrastructure management services, Japan
ServiceOne Solutions Australia Pty Ltd	Australia, 20 August 2018, limited liability company	Ordinary, Australian Dollar 1,000	–	70% (2021: nil)	Provision of IT infrastructure management services, Australia

\* The English name is for identification only

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

## 19. FINANCE LEASE RECEIVABLES

	2022 HK\$'000	2021 HK\$'000
Current finance lease receivables	171	213
Non-current finance lease receivables	73	244
	<b>244</b>	<b>457</b>

### 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	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Not later than one year	235	291	171	213
Later than one year and not later than five years	98	333	73	244
	<b>333</b>	<b>624</b>	<b>244</b>	<b>457</b>
Less: unearned finance income	(89)	(167)	–	–
Present value of minimum lease payments receivables	<b>244</b>	<b>457</b>	<b>244</b>	<b>457</b>

The interest rates inherent in the leases are 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 credit-impaired.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

## 20. INVENTORIES

	2022 HK\$'000	2021 HK\$'000
Merchandise	11,952	3,997

## 21. TRADE RECEIVABLES

	2022 HK\$'000	2021 HK\$'000
Trade receivables, gross	146,045	83,892
Less: Provision for impairment	(233)	(150)
	145,812	83,742

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:

	2022 HK\$'000	2021 HK\$'000
Within 1 month	55,197	24,549
More than 1 month but not more than 3 months	58,539	15,632
More than 3 months but not more than 6 months	24,614	33,888
More than 6 months but not more than a year	5,779	6,584
More than a year	1,683	3,089
	145,812	83,742

At the end of each reporting period, the management performs 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:

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

## 21. TRADE RECEIVABLES (Continued)

	2022 HK\$'000	2021 HK\$'000
At the beginning of the year	150	394
Provision for/(reversal of) expected credit loss for the year	83	(244)
At the end of the year	233	150

At 31 March 2022, the management had determined that the provision of expected credit losses of trade receivables was approximately HK\$233,000 (2021: HK\$150,000), and there was a provision for expected credit loss of approximately HK\$83,000 provided for year ended 31 March 2022 (2021: reversal of HK\$244,000). Details of impairment assessment of trade receivables for the year ended 31 March 2022 are set out in note 39.

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

## 22. CONTRACT ASSETS

	2022 HK\$'000	2021 HK\$'000
Contract assets	19,025	–

The contract assets represent the Group's rights to receive consideration for the provision of IT infrastructure management services that are not billed as at the end of each of the accounting period. The contract assets are transferred to receivables when the rights become unconditional.

Changes in contract assets primarily relate to the Group's performance of IT infrastructure management services under the contracts.

There was no impairment loss recognised on contract assets during the year ended 31 March 2022 (2021: not applicable) as management considers the ECL for contract assets to be insignificant.

## 23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2022 HK\$'000	2021 HK\$'000
Other deposits	13,382	4,037
Other receivables	4,242	97
Contract assets (note 22)	19,025	–
Prepayments	11,818	5,563
	48,467	9,697
Less: non-current portion of other receivables	(4,310)	(2,356)
	44,157	7,341

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

## 24. CASH AND CASH EQUIVALENTS, BANK DEPOSITS AND RESTRICTED 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.

Bank deposits represented fixed deposits with maturity of more than three months from the date of acquisition which carried interest at prevailing market rates ranging from 0.15% to 0.3% (2021: nil) as at 31 March 2022.

The restricted bank deposits of HK\$2,021,000 (2021: HK\$2,021,000) has been placed with a bank as tender deposit for a government project, which will be released upon the project completed.

## 25. TRADE PAYABLES

	2022 HK\$'000	2021 HK\$'000
Trade payables	132,171	98,351

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:

	2022 HK\$'000	2021 HK\$'000
Within 1 month	76,504	48,461
More than 1 month but not more than 3 months	46,101	43,789
More than 3 months but not more than 6 months	6,847	3,578
More than 6 months but not more than a year	1,696	1,325
More than a year	1,023	1,198
	132,171	98,351



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

## 26. ACCRUALS, DEPOSITS RECEIVED AND OTHER PAYABLES

	2022 HK\$'000	2021 HK\$'000
Other payables and accrued expenses	66,573	3,577
Staff commission	6,107	6,631
Other deposits received	–	849
Contract liabilities (note (a))	47,520	18,718
	120,200	29,775
Less: Non-current portion other payables	(1,988)	(627)
	118,212	29,148

Note:

### (a) Contract liabilities

	2022 HK\$'000	2021 HK\$'000
<i>Contract liabilities arising from:</i>		
— Provision of IT infrastructure solutions	28,495	18,718
— Provision of IT infrastructure management services	19,025	–
	47,520	18,718

Contract liabilities represent deposits received from customers in relation to their contracts placed with the Group.

Changes in contract liabilities primarily relate to the Group's performance of services under the contracts. Revenue of the Group of HK\$18,718,000 recognised for the year ended 31 March 2022 (2021: HK\$8,078,000) were included in the contract liabilities at the beginning of the year.

## 27. AMOUNT DUE TO A RELATED COMPANY

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

	2022 HK\$'000	2021 HK\$'000
ServiceOne Limited	–	91

Notes:

- (i) As at 31 March 2021, ServiceOne Limited and the Company were under common control of the same group of shareholders. Pursuant to the completion of the Acquisition (as defined in note 42) on 8 October 2021, ServiceOne Limited became a 70% owned subsidiary of the Company.
- (ii) The amount due to a related company was unsecured, interest-free and repayable on demand.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

## 28. DEFERRED TAX

The following is a summary of the deferred tax balances for financial reporting purposes:

	2022 HK\$'000	2021 HK\$'000
Deferred tax liabilities	2,808	–

Details of the deferred tax liabilities recognised and movements thereof are as follows:

	Fair value adjustments arising from business combination HK\$'000
As at 1 April 2020, 31 March 2021 and 1 April 2021	–
Acquisition of subsidiaries (note 42)	3,120
Charged to profit or loss (note 10)	(312)
As at 31 March 2022	2,808

## 29. SHARE CAPITAL

	Number	Amount HK\$'000
<b>Authorised:</b>		
Ordinary shares of HK\$0.01 each		
At 1 April 2020, 31 March 2021, 1 April 2021 and 31 March 2022	10,000,000,000	100,000
<b>Issued and fully paid:</b>		
Ordinary shares of HK\$0.01 each		
At 1 April 2020, 31 March 2021 and 1 April 2021	800,000,000	8,000
Shares issued upon exercise of share options	3,280,000	33
At 31 March 2022	803,280,000	8,033

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

## 30. RESERVES

Details of the movements on the Group's reserves for the years ended 31 March 2022 and 2021 are presented in the consolidated statement of changes in equity. Movements on the Company's reserves are as follows:

### The Company

	Share premium HK\$'000 (note (c))	Share options reserve HK\$'000 (note (b))	Convertible bonds equity reserve HK\$'000 (note (e))	Accumulated losses HK\$'000	Total HK\$'000
At 31 March 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 and 1 April 2022	63,219	970	–	(13,388)	50,801
Dividend declared and paid	(7,230)	–	–	–	(7,230)
Shares issued upon exercise of share options	592	(263)	–	–	329
Share options lapsed	–	(35)	–	35	–
Recognition of equity-settled share-based payment	–	213	–	–	213
Issue of convertible bonds	–	–	20,750	–	20,750
Loss for the year	–	–	–	(3,407)	(3,407)
At 31 March 2022	56,581	885	20,750	(16,760)	61,456

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

## 30. 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.

### (d) Translation reserve

The amount represents gains/losses arising on retranslating the net assets of foreign operations into presentation currency of the Group.

### (e) Convertible bonds equity reserve

Amount represents portion of proceeds on issue of convertible bonds relating to the equity component (i.e. option to convert the debt into share capital).

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

## 31. HOLDING COMPANY STATEMENT OF FINANCIAL POSITION

	Notes	2022 HK\$'000	2021 HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Investment in a subsidiary		—*	—*
<b>Current assets</b>			
Prepayments		116	769
Amounts due from subsidiaries		104,232	57,153
Cash and cash equivalents		22,192	1,195
		126,540	59,117
<b>Current liability</b>			
Accruals		557	316
<b>Net current assets</b>		125,983	58,801
<b>Total assets less current liability</b>		125,983	58,801
<b>Non-current liability</b>			
Convertible bonds		56,494	—
<b>Net assets</b>		69,489	58,801
<b>EQUITY</b>			
Share capital	29	8,033	8,000
Reserves	30	61,456	50,801
<b>Total equity</b>		69,489	58,801

\* 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 2022

## 32. 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 the 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 amount for which an asset could be exchanged, a liability settled, or an equity instrument granted could be exchanged, between knowledgeable, willing parties in an arm's length transaction".

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 2022

## 32. 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 2022 and 2021 are set out as follows:

For the year ended 31 March 2022

Name of Grantee	Date of Grant	Exercise price per share	Outstanding as at 1 April 2021	Number of share options			Outstanding as at 31 March 2022
				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
Mr. Chan	15 April 2019	0.111	500,000	–	–	–	500,000
Ms. Lau Tsz Yan	15 April 2019	0.111	2,000,000	–	(800,000)	–	1,200,000
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
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	–	(2,480,000)	(700,000)	4,820,000
			15,900,000	–	(3,280,000)	(700,000)	11,920,000

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

## 32. SHARE OPTION SCHEME (Continued)

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	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

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 2022

## 32. SHARE OPTION SCHEME (Continued)

The exercise price of options outstanding at the end of the year 31 March 2022 was HK\$0.111 (2021: HK\$0.111) and their weighted average remaining contractual life was 7.04 years (2021: 8.04 years).

As at 31 March 2022, 3,040,000 (2021: 3,180,000) share options were vested and exercisable.

The weighted average market share price at the date of exercise of options during the year was HK\$0.140 (2021: not applicable).

The Group recognised a share options expense of approximately HK\$213,000 and HK\$363,000 during the year ended 31 March 2022 and 2021 respectively.

At the end of the reporting period, the Company had 8,880,000 (2021: 12,720,000) share options were granted but unvested. At the date of approval of these audited consolidated financial statements, the Company had 11,920,000 (2021: 15,900,000) share options outstanding under the Scheme, which represented approximately 1.5% (2021: 2.0%) of the shares in issue as at that date.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

## 33. CONVERTIBLE BONDS

The Company issued 2.5% convertible bonds with an aggregate principal amount of HK\$75,600,000 to the Vendor (as defined in note 42) on 8 October 2021 in relation to acquisition of S1IHL. The convertible bonds are denominated in Hong Kong dollars. The convertible bonds will mature on the fifth anniversary of the date of the issue at their principal amount or can be converted into ordinary shares of the Company at the holder's option at a conversion price of HK\$0.168 per share at any time up to the maturity date of the convertible bond. At any time immediately after three years from the issue date up to the maturity date of the convertible bonds, at the sole discretion of the Company, the Company may cancel and redeem 100% of the outstanding amount of the convertible bonds. Unless previously converted or cancelled, the Company shall redeem all the outstanding convertible bonds on the maturity date at a redemption amount equivalent to 100% of the outstanding principal.

The fair values of the liability component was determined at the issuance of the convertible bonds, and was calculated using a market interest rate for an equivalent non-convertible bonds. The residual amount, representing the value of the equity conversion component, is included in shareholders' equity.

During the year ended 31 March 2022, the Company did not receive any conversion notices from the convertible bondholders to exercise the conversion rights.

The movements of the convertible bonds are set out below:

	Liability component HK\$'000	Equity component HK\$'000	Total HK\$'000
Issue of convertible bonds	54,850	20,750	75,600
Interest expense (note 8)	2,550	–	2,550
Interest paid	(906)	–	(906)
At 31 March 2022	56,494	20,750	77,244

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

## 34. RETIREMENT BENEFITS SCHEME

The employees of the Company's subsidiaries in Hong Kong participate in the MPF Scheme established under the Mandatory Provident Fund Schemes Ordinance. The assets of the scheme are held separately from those of the Group, in funds under the control of trustee. All employees in Hong Kong joining the Group are required to join the MPF Scheme.

Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income capped at HK\$1,500 per month. The retirement benefit costs charged to profit or loss represent contributions payable to such fund by the Group at rates specified in the rules of this scheme.

The employees of the Company's subsidiaries in Mainland China are members of the state-managed retirement benefits scheme operated by the Government of the People's Republic of China. The Company's Mainland China subsidiaries are required to contribute a certain percentage of their employees' payroll to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the required contributions under the scheme.

At 31 March 2022, there were no forfeited contributions available to offset future employers' contributions to the schemes.

The total expense recognised in profit or loss for the year ended 31 March 2022 of HK\$1,855,000 (2021: HK\$1,315,000) represents contributions paid or payable to the above schemes by the Group.

## 35. 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		2022 HK\$'000	2021 HK\$'000
ServiceOne Limited *	Cost of sales — Outsourcing IT support services	1,840	2,831
ServiceOne Limited *	Sales	66	218
ServiceOne Limited *	Maintenance services	24	48
SOG Service Limited *	Maintenance services	7	—
SOG Service Limited	Cost of sales — Outsourcing IT support services	233	—
SOG Beijing Limited	Cost of sales — Outsourcing IT support services	5,160	—
ServiceOne Technology Services Macau Limited *	Cost of Sales — Outsourcing IT support services	78	156

\* Being transactions incurred with the parties before they are acquired by the Group on 8 October 2021.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

## 35. 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 11(a), is as follows:

	2022 HK\$'000	2021 HK\$'000
Salaries, allowances and benefits in kind	9,129	7,816
Discretionary bonuses	406	289
Retirement scheme contributions	147	108
Share-based payment	157	227
	9,839	8,440

Their remuneration fell within the following bands:

	2022	2021
Nil to HK\$1,000,000	10	10
HK\$1,000,001 to HK\$1,500,000	2	1
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
HK\$3,000,001 to HK\$3,500,000	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 during the year were approximately HK\$103,000 (2021: HK\$137,000).
- (d) Since the acquisition of S1IHL was completed on 8 October 2021, all of the transactions and balances between the Group and ServiceOne Limited or ServiceOne Technology Service Macau Limited have been eliminated for the period from 8 October 2021 to 31 March 2022.



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

## 36. NON-CONTROLLING INTERESTS

S1IHL, an indirect non-wholly-owned subsidiary of the Company, has material non-controlling interest ("NCI").

Summarised financial information in relation to the S1IHL Group, before intra-group eliminations, is presented below together with amounts attributable to NCI:

For the period ended 31 March

	2022 HK\$'000	2021 HK\$'000
Revenue	155,795	–
Cost of sales	(123,007)	–
Gross Profit	32,788	–
Other income	495	–
Administrative expenses	(26,029)	–
Finance expense	7,254 (150)	– –
Profit before tax	7,104	–
Tax expense	(1,620)	–
Profit after tax	5,484	–
Other comprehensive income for the year	815	–
Total comprehensive income for the year	6,299	–
Profit allocated to NCI	1,646	–
Other comprehensive income allocated to NCI	245	–
Total comprehensive income allocated to NCI	1,891	–
Cash flows from operating activities	6,507	–
Cash flows from investing activities	(18,416)	–
Cash flows from financing activities	(2,275)	–
Net cash outflows	(14,184)	–

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

## 36. NON-CONTROLLING INTERESTS (Continued)

As at 31 March

	2022 HK\$'000	2021 HK\$'000
Assets:		
— Property, plant and equipment	6,637	—
— Intangible assets	17,299	—
— Inventories	1,386	—
— Trade and other debtors	80,807	—
— Amounts due from fellow subsidiaries	136	—
— Bank deposits	17,900	—
— Cash and cash equivalents	42,218	—
Total assets	166,383	—
Liabilities		
— Trade and other payables	92,298	—
— Tax payables	2,610	—
— Deferred tax liabilities	2,808	—
— Lease liabilities	5,335	—
Total liabilities	103,051	—
Accumulated non-controlling interests	19,000	—

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

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

Reconciliation of liabilities arising from financing activities:

	Lease liabilities (note 15) HK\$'000	Convertible bonds (note 33) HK\$'000
At 1 April 2020	7,257	–
Changes from cash flows:		
Interest paid	(339)	–
Principal elements	(1,223)	–
Total changes from financing cash flows:	(1,562)	–
Other changes:		
Rent concession (note 7)	(185)	–
Interest expenses (note 8)	339	–
Total other changes	154	–
At 31 March 2021 and 1 April 2021	5,849	–
Changes from cash flows:		
Interest paid	(416)	(906)
Principal elements of lease payments	(3,456)	–
Total changes from financing cash flows:	(3,872)	(906)
Other changes:		
Acquisition of subsidiaries (note 42)	5,144	–
Lease modification	2,948	–
Rent concession (note 7)	(1)	–
Issuance of convertible bonds	–	54,850
Interest expenses (note 8)	416	2,550
Exchange difference	(44)	–
Total other changes	8,463	57,400
At 31 March 2022	10,440	56,494

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

## 38. 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.

	2022 HK\$'000	2021 HK\$'000
<b>Financial assets</b>		
Measured at amortised cost:		
Trade receivables	145,812	83,742
Other receivables and deposits	17,624	4,134
Finance lease receivables	244	457
Restricted bank deposits	2,021	2,021
Bank deposits	42,900	–
Cash and cash equivalents	158,459	152,105
	<b>367,060</b>	<b>242,459</b>
<b>Financial liabilities</b>		
Measured at amortised cost:		
Trade payables	132,171	98,351
Accruals, deposits received and other payables	72,684	10,208
Amount due to a related company	–	91
Consideration payable	43,148	–
Convertible bonds	56,494	–
Other financial liabilities:		
Lease liabilities	10,440	5,849
	<b>314,937</b>	<b>114,499</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

## 39. FINANCIAL RISK MANAGEMENT

The Group's financial assets that derive directly from its operations are trade and other receivables, deposits, finance lease receivables and cash and cash equivalents. Principal financial liabilities of the Group include trade and other payables, convertible bonds, consideration payable, 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.

### (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 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 6.01% and 22.39% of the total trade receivables at 31 March 2022 and 2021 respectively. The balances due from the Group's five largest customers amounted to 21.17% and 43.23% of the total trade receivables at 31 March 2022 and 2021 respectively.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 21. The credit risk for cash at bank is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

The Group measures loss allowances for trade receivables and contract assets 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 2022

## 39. 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 2022 and 2021:

	Expected loss rate (%)	2022 Gross carrying amount HK\$'000	Loss allowance HK\$'000
Current (not past due)	0.03%	62,363	16
Not more than 3 months past due	0.06%	61,685	34
3 to 6 months past due	0.26%	15,731	41
More than 6 months but less than a year past due	0.58%	4,792	28
More than a year past due	7.73%	1,474	114
		<b>146,045</b>	<b>233</b>

  

	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 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 2022

## 39. FINANCIAL RISK MANAGEMENT (Continued)

### (b) Liquidity risk

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

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

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

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

	Carrying amount HK\$'000	Total contractual undiscounted cash flow HK\$'000	Within 1 year or on demand HK\$'000	More than 1 year but less than 2 years HK\$'000	More than 2 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
At 31 March 2022							
Trade payables	132,171	132,171	132,171	–	–	–	–
Accruals, deposits received and other payables	72,684	72,684	72,684	–	–	–	–
Consideration payable	43,148	43,148	43,148	–	–	–	–
Convertible bonds	56,494	84,142	1,890	1,890	1,890	1,890	76,582
Lease liabilities	10,440	12,262	4,123	3,551	3,268	1,320	–
	314,937	344,407	254,016	5,441	5,158	3,210	76,582
At 31 March 2021							
Trade payables	98,351	98,351	98,351	–	–	–	–
Accruals, deposits received and other payables	10,208	10,208	10,208	–	–	–	–
Amount due to a related company	91	91	91	–	–	–	–
Lease liabilities	5,849	6,401	1,803	1,868	1,868	862	–
	114,499	115,051	111,453	1,868	1,868	862	–

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

## 39. 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:

	RMB	HK\$'000 MOP	USD
<b>At 31 March 2022</b>			
Cash and cash equivalents	8,153	1,345	33,503
Overall net exposure	8,153	1,345	33,503
<b>At 31 March 2021</b>			
Cash and cash equivalents	–	787	2,120
Overall net exposure	–	787	2,120

#### *Sensitivity analysis*

The following table details the Group's sensitivity to a 5% increase and decrease in HK\$ against RMB, the foreign currency with which the Group may have a material exposure. No sensitivity analysis has been disclosed for the MOP and USD denominated assets/liabilities as the impact on profit is immaterial. 5% represents management's assessment of the reasonably possible change in foreign exchange rate. The sensitivity analysis uses outstanding foreign currency denominated monetary items as a base and adjusts their translation at the end of each reporting period for a 5% change in foreign currency rate. A positive (negative) number below indicates an increase (a decrease) in profit where RMB strengthens 5% against HK\$. For a 5% weakening of RMB against HK\$, there would be an equal and opposite impact on profit.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

## 39. FINANCIAL RISK MANAGEMENT (Continued)

### (c) Currency risk (Continued)

#### *Sensitivity analysis* (Continued)

	2022 HK\$'000	2021 HK\$'000
Impact on profit or loss — RMB	305	—

### (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.

## 40. 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 2022 and 2021 amounted to approximately HK\$151,877,000 and HK\$121,995,000 respectively.

## 41. 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 2022 (2021: nil).

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

## 42. ACQUISITION OF SUBSIDIARIES

On 9 July 2021, the Group entered into an agreement with ServiceOne Global, a related party of the Group, to acquire 70% of the issued share capital of S1IHL (the "Acquisition"). The S1IHL Group is principally engaged in provision of IT infrastructure management services including IT hardware maintenance, helpdesk, IT outsourcing, and workflow automation services to end-users ("End-user Business"). Pursuant to completion of the Acquisition, the Group has vertically extended its business to provision of End-user Business. The Acquisition has been accounted for as acquisition of business using the acquisition method.

The total consideration of the Acquisition is HK\$140,000,000, which will be satisfied as to (i) HK\$64,400,000 by cash; and (ii) HK\$75,600,000 by the issue of the convertible bonds by the Company to the Vendor. The Acquisition has been completed on 8 October 2021. For details, please refer to the circular and announcement of the Company dated 17 September 2021 and 8 October 2021 respectively.

Details of the preliminary fair value of identifiable assets and liabilities, purchase consideration and goodwill recognised are as follows:

	Fair value HK\$'000
Property, plant and equipment (note 14)	6,170
Intangible assets (note 16)	19,319
Inventories	3,232
Trade receivables	43,738
Prepayment, deposits and other receivables	19,084
Amount due from a related company	91
Cash and cash equivalents	56,031
Trade payables	(9,375)
Accruals, deposits received and other payables	(70,916)
Lease liabilities	(5,144)
Tax payables	(2,079)
Deferred tax liabilities (note 28)	(3,120)
Non-controlling interests	(17,109)
	<hr/>
Fair value of net assets acquired	39,922
	<hr/>
Cash consideration	64,400
Fair value of convertible bonds	75,600
	<hr/>
Total consideration	140,000
Less: Fair value of net assets acquired	(39,922)
	<hr/>
Goodwill (note 17)	100,078
	<hr/>
Net cash inflow arising on acquisition of subsidiaries:	
Cash consideration paid	(21,252)
Less: Cash and cash equivalents acquired	56,031
	<hr/>
	34,779
	<hr/>

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

## 42. ACQUISITION OF SUBSIDIARIES (Continued)

Acquisition-related costs amounting to HK\$3,127,000 are excluded from the consideration transferred and have been recognised as an expense in the current year, within the administrative expenses in the consolidated statement of comprehensive income.

The fair value of trade and other receivables at the date of Acquisition amounted to HK\$55,686,000. The gross contractual amounts of those trade and other receivables acquired amounted to HK\$55,686,000 at the date of acquisition. The best estimate at acquisition date of the contractual cash flows not expected to be collected was nil.

Goodwill arose in the Acquisition because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth and future market development. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for the identifiable assets.

None of the goodwill arising on the Acquisition is expected to be deductible for tax purposes.

Included in profit for the year is HK\$5,484,000 attributable to the additional business generated by S1IHL Group. Revenue for the year includes HK\$155,795,000 generated from S1IHL Group.

Had the Acquisition been completed on 1 April 2021, revenue for the current year of the Group would have been HK\$821,377,000, and profit for the current year of the Group would have been HK\$23,790,000. The pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the Acquisition been completed on 1 April 2021, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had S1IHL Group been acquired at the beginning of the current year, the directors calculated amortisation of intangible assets acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

## 43. EVENTS AFTER REPORTING DATE

On 21 June 2022, Expert Systems Group Limited and Expert Systems Technology Limited ("Joint Venture Company"), both wholly-owned subsidiaries of the Company, entered into the Joint Venture Agreement (the "Transaction") with Mr. Chan Chun Chung ("Mr. Chan"), pursuant to which, Mr. Chan agreed to subscribe for, and the Joint Venture Company agreed to allot and issue to Mr. Chan, 300 shares at US\$300. Completion of such Transaction has taken place after the signing of the Joint Venture Agreement.

Immediately before completion of the Transaction, the Joint Venture Company was indirectly wholly-owned by the Company. After completion of the Transaction, the Joint Venture Company is owned as to 70% by the Group and 30% by Mr. Chan and the Joint Venture Company has become an indirect non wholly-owned subsidiary of the Company. The financial results of the Joint Venture Company will continue to be consolidated into those of the Group after completion of the Transaction.

Details of the Transaction are set out in the Company's announcement dated 21 June 2022.

## 44. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 24 June 2022.