



# **i-CONTROL**

## **i-Control Holdings Limited**

### **超智能控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

Stock code: 1402



# ANNUAL REPORT 2022

# CONTENTS

<b>2</b>	Corporate Information
<b>3</b>	Chairman's Statement
<b>6</b>	Management Discussion and Analysis
<b>13</b>	Directors and Senior Management
<b>19</b>	Corporate Governance Report
<b>29</b>	Environmental, Social and Governance Report
<b>43</b>	Report of the Directors
<b>54</b>	Independent Auditor's Report on the Consolidated Financial Statements
<b>57</b>	Consolidated Statement of Profit or Loss and Other Comprehensive Income
<b>58</b>	Consolidated Statement of Financial Position
<b>60</b>	Consolidated Statement of Changes in Equity
<b>61</b>	Consolidated Statement of Cash Flows
<b>63</b>	Notes to the Consolidated Financial Statements
<b>115</b>	Particulars of Properties
<b>116</b>	Financial Summary



## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Executive Directors

Mr. Zhong Naixiong (*Chairman*)  
Mr. Yau Wing Keung  
Mr. Tong Sai Wong  
Mr. Chan Wing Yiu  
Mr. Chan Wing Lun

#### Non-Executive Director

Dr. Wong King Keung

#### Independent Non-Executive Directors

Mr. Fong Chi  
Mr. Lai Kai Ming Ricky\*  
Mr. Lum Pak Sum  
Mr. Fung Chan Man Alex#  
Mr. Li Ying Wai Wayne^

### COMPANY SECRETARY

Ms. Ng Tsz Wai, CPA

### COMPLIANCE OFFICER

Mr. Chan Wing Yiu

### BOARD COMMITTEES

#### Audit Committee

Mr. Lum Pak Sum (*Chairman*)  
Mr. Fong Chi  
Mr. Lai Kai Ming Ricky\*  
Mr. Li Ying Wai Wayne^

#### Nomination Committee

Mr. Fong Chi (*Chairman*)  
Mr. Lai Kai Ming Ricky\*  
Mr. Lum Pak Sum  
Mr. Fung Chan Man Alex#  
Mr. Li Ying Wai Wayne^

#### Remuneration Committee

Mr. Lai Kai Ming Ricky\* (*Chairman*)  
Mr. Fong Chi  
Mr. Lum Pak Sum  
Mr. Fung Chan Man Alex#  
Mr. Li Ying Wai Wayne^

### AUTHORISED REPRESENTATIVES

Mr. Yau Wing Keung  
Ms. Ng Tsz Wai

### AUDITOR

SHINEWING (HK) CPA Limited  
43/F, Lee Garden One  
33 Hysan Avenue  
Causeway Bay  
Hong Kong

### LEGAL ADVISER

Vincent T.K. Cheung, Yap & Co.  
Suite 2302, 23/F  
Office Tower, Convention Plaza  
1 Harbour Road  
Wanchai  
Hong Kong

### REGISTERED OFFICE

Windward 3, Regatta Office Park  
PO Box 1350  
Grand Cayman KY1-1108  
Cayman Islands

### HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Units A&B, 12/F, MG Tower  
133 Hoi Bun Road  
Kwun Tong  
Kowloon  
Hong Kong

### PRINCIPAL BANKER

The Hongkong and Shanghai Banking Corporation Limited  
1 Queen's Road Central  
Hong Kong

OCBC Wing Hang Bank Limited  
161 Queen's Road Central  
Hong Kong

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Ocorian Trust (Cayman) Limited  
Windward 3, Regatta Office Park  
PO Box 1350  
Grand Cayman KY1-1108  
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

(with effect from 15 August 2022)  
17/F, Far East Finance Centre  
16 Harcourt Road  
Hong Kong

### COMPANY'S WEBSITE

<http://www.i-controlholdings.com>

### STOCK CODE

1402

\* Appointed on 31 May 2022

# Resigned on 11 January 2022

^ Resigned on 31 May 2022

## CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of i-Control Holdings Limited (the "**Company**"), I am pleased to present the audited annual results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year under review (the "**Reviewing Year**").

The global coronavirus outbreak (COVID-19) and the spread of the highly transmissible Omicron variant of COVID-19 continue to strike economy around the world. In the first quarter of 2022, the Hong Kong economy saw marked deterioration in GDP, a 4.0% year-on-year (YoY) contraction, which is the first contraction since the fourth quarter of 2020. This was mainly due to the suspension of economic activities and declined economic sentiment under the fifth wave of pandemic and resultant restrictive measures. During the Reviewing Year, the economic environment was dampened by the fifth pandemic wave especially the work-from-home arrangements adopted by government and financial institutions and multi-national corporations, public companies and education institutions in the first quarter of 2022 which persistently affected the Group's operations and financial performance of video conferencing and multimedia audiovisual ("**VCMA**") solutions in Hong Kong – with new project launches delayed and ongoing projects suspended.

As a leading provider of VCMA solutions in Hong Kong with over three decades of experience, we offer customers integrated and customized VCMA solution and maintenance services. These range from project consultation and design, to project management, installation and maintenance. Our extensive and established customer base includes major government and financial institutions and multi-national corporations, public companies and education institutions that are primarily located in Hong Kong though with some in the PRC and Macau. We provide them with customized VCMA solutions to suit various requirements and specifications across a wide spectrum of industries.

Following the stabilization of the pandemic development and relaxation in social distancing measures since late April 2022, we believe our VCMA business will recover gradually together with Hong Kong economy in coming year.

For the Reviewing Year, the Group recorded a 17.9% growth in revenue of approximately HK\$171,448,000 (2021: HK\$145,380,000). This was primarily attributable to a rapid growth in our cloud-based Information Technology and Operational Technology ("**IT+OT**") managed services business in the People's Republic of China ("**PRC**") by approximately 7.5 times, from approximately HK\$3,520,000 to approximately HK\$26,341,000.

Since our expansion into the ubiquitous internet of things ("**IoT**"), where IT+OT converge, in early 2021, Beijing National Greenfield Technology Co. Limited\* (北京能興國雲信息科技有限公司) ("**Beijing National Greenfield**") focuses on inter alia, IoT cloud services, cyber security operation centre products and services, and digital transformation consulting services and targets at major multi-national and local enterprises in the PRC and provide our customers a full range of cloud-based services – from Software as a Service (SaaS), the Artificial Intelligence of Things ("**AIoT**") operation, self-developed data security operation center products and services through to IDC digital management products and services.

For the Reviewing Year, the key highlights of our cloud-based IT+OT managed services business are summarized as follows:

- recorded approximately 7.5 times growth in revenue, from approximately HK\$3,520,000 for the year ended 31 March 2021 to approximately HK\$26,341,000 for the year ended 31 March 2022, representing revenue per staff of approximately HK\$2,927,000 (2021: HK\$704,000);
- posted first profit before tax of approximately HK\$495,000 in less than 18 months' operation; and
- allocated approximately HK\$2,595,000 (2021: HK\$116,000) on research and development expenses, approximately 9.9% (2021: 3.3%) of revenue from cloud-based IT+OT managed services business.

## CHAIRMAN'S STATEMENT

In June 2021, Beijing National Greenfield entered into a 5-year OEM agreement (the "**Agreement**") with Micro Focus Singapore entity for its ArcSight product in the PRC. Micro Focus is a world leading enterprise software company. Pursuant to the Agreement, Beijing National Greenfield not only has OEM authorization (the "**OEM Authorization**") to offer ArcSight, a "safe operation service", under its own brand, it also obtained authorization to be Micro Focus's cloud management service provider in the PRC. ArcSight is a cyber-security product which provides big data security analytics and intelligence software for Security Information and Event Management ("**SIEM**"), and log management. According to the OEM Authorization, Beijing National Greenfield is authorized to build its Security Operation Centers (SOC) product and intellectual property based on ArcSight product.

In September 2021, Beijing National Greenfield has successfully secured the intellectual property rights of two security solutions, namely InterSight Logger and InterSight Enterprise Security Manager ("**ESM**") in the PRC. InterSight Logger supports a comprehensive log management solution, which facilitates compliance enforcement, transaction log search and data storage security. InterSight Logger eases compliance workload and expedite tracking efficiency while InterSight ESM is a powerful, open and intelligent SIEM solution which supports real-time threat detection and response. These two products are designed to address the high demand emerged from the PRC corporate market.

To further strengthen the co-operation with Micro Focus, Beijing National Greenfield entered into an OEM Addendum (the "**OEM Addendum**") based on the Agreement with Micro Focus Singapore entity in February 2022 for its Fortify product in the PRC. Pursuant to the OEM Addendum, Beijing National Greenfield was further granted the OEM authorization to offer Fortify, an "application security testing product" that enables development teams and security experts to analyze source code, detect security vulnerabilities, and assist developers to identify, prioritize, and resolve risks more quickly and easily.

In March 2022, Beijing National Greenfield has also completed the development of capacity and authorization management solution for its security products which includes InterSight Logger and InterSight ESM under its own brand, as well as Fortify under the OEM Addendum (the "**Solution**"). The Solution is designed to offer more security products and solutions that are better fit and compatible to the PRC market, which is demanding higher originality. Beijing National Greenfield has also submitted a new intellectual property application of the Solution in the PRC in June 2022.

During the Reviewing Year, Beijing National Greenfield was granted 2021 Best Breakthrough Award by Micro Focus in the PRC as a compliment of the breakthrough of the strategic cooperation between Micro Focus and Beijing National Greenfield (the "**Co-operation**"). In April 2022, Beijing National Greenfield was the only strategic partner of Micro Focus in the PRC being invited to Asia Pacific and Japan Universe 2022 to share its views on the digital transformation security strategy. As a successful case of digital transformation security strategic co-operation and development, the Co-operation was also shared by the Department for International Trade of the United Kingdom.

We have every confidence in embarking on the development of our cloud-based IT+OT managed services business driven by Beijing National Greenfield. Not only do we have solid experience in VCMA solutions and expertise in cloud technology platforms, we can also draw on the deep experience of Beijing National Greenfield's management team in serving multi-national companies and playing a senior role in planning, building and maintaining major cloud infrastructure and management projects.

In March 2021, we also made a new investment in a 4% stake in Changzhou Guoyun Green Data Technology Co., Limited\* (常州國雲綠色數據技術有限公司) ("**Changzhou Guoyun**") which owns a plot of land in Changzhou, the PRC's innovation hub for technology enterprises. This plot of land is being developed into a smart and sustainable internet data center (the "**Changzhou IDC**"). During the Reviewing Year, the construction of the Changzhou IDC was delayed due to the fifth wave outbreak of the COVID-19 with the Omicron variant in various cities and provinces in the PRC. With gradual relief of extensive lockdown measures in the PRC and finalization of banking financing for the development of the Changzhou IDC, the construction of Changzhou IDC is expected to be completed and begin trial-operation within the first quarter of 2023.

## CHAIRMAN'S STATEMENT

In light of the gradual recovery from the COVID-19 pandemic, we anticipate the demand for VCMA solution services will gradually resume and cloud-based IT+OT managed services will continue its remarkable growth in both revenue and profitability. The Group will prudently seek opportunities in both VCMA solution services and cloud-based IT+OT managed services in the PRC. This will help expand our business and create greater value for our shareholders.

Finally, on behalf of the Board, I would like to extend our sincere gratitude to our customers, business partners, suppliers, and shareholders of the Company (the "**Shareholders**") for their unwavering support. We also deeply appreciate the efforts and initiative shown by our management and staff during this challenging year.

**Zhong Naixiong**  
*Chairman*

Hong Kong, 24 June 2022

\* *English names for identification purposes only*



# MANAGEMENT DISCUSSION AND ANALYSIS

## INDUSTRY OVERVIEW

During the outbreak of the Omicron variant, the Hong Kong economy was hit hard by the fifth wave of outbreak of the virus, resulting in a 4.0% fall in GDP in the first quarter of 2022. Overall vacancy rate for Hong Kong's commercial property market went up to a decade-high of 10.9%, thereby greatly reduced the demand for installing and upgrading smart office systems, audiovisual equipment and related services.

At the same time, weak business sentiment and sluggish retail consumption meant that many trade and commercial activities were put on hold or delayed. The postponement and cancellation of onsite business conferences, closure of shopping centers, and suspension of public events all seriously reduced demand for digital display equipment and related products.

In January 2022, the State Council of the PRC unveiled the first five-year plan on the digital economy of the PRC, highlighting the sector's role in reshaping the global economic structure and international competition, and rolling out targets for its development through 2025. We anticipate that the demand for digital transformation and cloud-based data security services will continue to post dramatic growth.

## BUSINESS REVIEW

During the Reviewing Year, the Group maintained its market position as one of Hong Kong's leading service providers of VCMA solutions. The Group's revenue is primarily derived from the provision of (i) VCMA solution and maintenance services; and (ii) cloud-based IT+OT managed services.

### Provision of VCMA solution and maintenance services

The outbreak of COVID-19 pandemic since early 2020 had adversely affected the global business environment, leading to weak business sentiment, restricted cross-border and international travel, and high vacancy rates of Grade A office. Our VCMA business continued to experience reducing demand for installing and upgrading smart office systems, audiovisual equipment and related services. Moreover, the recovery of VCMA business originally occurred during the first three quarters for the Reviewing Year has inevitably slowed down under the spread of the Omicron variant of COVID-19 in the first quarter of 2022.

### Provision of cloud-based IT+OT managed services

During the Reviewing Year, the Group continued to expand into cloud-based IT+OT managed services business in the PRC. Beijing National Greenfield achieved a remarkable growth in revenue and recorded its first profit. With the enhanced co-operation with Micro Focus and allocation of more resources on research and development, our cloud-based IT+OT managed services business is expected to continue to be a key revenue driver for the Group in the coming few years.

## FINANCIAL REVIEW

### Segment analysis

The table below sets out the Group's revenue by segment:

	Year ended 31 March 2022		Year ended 31 March 2021	
	HK\$'000	%	HK\$'000	%
<b>Provision of VCMA solution and maintenance services:</b>				
– VCMA solution services	124,259	72.5	123,083	84.7
– VCMA maintenance services	20,848	12.1	18,777	12.9
<b>Provision of cloud-based IT+OT managed services:</b>				
– AIoT operation and other services	14,843	8.7	2,870	2.0
– Security services	11,498	6.7	650	0.4
<b>Total</b>	<b>171,448</b>	<b>100.0</b>	<b>145,380</b>	<b>100.0</b>

## MANAGEMENT DISCUSSION AND ANALYSIS

### Revenue

The Group's revenue increased by approximately 17.9% from approximately HK\$145,380,000 for the year ended 31 March 2021 to approximately HK\$171,448,000 for the year ended 31 March 2022.

Revenue generated from VCMA solution services increased by approximately 1.0% from approximately HK\$123,083,000 for the year ended 31 March 2021 to approximately HK\$124,259,000 for the year ended 31 March 2022, which was mainly attributable to increase in projects completed during the first three quarters of the Reviewing Year but partially offset by postponed projects and orders under the fifth wave of local epidemic in the first quarter of 2022.

Revenue generated from VCMA maintenance services increased by approximately 11.0% from approximately HK\$18,777,000 for the year ended 31 March 2021 to approximately HK\$20,848,000 for the year ended 31 March 2022, which was primarily attributable to the increase in total maintenance projects, customers preferred renewal of maintenance service over investing on new digital display equipment and related products.

Revenue generated from AIoT operation and other services and security services increased by approximately 5.2 times and 17.7 times from approximately HK\$2,870,000 and approximately HK\$650,000 for the year ended 31 March 2021 to approximately HK\$14,843,000 and approximately HK\$11,498,000 for the year ended 31 March 2022 respectively, which was attributable to the projects completed during the year ended 31 March 2022 being more sizable and the obtaining of the OEM authorization of ArcSight product in June 2021, details of which are set out in the section headed "Chairman's Statement" of this annual report.

### Gross operating profit and gross operating profit margin

Gross operating profit is calculated based on the revenue for the year minus the cost of sales for the year. Gross operating profit margin is calculated based on the gross operating profit for the year divided by the revenue for the year and multiplied by 100%.

Gross operating profit increased by approximately 7.1% from approximately HK\$56,823,000 for the year ended 31 March 2021 to approximately HK\$60,864,000 for the year ended 31 March 2022 which was primarily attributable to increase in revenue from cloud-based IT+OT managed services for the Reviewing Year.

The gross operating profit margin slightly decreased to approximately 35.5% for the year ended 31 March 2022 (2021: 39.1%) mainly due to increase in proportion of revenue from cloud-based IT+OT managed services with lower gross operating profit margin than VCMA business as a whole.

### Staff cost

Staff cost increased by approximately 11.3% from approximately HK\$35,207,000 for the year ended 31 March 2021 to approximately HK\$39,201,000 for the year ended 31 March 2022 mainly due to increase in headcount of cloud-based IT+OT managed services business to support its rapid growth during the Reviewing Year.

### Depreciation

Depreciation expenses remained stable at approximately HK\$3,037,000 for the year ended 31 March 2022 (2021: HK\$3,282,000).

### Other operating expenses

Other operating expenses increased by approximately 42.7% from approximately HK\$6,922,000 for the year ended 31 March 2021 to approximately HK\$9,880,000 for the year ended 31 March 2022 mainly due to expansion of our cloud-based IT+OT managed services business, increase in legal and professional fees and incurrence of placing commission for placing of new Company's shares (the "Shares").

## MANAGEMENT DISCUSSION AND ANALYSIS

### Finance costs

Finance costs decreased by approximately 36.3% from approximately HK\$582,000 for the year ended 31 March 2021 to approximately HK\$371,000 for the year ended 31 March 2022 as the general interest rate had decreased during the Reviewing Year.

### Income tax expenses

Income tax expenses increased slightly from approximately HK\$1,943,000 for the year ended 31 March 2021 to approximately HK\$2,021,000 for the year ended 31 March 2022, which was mainly due to increase in taxable profit in the PRC during the Reviewing Year.

### Profit for the year

Profit for the year decreased from approximately HK\$12,724,000 for the year ended 31 March 2021 to approximately HK\$6,685,000 for the year ended 31 March 2022, which was mainly due to the absence of non-recurring government subsidies from the Employment Support Scheme (2021: approximately HK\$3,447,000), increase in legal and professional fees and incurrence of placing commission for placing of new Shares.

## PROSPECT

Looking ahead, the Group will continue to maintain and strengthen its position as one of Hong Kong's leading VCMA solution providers and expand our market share in the PRC's VCMA solution industry, for example in the Greater Bay Area. As Hong Kong's economy gradually recovers with the macro-economy rebounding and growing numbers of residents being vaccinated, we expect that demand for VCMA solution services will increase gradually. In the near future, we believe more companies will urgently seek to transform their operations with smart devices and cloud-based technologies both in Hong Kong and across Asia. Given our market-leading position in Hong Kong, this will create substantial business opportunities for the Group to provide integrated one-stop VCMA solutions as well as cloud-based IT+OT managed services.

In terms of cloud-based IT+OT managed services, Beijing National Greenfield not only recorded a remarkable growth during the Reviewing Year but also extended the OEM authorization with Micro Focus from ArcSight product to Fortify product. Beijing National Greenfield will continue to strengthen its co-operation with Micro Focus and focus on the areas of AIoT operation and other services and security services in order to meet our customers' demand on desired products, solutions and services in the PRC.

Through integration of security, IoT and other technologies, Beijing National Greenfield has achieved a new breakthrough in product, solution and service capability. In May 2022, Beijing National Greenfield has substantially completed its first product development project, "Next Generation Intelligent Operation and Management Platform" (the "**Platform**") which is an integrated operation and management platform based on IoT, big data, security and other technologies, providing end-to-end operation and management support from OT to IT for our customers' buildings, parks and cities.

The Platform consists of multi-functional modules, including power monitoring system, operational environment monitoring system, real-time energy consumption management system, alert and early warning system, emergence smart decision support system, IT operation management system, security operation center system, asset management system, digitalized command center system, etc. The Platform adopts unified data architecture to attain a high level of integration and completeness, while maintaining the flexibility of loose coupling. With high level of integration and flexible combination of functional modules, the Platform is able to offer the most compatible solution and product portfolio according to different requirements of diversified scenarios and customers.

The Platform is designed to be easily adapted in a variety of customers and scenarios, such as IDC smart management, smart building management, smart park management, smart city management, etc. By offering the integration of the end-to-end management and analysis capability, and also the ability of whole lifecycle management, the Platform empowers customers to optimize the management process, improve the operational efficiency, enhance the management level of energy consumption, and save overall operational costs. Beijing National Greenfield has also submitted twelve intellectual property applications in relation to the Platform in the PRC in June 2022.

## MANAGEMENT DISCUSSION AND ANALYSIS

The release of the Platform will further enhance the capability of provision of cloud-based IT+OT managed services and the possibility of business development of Beijing National Greenfield.

The Group expects that cloud-based IT+OT managed services will continue to be the key revenue contributor of the Group due to surging demand for data security and one-stop smart IDC and IT services. Our cloud-based IT+OT managed services will include AloT operation, Security Operation Centers (SOC), focusing on security services, and digital operations business which mainly comprises smart IDC and IT services, and operations management.

With our extensive experience in VCMA solutions, increasing demand of the public cloud services market, and strong management team leading our cloud-based IT+OT managed services business, we believe that the Group will be able to achieve rapid growth in the coming years.

We will adopt a prudent yet proactive development strategy and continue to identify potential investment opportunities, seizing every opportunity to build sustainable success, and delivering satisfactory long-term returns to our shareholders.

### LIQUIDITY AND FINANCIAL RESOURCES

The Group's operations and investments were financed principally by cash generated from its own business operations and bank borrowings. As at 31 March 2022, the Group had net current assets of approximately HK\$79,908,000 (2021: HK\$60,076,000) and cash and cash equivalents of approximately HK\$71,034,000 (2021: HK\$68,692,000). Current liabilities of the Group as at 31 March 2022 included carrying amount of approximately HK\$18,431,000 (2021: HK\$4,936,000) in bank borrowings that were not repayable within one year from the end of reporting period but contained a repayment on demand clause.

### GEARING RATIO

As at 31 March 2022, the gearing ratio (calculated on the basis of total debt divided by total assets) of the Group was approximately 9.2% (2021: 12.7%).

### FOREIGN CURRENCY RISK

The majority of the Group's business transactions are in Hong Kong and are denominated in Hong Kong dollars. The Group currently does not have a foreign currency hedging policy. However, the Directors will continuously monitor the related foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

### CAPITAL COMMITMENT

Details of capital commitments are set out in note 31 to the consolidated financial statements in this annual report.

### CAPITAL STRUCTURE

The Shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 18 December 2019.

On 7 May 2021, a total of 500,000 new Shares were issued under the Share Award Scheme at nominal value under the general mandate. Details are set out in the section headed "Share Award Scheme".

On 19 August 2021, the Company has completed a placing of 50,000,000 new Shares under the general mandate. Details of the placing are set out in the section headed "Placing of New Shares under General Mandate".

The capital structure of the Group consists of net debt, which includes bank borrowings, net of cash and cash equivalents and equity attributable to the owners of the Company, comprising issued share capital and reserves. The Directors review the Group's capital structure regularly. As part of this review, the Directors have considered the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends, issuance of new Shares as well as issue of new debts or convertible securities or through repayment of borrowings.

## MANAGEMENT DISCUSSION AND ANALYSIS

### PLACING OF NEW SHARES UNDER GENERAL MANDATE

On 11 August 2021, the Company entered into a placing agreement with an independent placing agent whereby the Company conditionally agreed to place, through the placing agent, on a best effort basis, up to 50,000,000 new Shares to not less than six independent placees at the placing price of HK\$0.57 per placing share (the “**Placing**”).

The completion of the Placing took place on 19 August 2021. A total of 50,000,000 new Shares have been issued under general mandate and allotted to not less than six placees at the placing price of HK\$0.57 per placing share and gross proceeds of HK\$28,500,000 was raised through the Placing.

The net proceeds from the Placing, after deduction of the placing commission and other costs and expenses relating to the Placing, amounted to approximately HK\$27,530,000 (the “**Net Proceeds**”).

On 30 December 2021, the Board has resolved to change the intended use of the unutilised Net Proceeds and updated timeline for utilisation of the Net Proceeds for more efficient use of the Group’s financial resources.

As disclosed in the announcement of the Company dated 14 April 2022, the Board has further resolved to extend timeline for utilisation of the Net Proceeds intended to be used for the development of IT+OT business in the PRC to on or before 31 March 2023 in light of the continuing uncertainty brought about by the COVID-19 pandemic.

The following table sets forth the use of the Net Proceeds:

	Planned use of Net Proceeds as stated in the announcement dated 11 August 2021 (HK\$' million)	Revised use of Net Proceeds as stated in the announcement dated 30 December 2021 (HK\$' million)	Actual use of Net Proceeds up to 31 March 2022 (HK\$' million)	Amount of remaining proceeds as at 31 March 2022 (HK\$' million)	Updated expected timeline for utilising the remaining proceeds
Enhancing the development of VCMA solution services business in the PRC	12.39	3.81	0.02	3.79	on or before 31 March 2023
Development of IT+OT business in the PRC	12.39	12.39	6.13	6.26	on or before 31 March 2023
Working capital and general corporate purposes	2.75	2.75	2.75	–	N/A
Payment of the capital commitment by the Group in Changzhou Guoyun	N/A	8.58	8.58	–	N/A
Total:	27.53	27.53	17.48	10.05	

The unused Net Proceeds amounting to approximately HK\$10.05 million were deposited in licensed banks in Hong Kong.

Further details of the Placing were set out in the Company’s announcement dated 11 August 2021 and 19 August 2021.

## MANAGEMENT DISCUSSION AND ANALYSIS

### FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in the section headed “Placing of New Shares under General Mandate” above; and details of financial assets at fair value through other comprehensive income and loan to an investee set out in note 16 and details of capital commitments set out in note 31 to the consolidated financial statements in this annual report, the Group did not have any plans for material investments or capital assets as of 31 March 2022.

### CHARGE ON THE GROUP’S ASSETS

As at 31 March 2022, land and buildings of approximately HK\$80,155,000 (2021: HK\$82,786,000) were pledged to secure banking facilities granted to the Group.

### CONTINGENT LIABILITIES

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

### COMPLIANCE WITH LAWS AND REGULATIONS

The Group recognises the importance of compliance with regulatory requirements and the risk of non-compliance with such requirements could lead to the termination of operating licenses. The Group has set up a system and allocated resources to ensure ongoing compliance with rules and regulations. During the Reviewing Year, the Group has complied, to the best of the Directors’ knowledge, with the Securities and Futures Ordinance (the “SFO”), the Rules Governing the Listing of Securities of the Stock Exchange (the “Listing Rules”), the applicable employment laws both in the PRC and Hong Kong, the local standards and regulations for the Group’s project works as well as other relevant rules and regulations.

As far as the Board is aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group.

### ENVIRONMENTAL POLICY

The Group is committed to maintaining itself as an environmental-friendly corporation by minimizing environmental impact with electricity saving and resources recycling. During the Reviewing Year, to the best of the Directors’ knowledge, the Group had not experienced any material environmental incidents arising from its operation. During the Reviewing Year, no material administrative sanctions or penalties were imposed upon the Group’s operation for the violation of environmental laws or regulations which had an adverse impact on its operation.

Please refer to the Environmental, Social and Governance Report in this annual report.

### MATERIAL ACQUISITIONS AND DISPOSALS

During the year ended 31 March 2022, the Group had no material acquisitions or disposals of subsidiaries, associates and joint ventures.

### EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2022, the Group employed 85 (2021: 71) full-time employees. The remuneration policy of the Group to reward its employees and executives is based on their performance, qualifications, working experience, competence displayed with reference to selected comparable market remuneration data.

## MANAGEMENT DISCUSSION AND ANALYSIS

### PRINCIPAL RISKS AND UNCERTAINTIES

The Group faces the following principal risks and uncertainties that may materially and adversely affect its business, financial status and operating results:

- The Group's revenue is mainly derived from projects which are not recurring in nature and any decrease in the number of projects would affect the Group's operations and financial results.
- The Group depends on large projects for the Group's business success and failure to secure large projects may materially and adversely affect our business, results of operations and financial condition.
- The Group determines the Group's fee based on estimated time and costs, yet the actual time and costs incurred may deviate from our estimates due to unexpected circumstances, thereby adversely affecting the Group's operations and financial results.
- The outbreak of COVID-19 or any other natural disasters or pandemics may severely affect and restrict the level of economic activity in Hong Kong and the PRC which may in turn have a material and adverse effect on the Group's business, financial position and results of operations.
- The Group has developed a new business segment, namely cloud-based IT+OT managed services business, and failure to implement the business plan would affect the Group's operation and financial results.

## DIRECTORS AND SENIOR MANAGEMENT

### EXECUTIVE DIRECTORS

**Mr. Zhong Naixiong (鍾乃雄) (“Mr. Zhong”)**, aged 58, was appointed as an executive Director and designated as the chairman (the “**Chairman**”) of the Board on 7 December 2017. Currently, he is in charge of managing the overall business development and strategic planning of the Group.

Mr. Zhong is an experienced investor in various businesses in both Hong Kong and the PRC. He has accumulated comprehensive experience in business management and investment services through working in the insurance, retail and auction industries during the period from 1984 to 2002. He also has more than 15 years of working experience in property development and in investment business. Mr. Zhong founded Guangdong Puxun Industry Investment Company Limited\* (廣東普迅實業投資有限公司), a company principally engaged in industrial investments, investment management, marketing planning, trade and commerce information consulting and business management consulting, and Foshan Xingpu Investment Company Limited\* (佛山市興普投資有限公司), a company principally engaged in industrial investments, investment management, domestic trading, marketing planning and commodities information consulting. Mr. Zhong has served as the chief executive officer at Guangdong Puxun Industry Investment Company Limited since 2006 and as the chief executive officer at Foshan Xingpu Investment Company Limited since 2008.

Since 2011, Mr. Zhong has served as the honorary chairman of the board of Nenking Holdings Group Company Limited\* (能興控股集團有限公司), a company which, together with its subsidiaries and affiliates, is principally engaged in property development, property management, financial services, pharmaceutical, sports and cultural activities, trading and procurement services and investment holding. He has served as the chairman of Long Lions Basketball Club Co., Ltd.\* (龍獅籃球俱樂部股份有限公司), a company listed on the National Equities Exchange and Quotations (NEEQ stock code: 871888) in Beijing, since 2016.

Mr. Zhong obtained a master’s degree in management in 2005 and subsequently a doctorate degree in industrial economics in 2008, both from Jinan University.

**Mr. Yau Wing Keung (游永強) (“Mr. Yau”)**, aged 62, was appointed as an executive Director on 7 December 2017. He is responsible for overall financial management and business planning of the Group.

Mr. Yau has over 30 years of working experience in investment banking and financial management across Asia Pacific Region. He held key positions at various leading financial institutions and top investment banks including Citibank N.A., Morgan Stanley Asia Limited, China International Capital Corporation Limited and Credit Suisse Group AG in Hong Kong, Australia, Shanghai and Beijing.

He has been serving as principal at Cheetah Advisors Limited, an investment advisory company licensed by the Securities and Futures Commission of Hong Kong, since 2005.

Before founding his own business, Mr. Yau was an investment director of HSBC NF Investment Advisers Limited (now known as InfraRed NF Investment Advisers Limited), responsible for deal originating, structuring, deal closing and post investment monitoring, from 2007 to 2008. He founded Swiss Asia Investment Management (HK) Limited, a private investment holding and management company, in 2009 and has been serving as the managing director since then.

Mr. Yau obtained a bachelor’s degree of social sciences from the University of Hong Kong in 1983.

\* English names for identification purposes only

## DIRECTORS AND SENIOR MANAGEMENT

**Mr. Tong Sai Wong (唐世煌) (“Mr. Tong”)**, aged 71, is one of the founders of the Group. He was appointed as a Director on 21 August 2014 and designated as an executive Director on 11 May 2015. He also served as the chairman of the Board from 11 May 2015 to 7 December 2017. Currently, he is in charge of devising the business strategies and managing the development of the Group’s audiovisual business.

Mr. Tong founded the Group together with Dr. Wong King Keung and Mr. Chan Wing Yiu in February 1987. Prior to founding the Group, in the mid-1970s, Mr. Tong worked in 3M Hong Kong Limited (3M 香港有限公司), previously known as 3M Far East Limited (3M 遠東有限公司). He was awarded the Sales Representative of the Month in December 1974 and Salesman of the Year in 1975 in the Target 40 Program in July 1975, where he was engaged in the promotion of visual products in the government and educational markets. Mr. Tong then joined Filmo of Hutchison Group in 1976 as Manager of Audio Visual Division. In 1979, he set up Edutec International Ltd. with Mr. Chan Wing Yiu and others and served as executive director to develop audiovisual business. Mr. Tong has over 40 years of experience in the audiovisual industry.

Mr. Tong is also involved in the public service sector. Currently, Mr. Tong is one of the Governors and a member of the Executive Committee of Charles K. Kao Foundation for Alzheimer’s Disease Limited, a tax-exempted charity incorporated in April 2010. He was appointed as a permanent honorary president of Hong Kong Pui Ching Alumni Association in 2008.

Mr. Tong graduated from Pui Ching Middle School in 1969. He passed the Chinese University of Hong Kong Matriculation Examination in July 1969 and was qualified for the admission. However, due to personal reason, Mr. Tong did not pursue tertiary education and decided to develop his own career.

**Mr. Chan Wing Yiu (陳詠耀) (“Mr. WY Chan”)**, aged 71, is one of the founders of the Group. He was appointed as a Director on 21 August 2014 and designated as an executive Director on 11 May 2015. He is also the compliance officer of the Company. He founded the Group together with Dr. Wong King Keung and Mr. Tong in February 1987. Mr. WY Chan is responsible for the Group’s financial management. Mr. WY Chan has approximately 40 years of experience in the audiovisual industry.

Prior to setting up the Group, Mr. WY Chan had already gained expertise in the audiovisual field and management experience. In March 1976, Mr. WY Chan served as a chief accountant in Filmo (HK) Limited (菲林模(香港)有限公司). In August 1977, Mr. WY Chan was promoted to the position of finance controller and he reported to the chief executive and was responsible for all financial matters before he left the company in January 1978. In 1979, he set up Edutec International Ltd. with Mr. Tong and others and served as executive director to develop audio visual business.

Mr. WY Chan served in Shenzhen GoodYear Enterprise Company Limited\* (深圳嘉年實業股份有限公司) (previously known as Shenzhen GoodYear Printing & Packaging Company Limited\* (深圳嘉年印刷包裝有限公司)) as a deputy general manager and a director from May 1993 to October 2000 and from July 1998 to April 2007 respectively. The company was mainly engaged in the production of printed materials.

\* English names for identification purposes only

## DIRECTORS AND SENIOR MANAGEMENT

**Mr. Chan Wing Lun (陳永倫) (“Mr. WL Chan”)**, aged 47, was appointed as a Director on 21 August 2014 and designated as an executive Director on 11 May 2015. He is principally responsible for marketing and business promotion of the Group and overseeing the Group’s general business operations including approving purchase orders to suppliers and contracts with customers and providing internal trainings to the Group’s sales staff in relation to, in particular, the characteristics of the Group’s services and general marketing skills and techniques.

Mr. WL Chan joined the Group in May 1997 as a sales executive in Eduserve International Limited (“**Eduserve International**”), an indirect wholly-owned subsidiary of the Company and was then promoted to a manager in April 2000. In April 2001, Mr. WL Chan was appointed as a director of i-Control Limited, an indirect wholly-owned subsidiary of the Company. In 2001, Dr. Wong King Keung, Mr. WY Chan and Mr. Tong invited Mr. WL Chan to become a shareholder of i-Control Limited. Mr. WL Chan has over 20 years of experience in professional audiovisual system consultation and project management services. In particular, he specialises in digital signage solution and integration.

Mr. WL Chan obtained his bachelor of science in business administration (computer information system) in August 1995 from Hawaii Pacific University, U.S..

### NON-EXECUTIVE DIRECTOR

**Dr. Wong King Keung (黃景強) (“Dr. Wong”)**, aged 76, is one of the founders of the Group, and was appointed as a Director on 21 August 2014 and designated as a non-executive Director on 11 May 2015. He founded the Group together with Mr. Tong and Mr. WY Chan in February 1987, and has extensive experience and knowledge of management. He is currently responsible for providing strategic advice to the Group.

Dr. Wong took up the vice chairman position of Shenzhen GoodYear Enterprise Company Limited\* (深圳嘉年實業股份有限公司) (previously known as Shenzhen GoodYear Printing & Packaging Company Limited\* (深圳嘉年印刷包裝有限公司)) from May 1993 to April 2007. Shenzhen GoodYear Enterprise Company Limited was mainly engaged in the production of printed materials.

Dr. Wong has gained extensive management experience from his involvement in the public service sector. He was a Committee Member of The National Committee of the Chinese People’s Political Consultative Conference from February 1998 to February 2018. He was appointed as the Hong Kong Affairs Adviser in April 1993. Dr. Wong was a board member of the Airport Authority from December 1995 to May 2005, as well as a member of the Airport Authority’s audit committee from 2002 to 2005 and the chairperson of the Airport Authority’s works committee from 2001 to 2005. He was also involved in the Town Planning Board, where he served as a member from April 1998 to March 2006, and held the vice chairman position of the Metro Planning Committee from April 2004 to March 2006 and the vice chairman position of the Town Planning Board from April 2006 to March 2008. In addition, Dr. Wong played an active role in the management of the Chinese Permanent Cemeteries by serving as a member of the finance committee and development committee of the board of management of the Chinese Permanent Cemeteries from February 2008 to January 2011, the chairperson of the works committee from April 2010 to March 2013 and member of the board of management of the Chinese Permanent Cemeteries from February 2008 to January 2014.

\* English names for identification purposes only

## DIRECTORS AND SENIOR MANAGEMENT

Dr. Wong has also contributed to the tertiary education field. He was one of the founding members of the University of East Asia, Macau (the predecessor of the University of Macau), which was established in March 1981. Dr. Wong was the Council member of the University of Hong Kong from March 2013 to March 2022. Currently, Dr. Wong holds the following positions:

Institutions	Positions	Period of service
The Hong Kong Institute for Promotion of Chinese Culture	Vice chairman of the Council	Present
University Assembly, The University of Macau	Member	August 2009 – Present

Dr. Wong was appointed as the Justice of the Peace in June 2000, and was awarded the Bronze Bauhinia Star in July 2001 by the Hong Kong Government in recognition of his distinguished and devoted public service to Hong Kong.

Dr. Wong was admitted as a member and subsequently a fellow at the Hong Kong Institution of Engineers in April 1975 and December 1997, respectively. He obtained his bachelor of science in civil engineering in November 1968 and master of science in engineering in November 1970, both from the University of Hong Kong. He further obtained his doctorate degree in philosophy from the Queen's University in Canada in October 1972. Dr. Wong was also conferred an honorary doctoral degree by the University of Macau in 2010 and honorary doctoral degree of business administration by City University of Macau in May 2016. In December 2015, Dr. Wong was also conferred an award of honorary fellowship by the HKU School of Professional and Continuing Education.

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Fong Chi (方志) (“Mr. Fong”)**, aged 37, is the Company's independent non-executive Director. He was appointed as an independent non-executive Director on 7 December 2017. Mr. Fong has in total over 15 years of working experience in an international accounting firm and in corporate finance role of a Hong Kong eCommerce company, a Hong Kong technology company and two Hong Kong financial technology companies, with extensive experience in financial reporting, auditing, mergers and acquisitions and initial public offerings.

Mr. Fong obtained a bachelor's degree of business administration from the University of Hong Kong in 2006. Mr. Fong has become a member of the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) since 2010.

## DIRECTORS AND SENIOR MANAGEMENT

**Mr. Lum Pak Sum (林柏森) (“Mr. Lum”)**, aged 61, is the Company’s independent non-executive Director. He was appointed as an independent non-executive Director on 11 May 2015. Mr. Lum has over 20 years’ experience in the Hong Kong financial market. Mr. Lum has engaged in the securities and corporate finance business since July 1988 and September 2004 respectively. Mr. Lum was an independent non-executive director of CHK Oil Limited (previously known as Pearl Oriental Oil Limited) (stock code: 0632) from December 2017 to June 2018, Beautiful China Holdings Company Limited (stock code: 0706) from January 2014 to August 2018, Jintai Energy Holdings Limited (previously known as Yuhua Energy Holdings Limited) (stock code: 2728) from December 2014 to April 2019, TATA Health International Holdings Limited (previously known as S. Culture International Holdings Limited) (stock code: 1255) from June 2017 to June 2021 and China Asia Valley Group Limited (previously known as China Graphene Group Limited) (stock code: 0063) from September 2019 to June 2021. Currently, Mr. Lum is an independent non-executive director of Great China Properties Holdings Limited (stock code: 0021), Kwan On Holdings Limited (stock code: 1559) and Anxian Yuan China Holdings Limited (stock code: 0922), and a non-executive director of Sunway International Holdings Limited (stock code: 0058), all of which are listed companies in Hong Kong.

Mr. Lum obtained his master degree of business administration from The University of Warwick, United Kingdom in July 1994 and his bachelor degree of laws from The University of Wolverhampton, United Kingdom in October 2002 by way of distance learning. He has become a fellow of the Hong Kong Society of Accountants (now known as the HKICPA) since June 1996 and is currently a non-practicing member of the HKICPA. Mr. Lum was admitted as an associate and a fellow of the Association of Chartered Certified Accountants (previously known as the Chartered Association of Certified Accountants) in September 1988 and September 1993 respectively.

**Mr. Lai Kai Ming Ricky (黎啟明) (“Mr. Lai”)**, aged 51, is the Company’s independent non-executive Director. He was appointed as an independent non-executive Director on 31 May 2022. From 1996 to 2016, Mr. Lai worked in several international banking roles with Standard Chartered Bank, Deutsche Bank AG and The Hongkong and Shanghai Banking Corporation Limited (“HSBC”) in London, Tokyo and Hong Kong in relation to corporate banking, risk management and compliance. Mr. Lai’s last position with HSBC was Head of Client Management, Global Banking and Markets in Hong Kong.

Mr. Lai was the Chief Executive Officer of FWM Group from December 2016 to April 2022, a multi-concept hospitality group operating restaurant concepts, including Morton’s of Chicago, Morton’s Grille and The Butchers Club in Beijing, Shanghai, Guangzhou, Hong Kong, Shenzhen and Taipei. Mr. Lai had been instrumental in building up FWM Group’s restaurant network across China, with over 24 new units opening during his tenure with the FWM Group. Mr. Lai was the President of Red Lobster China, a seafood concept chain of restaurants which has over 750 outlets worldwide, from April 2018 to April 2022.

Mr. Lai has been an independent non-executive director of Stelux Holdings International Limited (stock code: 0084), a company listed on the Main Board of the Stock Exchange, since 31 August 2021.

Mr. Lai obtained a higher diploma in English for professional communication from City Polytechnic of Hong Kong (currently known as City University of Hong Kong) in 1994 and holds a Master of Business Administration degree from The University of Lancaster, the United Kingdom. Mr. Lai is also a Certified Anti-Money Laundering Specialist of The Association of Certified Anti-Money Laundering Specialist since 2015.

## DIRECTORS AND SENIOR MANAGEMENT

### SENIOR MANAGEMENT

**Mr. Man Ho Yin Danny (文浩賢) (“Mr. Man”)**, aged 39, has been serving the Group as financial controller since December 2017. He is responsible for monitoring and supervising the Group’s finance department.

He has over 15 years of working experience in an international accounting firm and in group finance role of a Hong Kong conglomerate and a Hong Kong property development group, with extensive experience in financial reporting, auditing, mergers and acquisitions.

Mr. Man obtained his Integrated Bachelor of Business Administration Programme from the Chinese University of Hong Kong in 2005. He has become a member of the HKICPA since 2010.

**Mr. Sin Hing Yu Brian (冼慶餘) (“Mr. Sin”)**, aged 47, has been the senior solution manager of i-Control Limited since April 2013. He is responsible for managing the commercial sales team. Mr. Sin joined Eduserve International in January 1999 initially as a sales executive, and he has more than 20 years of experience in sales and business development in the audiovisual industry.

Mr. Sin obtained his bachelor of arts in international business administration in July 2005 from the University of Northumbria at Newcastle, United Kingdom through distance learning.

**Mr. Poon King Hang (潘景衡) (“Mr. Poon”)**, aged 46, is currently the head of business development department of the Group and has been the manager of Eduserve International since April 2006. Mr. Poon joined the Group as a sales engineer in July 1999 and he is responsible for managing the overall business development of the Group. Mr. Poon was a Certified Technology Specialist awarded by the International Communications Industries Association, Inc (currently known as the Audiovisual and Integrated Experience Association), an ANSI (American National Standards Institute) Accredited Standards Developer, where the certification programme is accredited under the ANSI/-ISO/IEC 17024. Mr. Poon has more than 20 years of experience in sales and project management in the audiovisual industry.

Mr. Poon obtained his bachelor of science in electronics from The Open University of Hong Kong in June 2009.

**Mr. Wang Yanghao (王養浩) (“Mr. Wang”)**, aged 42, joined the Group in February 2021 and has been the chief executive officer of Beijing National Greenfield. He is responsible for business operations of Beijing National Greenfield. Mr. Wang has over 18 years of experience in the field of digital technology in the PRC. He held senior positions in the information technology departments of several multinational corporations, including Anheuser-Busch InBev Services, LLC, Haier Group, Microsoft (China) Co., Ltd., Pearson China and Starbucks (China) Company Limited.

Mr. Wang obtained his bachelor of science from Upper Iowa University in 2004 and his postgraduate diploma in Digital Strategy and Business Transformation from the University of Hong Kong School of Professional and Continuing Education in 2018.

# CORPORATE GOVERNANCE REPORT

## CORPORATE GOVERNANCE PRACTICES

The Directors consider that incorporating the core elements of good corporate governance in the management structure and internal control procedures of the Group could help to balance the interest of the Shareholders, customers and employees of the Company. The Board has adopted the principles and the code provisions as set out in the Corporate Governance Code (the “**CG Code**”) in Appendix 14 of the Listing Rules to ensure that the Group’s business activities and decision making processes are regulated in a proper and prudent manner.

To the best knowledge of the Board, the Company has complied with the CG Code during the year ended 31 March 2022 and up to the date of this annual report.

## SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by the Directors (the “**Model Code**”) on terms no less exacting than the required standard of dealings as set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules. The Company, having made specific enquiry of all Directors, was not aware of any non-compliance with the Model Code during the year ended 31 March 2022.

## BOARD OF DIRECTORS

As at the date of this annual report, the Board comprises nine Directors, including five executive Directors, namely Mr. Zhong Naixiong (Chairman), Mr. Yau Wing Keung, Mr. Tong Sai Wong, Mr. Chan Wing Yiu and Mr. Chan Wing Lun, one non-executive Director, namely Dr. Wong King Keung and three independent non-executive Directors, namely Mr. Fong Chi, Mr. Lai Kai Ming Ricky and Mr. Lum Pak Sum.

The biographical details of all existing Directors are set out on pages 13 to 17 of this annual report. To the best knowledge of the Company, save as disclosed under the section headed “Directors and Senior Management”, there are no financial, business, family or other material or relevant relationships among members of the Board.

## FUNCTIONS OF THE BOARD

The principal functions of the Board include:

- reviewing, approving and monitoring fundamental financial and business strategies and major corporate actions;
- approving major acquisitions or disposals, corporate or financial restructuring, issuance of the Shares and other equity or debt instruments, payment of dividends and other distribution to the Shareholders;
- assessing the risks faced by the Group and reviewing and implementing appropriate measures to manage such risks;
- selecting and evaluating the performance and compensation of key management executives;
- approving nominations to the Board;
- reviewing and endorsing the recommended framework of remuneration of the Board and key management executives by the Remuneration Committee; and
- assuming overall responsibility for corporate governance.

## CORPORATE GOVERNANCE REPORT

According to code provision D.1.2 of the CG Code, the management shall provide all members of the Board with monthly updates. During the year ended 31 March 2022, the executive Directors have provided and will continue to provide, to all non-executive Directors updates on any material changes to the positions and prospects of the Company, which is considered to be sufficient to provide general updates of the Company's performance, position and prospects to the Board and allow them to give a balanced and informed assessment of the same to serve the purpose required by the code provision C.1.2.

### DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The Directors and officers are indemnified under a directors' and officers' liability insurance against any liability incurred by them in the discharge of their duties while holding office as the Directors and officers of the Company. The insurance coverage is reviewed on an annual basis by the Board.

### BOARD MEETINGS AND BOARD PRACTICES

The Directors can attend meetings in person or through other means of electronic communication in accordance with the Company's articles of association ("**Articles**"). All minutes of the Board meetings contain sufficient detail on the matters considered by the Board and the decisions reached.

During the year ended 31 March 2022, ten board meetings were held. The attendance records of each Director at the relevant meetings held during the year ended 31 March 2022 are as follows:

	Number of meetings attended/eligible to attend				Annual General Meeting
	Board	Audit Committee	Remuneration Committee	Nomination Committee	
<b>Executive Directors</b>					
Mr. Zhong Naixiong	9/10	N/A	N/A	N/A	1/1
Mr. Yau Wing Keung	9/10	N/A	N/A	N/A	1/1
Mr. Tong Sai Wong	8/10	N/A	N/A	N/A	1/1
Mr. Chan Wing Yiu	8/10	N/A	N/A	N/A	1/1
Mr. Chan Wing Lun	7/10	N/A	N/A	N/A	1/1
<b>Non-executive Director</b>					
Dr. Wong King Keung	7/10	N/A	N/A	N/A	1/1
<b>Independent Non-executive Directors</b>					
Mr. Fong Chi	7/10	3/3	2/2	0/1	1/1
Mr. Fung Chan Man Alex <sup>#</sup>	5/8	N/A	2/2	1/1	1/1
Mr. Lum Pak Sum	7/10	3/3	2/2	2/2	1/1
Mr. Li Ying Wai Wayne <sup>^</sup>	7/10	3/3	N/A	2/2	1/1
Mr. Lai Kai Ming Ricky <sup>*</sup>	N/A	N/A	N/A	N/A	N/A

The current Articles provide that subject to the manner of retirement by rotation of directors as from time to time prescribed by the Listing Rules, at each annual general meeting, one-third of the Directors for the time being shall retire from office by rotation and that every Director shall be subject to retirement by rotation at least once every three years.

## CORPORATE GOVERNANCE REPORT

### CONTINUOUS PROFESSIONAL DEVELOPMENT

According to code provision C.1.4 of the CG Code, all Directors shall participate in continuous professional development to develop and refresh their knowledge and skills to ensure their contribution to the Board remains informed and relevant.

During the year ended 31 March 2022, the Directors participated in continuous professional development programmes in relation to regulatory update, the duties and responsibilities of the Directors and the business of the Group in the following manner:

Directors	Type of continuous professional development programmes (Notes)
<b>Executive Directors</b>	
Mr. Zhong Naixiong	1&2
Mr. Yau Wing Keung	1&2
Mr. Tong Sai Wong	1&2
Mr. Chan Wing Yiu	1&2
Mr. Chan Wing Lun	1&2
<b>Non-executive Director</b>	
Dr. Wong King Keung	1&2
<b>Independent Non-executive Directors</b>	
Mr. Fong Chi	1&2
Mr. Fung Chan Man Alex <sup>#</sup>	1&2
Mr. Lum Pak Sum	1&2
Mr. Li Ying Wai Wayne <sup>^</sup>	1&2
Mr. Lai Kai Ming Ricky <sup>*</sup>	1&2

Notes:

1. Receiving seminar/courses for development of professional skills and knowledge.
2. Reading materials in relation to regular update to statutory requirements, the Listing Rules and other relevant topics related to listed company.

\* Appointed on 31 May 2022

# Resigned on 11 January 2022

<sup>^</sup> Resigned on 31 May 2022

### INDEPENDENT NON-EXECUTIVE DIRECTORS

During the year ended 31 March 2022 and as at the date of this annual report, the Board consists of at least three independent non-executive Directors which complies with Rules 3.10 and 3.10A of the Listing Rules. Furthermore, two of the independent non-executive Directors, Mr. Fong Chi and Mr. Lum Pak Sum have appropriate professional qualifications or accounting or related financial management expertise as required by Rule 3.10(2) of the Listing Rules.

In accordance with Rule 3.13 of the Listing Rules, the Company has received from each of its independent non-executive Directors the written confirmation of his independence. The Company, based on such confirmations, considers all of the independent non-executive Directors are independent.

## CORPORATE GOVERNANCE REPORT

### NON-EXECUTIVE DIRECTORS

Each of the non-executive Directors and independent non-executive Directors has entered into an appointment letter with the Company for a term of two years or less expiring on 31 March 2023 and is renewable thereafter, subject to early removal from office in accordance with the Articles, and retirement and re-election provisions in the Articles.

### CHAIRMAN AND CHIEF EXECUTIVE OFFICER

In accordance with code provision C.2.1 of the CG Code, the roles of the Chairman and the chief executive officer should be separate and should not be performed by the same individual. Currently, Mr. Zhong Naixiong, the Chairman, is responsible for managing the Group's business development and devising the business strategies. The day-to-day operations of the Group are delegated to the other executive Directors and the relevant management responsible for different aspects of the business.

### BOARD COMMITTEES

The works of the Board is supported by three board committees, namely the audit committee, the remuneration committee and the nomination committee, which are all sufficiently resourced to fulfil their roles and their terms of reference have been approved by the Board and are available for review on the Company's website ([www.i-controlholdings.com](http://www.i-controlholdings.com)) and the Stock Exchange's website ([www.hkexnews.hk](http://www.hkexnews.hk)).

#### Audit Committee

The Board has established an audit committee (the "**Audit Committee**") on 11 May 2015, which operates under a terms of reference approved by the Board. It is the Board's responsibility to ensure that an appropriate and effective risk management and internal control systems exist within the Group. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators. The Board has delegated the responsibility for the initial establishment and the maintenance of risk management and internal control system and ethical standards for the Group's management to the Audit Committee.

The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Lum Pak Sum, Mr. Fong Chi and Mr. Lai Kai Ming Ricky. Mr. Lum Pak Sum is the chairman of the Audit Committee.

According to the current terms of reference, meetings of the Audit Committee shall be held at least two times a year.

Three Audit Committee meetings were held during the year ended 31 March 2022. The Audit Committee has reviewed the unaudited interim results and the audited annual results of the Group.

#### Remuneration Committee

The Board has established a remuneration committee (the "**Remuneration Committee**") on 11 May 2015, which operates under a terms of reference approved by the Board. The Remuneration Committee is responsible for determining and reviewing compensation arrangements for the Group's key management executives. The Remuneration Committee assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions, the nature and amount of Directors' and senior management's emoluments, and the Company's financial and operational performance, with the overall objective of ensuring maximum Shareholders' benefit from the retention of a high quality board and executive team.

The Remuneration Committee currently comprises three independent non-executive Directors, namely Mr. Fong Chi, Mr. Lai Kai Ming Ricky and Mr. Lum Pak Sum. Mr. Lai Kai Ming Ricky is the chairman of the Remuneration Committee.

Two Remuneration Committee meetings were held during the year ended 31 March 2022. The Remuneration Committee has reviewed the remuneration packages of all the Directors and senior management of the Company.

## CORPORATE GOVERNANCE REPORT

### Remuneration Policy

The remuneration policy of the Group to reward its employees and executives is based on their performance, qualifications, competence displayed and market comparable.

Remuneration package typically comprises salary, commission, contribution to retirement benefit schemes and discretionary bonuses by reference to the profit of the relevant company.

The Remuneration Committee will review annually the remuneration of all Directors to ensure that it is attractive enough to attract and retain a competent team of executive members.

The Directors receive remuneration in the form of salaries, allowances, benefits in kind, discretionary bonuses, retirement scheme contributions and share-based payments made on their behalf.

The Director's fee for each of the Directors is subject to the Board's review from time to time in its discretion after taking into account the recommendation of the Remuneration Committee. The remuneration package of each of the Directors is determined by reference to market terms, seniority, experiences, duties and responsibilities of that Director within the Group. The Directors are entitled to statutory benefits as required by law from time to time such as retirement benefit.

### Nomination Committee

The Board has established a nomination committee (the "**Nomination Committee**") on 11 May 2015, which operates under a terms of reference approved by the Board. The Nomination Committee is responsible for making recommendations to the Board regarding candidates to fill vacancies in the Board, as well as the management of the Board succession. The Nomination Committee will take into account various factors, including but not limited to age spread of individual Directors and the Group's business development progress, conduct annual reviews in relation to the composition of the Board. It will also make annual enquiries of the existing Directors as to the status of their individual retirement plans, if any. Should any of the Directors indicate a plan to retire, the Nomination Committee, with the assistance of the staff of the Group responsible for human resources, will start to identify potential candidates, whether within the Group or otherwise, with the appropriate background and expertise to join the Board.

The Nomination Committee currently comprises three independent non-executive Directors, namely Mr. Fong Chi, Mr. Lai Kai Ming Ricky and Mr. Lum Pak Sum. Mr. Fong Chi is the chairman of the Nomination Committee.

Two Nomination Committee meetings were held during the year ended 31 March 2022.

### Nomination Policy

The Board has adopted the Nomination Policy which sets out the criteria and procedures for the Nomination Committee to recommend suitable candidates to the Board to fill casual vacancies or as an addition to the existing Board.

#### *Selection Criteria*

According to the Nomination Policy, the following factors would be used as reference by the Nomination Committee in assessing the suitability of a proposed candidate:

- Reputation for integrity
- Accomplishment and experience
- Compliance with legal and regulatory requirements
- Commitment in respect of available time and relevant interest
- Diversity in all its aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service

## CORPORATE GOVERNANCE REPORT

### *Nomination Procedures*

The Secretary of the Nomination Committee shall call a meeting of the Nomination Committee, and invite nominations of candidates from Board members if any, for consideration by the Nomination Committee prior to its meeting. The Nomination Committee may also put forward candidates who are not nominated by Board members.

For filling a casual vacancy, the Nomination Committee shall make recommendations for the Board's consideration and approval. For proposing candidates to stand for election at a general meeting, the Nomination Committee shall make nominations to the Board for its consideration and recommendation.

The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting.

### **BOARD DIVERSITY POLICY**

The Company recognises and embraces the benefits of having a diverse Board, and sees diversity at Board level as an essential element in maintaining a competitive advantage. The Company has therefore adopted a board diversity policy which sets out the approach to achieve and maintain diversity on the Board.

Pursuant to the policy, the Nomination Committee seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to the talents, skills, regional and industry experience, background, gender and other qualities of the members of the Board. These differences will be considered in determining the optimum composition of the Board and when possible should be balanced appropriately. All appointments of the members of the Board are made on merit, in the content of the talents, skills and experience the Board as a whole requires to be effective.

The Nomination Committee reviews and assesses the composition of the Board and makes recommendations to the Board on appointment of new Directors based on the Company's Nomination Policy. The Nomination Committee also oversees the conduct of the annual review of the effectiveness of the Board.

In reviewing and assessing the composition of the Board, the Nomination Committee will consider the benefits of all aspects of diversity, including without limitation, those described above, in order to maintain an appropriate range and balance of talents, skills, experience and background on the Board.

In recommending candidates for appointment to the Board, the Nomination Committee will consider candidates on merit against objective criteria and with due regard for the benefits of diversity on the Board.

### **Measurable objectives**

The Nomination Committee will discuss and agree annually all measurable objectives for achieving diversity on the Board and recommend them to the Board for adoption. At any given time, the Board may seek to improve one or more aspects of its diversity and measure progress accordingly.

### **Monitoring and reporting**

The Nomination Committee will report annually, in the Corporate Governance Report of the Company, on the process it has used in relation to Board appointments.

### **Review of the policy**

The Nomination Committee will review the policy annually, which will include an assessment of the effectiveness of the policy. The Nomination Committee will discuss any revisions that may be required and recommend any such revisions to the Board for approval.

## CORPORATE GOVERNANCE REPORT

### ACCOUNTABILITY AND AUDIT

#### Directors' and Auditor's Responsibilities for the consolidated financial statements

All Directors acknowledge their responsibility to prepare the Group's consolidated financial statements for each financial period to give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. When preparing the consolidated financial statements for the year ended 31 March 2022, the Board has selected suitable accounting policies and applied them consistently, made judgments and estimates that are fair and reasonable and has prepared the consolidated financial statements of the Group on a going concern basis.

The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities. The statement of auditor about their reporting responsibilities on the consolidated financial statements is set out in the Independent Auditor's Report.

The Directors continue to adopt the going concern approach in preparing the consolidated financial statements and are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

#### Auditor's Remuneration

During the year ended 31 March 2022, the remuneration paid or payable to the Company's auditor, SHINEWING (HK) CPA Limited, and its affiliate company in respect of their audit and non-audit services was as follows:

	HK\$
Audit service	725,000
Non-audit services	148,000
	<hr/>
	873,000
	<hr/> <hr/>

Non-audit services are related to agreed-upon procedures on interim financial information and environmental, social and governance report.

### RISK MANAGEMENT AND INTERNAL CONTROL

During the year, the Group has complied with code provision D.2 of the CG Code by establishing appropriate and effective risk management and internal control systems. Management is responsible for the design, implementation and monitoring of such systems, while the Board oversees management in performing its duties on an ongoing basis. Main features of the risk management and internal control systems are described in the sections below:

#### Risk Management System

The Group adopts a risk management system which manages the risks associated with its business and operations. The system comprises the following phases:

- Identification: Identify ownership of risks, business objectives and risks that could affect the achievement of objectives.
- Evaluation: Analyze the likelihood and impact of the risks and evaluate the risk portfolio accordingly.
- Management: Consider the risk responses, ensure effective communication to the Board and on-going monitor the residual risks.

Based on the risk assessments conducted for the year ended 31 March 2022, no significant risk was identified.

## CORPORATE GOVERNANCE REPORT

### Internal Control System

The Company has in place an internal control system which is compatible with the Committee of Sponsoring Organizations of the Treadway Commission (“**COSO**”) 2013 framework. The framework enables the Group to achieve objectives regarding effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations. The components of the framework are shown as follow:

- Control Environment: A set of standards, processes, and structures that provide the basis for carrying out internal control across the Group.
- Risk Assessment: A dynamic and iterative process for identifying and analyzing risks to achieve the Group’s objectives, forming a basis for determining how risks should be managed.
- Control Activities: Actions established by policies and procedures to help ensure that management’s directives to mitigate risks to the achievement of objectives are carried out.
- Information and Communication: Internal and external communication to provide the Group with the information needed to carry out day-to-day controls.
- Monitoring: Ongoing and separate evaluations to ascertain whether each components of internal control is present and functioning.

Based on the internal control reviews conducted for the year ended 31 March 2022, no significant control deficiency was identified. The Board believes that the existing risk management and internal control systems are adequate and effective.

### Inside Information

The Company recognises that the release of inside information to place anyone in a privileged dealing position is strictly prohibited. In order to enhance the Group’s system of handling inside information, and to ensure the truthfulness, accuracy, completeness and timeliness of its public disclosures, the Group also adopts and implements an inside information policy and procedures. Certain reasonable measures have been taken from time to time to ensure that proper safeguards exist to prevent a breach of a disclosure requirement in relation to the Group, which include:

- The access of information is restricted to a limited number of employees on a need-to-know basis. Employees who are in possession of inside information are fully conversant with their obligations to preserve confidentiality.
- Confidentiality agreements are in place when the Group enters into significant negotiations.
- The executive Directors are designated persons who speak on behalf of the Company when communicating with external parties such as the media, analysts or investors.

Prior to the announcement of any inside information, all Directors and senior management are requested to take all reasonable steps to maintain strict confidentiality and where it is reasonably likely that confidentiality may have been lost in respect of the inside information, the Company shall as soon as reasonably practicable, apply to the Stock Exchange for a trading suspension of its shares.

## CORPORATE GOVERNANCE REPORT

### Internal Auditors

The Group has an Internal Audit (“IA”) function which consists of professional staff with relevant expertise (such as Certified Public Accountant). The IA function is independent of the Group’s daily operation and carries out appraisal of the risk management and internal control systems by conducting interviews, walkthroughs and tests of operating effectiveness.

An IA plan has been approved by the Board. According to the established plan, review of the risk management and internal control systems is conducted annually and the results are reported to the Board via the Audit Committee afterwards.

### Effectiveness of the Risk Management and Internal Control Systems

The Board is responsible for the risk management and internal control systems of the Group and ensuring review of the effectiveness of these systems has been conducted annually. Several areas have been considered during the Board’s review, which include but not limited to (i) the changes in the nature and extent of significant risks since the last annual review, and the Group’s ability to respond to changes in its business and the external environment; and (ii) the scope and quality of management’s ongoing monitoring of risks and the internal control systems.

The Board, through its review and the review made by IA function and the Audit Committee, concluded that the risk management and internal control systems were effective and adequate. Such systems, however, are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. It is also considered that the resources, staff qualifications and experience of relevant staff were adequate and the training programs and budget provided were sufficient.

### DIVIDEND POLICY

According to the dividend policy the Company has in place, declaration of dividend is subject to the discretion of the Board, taking into consideration of, among others, (i) financial results; (ii) Shareholders’ interests; (iii) general business conditions and strategies; (iv) capital requirements; (v) taxation considerations; (vi) contractual, statutory and regulatory restriction, if any; and (vii) any other factors that the Board may deem relevant.

Declaration and payment of dividends by the Company is subject to compliance with the Companies Act of the Cayman Islands and the Articles. The dividend policy will continue to be reviewed and updated from time to time by the Board.

### INVESTORS AND SHAREHOLDERS RELATIONS

The Company has adopted Shareholders’ communication policy by establishing a range of communication channels between itself and its Shareholders, investors and other stakeholders. These include (i) the publication of interim and annual reports; (ii) the annual general meeting or extraordinary general meeting providing a forum for Shareholders to raise comments and exchange views with the Board; (iii) updated and key information of the Group available on the websites of the Stock Exchange and the Company; (iv) the Company’s website offering communication channel between the Company and its Shareholders and investors; and (v) the Company’s share registrars in Hong Kong serving the Shareholders in respect of all share registration matters. Hence, the Company is of the view that these communication channels are sufficient to help communicate with its Shareholders, investors and other stakeholders effectively.

The Company aims to provide its Shareholders and investors with high standards of disclosure and financial transparency. The Board is committed to provide information of the Group to Shareholders in a clear, detailed, timely manner and on a regular basis through the publication of interim and annual reports and/or dispatching circulars, notices, and other announcements. Shareholders are highly recommended to pay attention to these public information.

The Company strives to take into consideration its Shareholders’ views and inputs, and address the Shareholders’ concerns. Shareholders are encouraged to attend the annual general meeting for which at least 20 clear business days’ notice shall be given. The Chairman as well as the chairmen of the Audit Committee, the Nomination Committee and the Remuneration Committee, or in their absence, the Directors are available to answer Shareholders’ questions on the Group’s businesses at the meeting. To comply with code provision F.2.2 of the CG Code, the management will ensure the external auditor to attend the annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditor’s report, the accounting policies and auditor independence.

## CORPORATE GOVERNANCE REPORT

All Shareholders have statutory rights to call for extraordinary general meetings and put forward agenda items for consideration by Shareholders. According to article 64 of the Articles, one or more Shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings can call for an extraordinary general meeting. Such requisition shall be made in writing to the Board or the Company secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition.

If a Shareholder wishes to propose a person (the “**Candidate**”) for election as a Director at a general meeting, he/she shall deposit a written notice (the “**Written Notice**”) to the Company’s principal place of business in Hong Kong at Units A&B, 12/F, MG Tower, 133 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong.

The Written Notice (i) must include the personal information of the Candidate as required by Rule 13.51(2) of the Listing Rules; and (ii) must be signed by the Shareholder concerned and signed by the Candidate indicating his/her willingness to be elected and consent of the publication of his/her personal information.

The period for lodgment of the Written Notice shall commence on the day after the dispatch of the notice of general meeting and end no later than 7 days prior to the date of such general meeting.

In order to ensure that the Shareholders have sufficient time to receive and consider the proposal of election of the Candidate as a Director without adjourning the general meeting, Shareholders are urged to submit and lodge the Written Notice as early as practicable preferably at least 15 business days prior to the date of the general meeting appointed for such election.

In order to promote effective communication, the Company also maintains website (<http://www.i-controlholdings.com>) which includes the latest information relating to the Group and its businesses. Shareholders’ enquiries or proposals can be directed in writing to the Board or the Company secretary at Units A&B, 12/F, MG Tower, 133 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong or by email to [info@i-controlholdings.com](mailto:info@i-controlholdings.com).

### COMPANY SECRETARY

Ms. Ng Tsz Wai has been appointed as the company secretary of the Company with effect from 7 December 2017. She is a member of the HKICPA. Ms. Ng Tsz Wai has taken no less than 15 hours of relevant professional trainings to update her skills and knowledge during the year ended 31 March 2022.

### CHANGES IN CONSTITUTIONAL DOCUMENTS

There was no change in the Company’s constitutional documents during the year ended 31 March 2022.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## ABOUT THIS REPORT

The Environmental, Social and Governance (“ESG”) Report (the “ESG Report”) elaborates various initiatives of the Group to fully implement the concept of sustainable development and perform its corporate social responsibilities, and evaluate its ESG performance from 1 April 2021 to 31 March 2022 (the “Year”).

### Scope of ESG Report

The ESG Report focuses on the environmental and social performance of the Group’s core business of provision of VCMA solution and maintenance services in Hong Kong during the Year. The key performance indicators (“KPIs”) covered the performance of its head office in Hong Kong and are presented (if applicable) in the Appendix: Summary of Environmental and Social KPIs of the ESG Report. The ESG Report does not cover the cloud-based IT+OT managed services as its revenue only accounts for 15.4% of the Group’s consolidated revenue.

### Reporting Framework

The ESG Report was prepared based on the “Environmental, Social and Governance Reporting Guide” under Appendix 27 to the Listing Rules issued by the Stock Exchange.

**Materiality** The content of the ESG Report is determined based on stakeholder engagement and materiality assessment, which includes identifying ESG-related issues, gathering and reviewing opinions from internal management and various stakeholders, assessing the relevance and materiality of the issues, and preparing and validating information for the ESG Report. The ESG Report has provided comprehensive coverage of key ESG issues of concern to stakeholders.

**Quantitative** The Group has disclosed quantitative environmental KPIs in the ESG Report. The criteria, methods and references used to calculate KPIs and the conversion factors used for the KPIs are intended to give stakeholders a comprehensive view of the Group’s ESG performance.

**Consistency** The Group uses consistent reporting and calculation methods as far as reasonably practicable. Details of significant changes in information or methodology in the relevant sections are disclosed to facilitate a comparison of ESG performance between years.

## OUR APPROACH TO ESG

### ESG Governance

The Group believes that well-established ESG principles and practices will increase its investment values and provide long-term returns to stakeholders. To ensure the establishment of appropriate ESG risk management measures and internal control system, the Board takes full responsibility of supervision of the Group’s ESG governance and risk management. As an effort to ensure sustainable development, the Board identifies and manages ESG-related risks, and properly delegates authority to the management for the formulation and execution of ESG policies.

To manage the risks associated with sustainability and ESG matters, the Group has conducted a materiality assessment during the Year to effectively identify potential and significant ESG issues for the business and its stakeholders, details of which are set out in the “Stakeholder Engagement” section of the ESG Report. The Board is also involved as one of the internal stakeholders in the materiality assessment to advise on the ESG governance of the Group. The Board is fully aware of the results of the materiality assessment and will continue to review the engagement channels for the materiality assessment to ensure that the Group maintains effective communication with stakeholders.

To effectively lead the Group’s ESG process, the Board continuously oversees ESG efforts and ensures close collaboration between departments to achieve operational compliance and social responsibility goals. The Group shares its ESG progress with various stakeholders through the ESG Report. During the Year, the Group set environmental targets, details of which are set out in the “Environmental Goals and Progress” section of the ESG Report. The Board will review the progress of achieving the targets on a regular basis to continuously improve the Group’s environmental performance.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### Stakeholder Engagement

#### *Communication with Stakeholders*

Stakeholder communication and engagement are important to the sustainable development of the Group. According to the features of the Group's business operation, the Group has identified its major stakeholders. To thoroughly understand stakeholders' expectations and strive to satisfy their diverse needs, the Group maintains regular communication with them through various channels. The Group will continue to deepen the breadth and depth of communication with stakeholders and report the Group's progress and plans to address the ESG related goals in the future.

Stakeholders	Expectations and Requirements	Means of Communication and Response
Government and Regulators	<ul style="list-style-type: none"> <li>Compliance with national policies, laws and regulations</li> <li>Support for local economic growth</li> <li>Contribution in local employment</li> <li>Tax Payment in full and on time</li> <li>Product safety</li> </ul>	<ul style="list-style-type: none"> <li>Regular information reporting</li> <li>Regular meetings with regulators</li> <li>Dedicated reports</li> <li>Examination and inspection</li> </ul>
Shareholders	<ul style="list-style-type: none"> <li>Returns</li> <li>Compliant operation</li> <li>Rise in company value</li> <li>Transparency and effective communication</li> </ul>	<ul style="list-style-type: none"> <li>General meetings</li> <li>Announcements</li> <li>Email, telephone communication and company website</li> <li>Dedicated reports</li> <li>Site visits</li> </ul>
Partners	<ul style="list-style-type: none"> <li>Operation with integrity</li> <li>Equal rivalry</li> <li>Performance of contracts</li> <li>Achievement of reciprocity</li> </ul>	<ul style="list-style-type: none"> <li>Review and appraisal meetings</li> <li>Business communication</li> <li>Discussion and exchange of opinions</li> <li>Engagement and cooperation</li> </ul>
Customers	<ul style="list-style-type: none"> <li>Outstanding products and services</li> <li>Health and safety</li> <li>Performance of contracts</li> <li>Operation with integrity</li> </ul>	<ul style="list-style-type: none"> <li>Customer service centre and hotline</li> <li>Customer feedback survey</li> <li>Social media platforms</li> <li>Calling for feedback</li> </ul>
Environment	<ul style="list-style-type: none"> <li>Energy saving and emission reduction</li> </ul>	<ul style="list-style-type: none"> <li>Reporting</li> </ul>
Employees	<ul style="list-style-type: none"> <li>Protection of rights</li> <li>Occupational health and safety</li> <li>Remunerations and benefits</li> <li>Career development</li> <li>Humanity cares</li> </ul>	<ul style="list-style-type: none"> <li>Employee communication meetings</li> <li>Corporate journal and intranet</li> <li>Employee mailbox</li> <li>Training and workshop</li> <li>Employee activities</li> </ul>
Community and the Public	<ul style="list-style-type: none"> <li>Enhancement of community environment</li> <li>Participation in charity</li> <li>Transparency</li> </ul>	<ul style="list-style-type: none"> <li>Company website</li> <li>Announcements</li> <li>Interview with media</li> <li>Social media platforms</li> </ul>

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

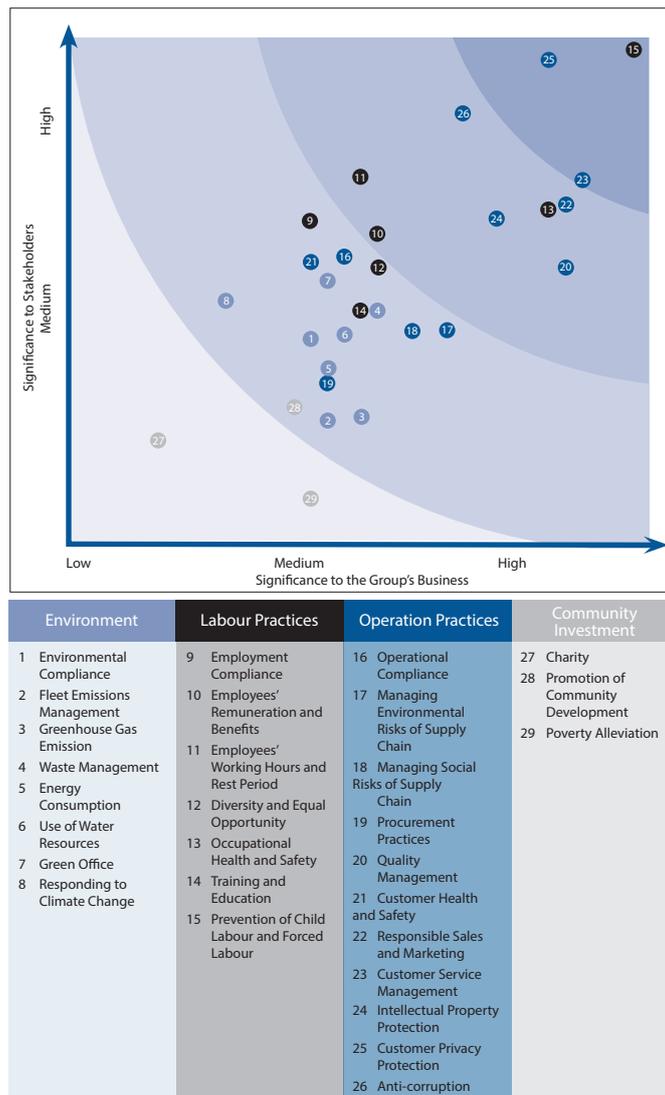
### Materiality Assessment

During the preparation of the ESG Report, the Group commissioned an independent third-party consultant to assist the Group in conducting a materiality assessment in a just and an unbiased manner.

The materiality assessment has been implemented in three main phases, namely:

- (i) identifying potential material ESG issues that might affect the Group's business or stakeholders;
- (ii) conducting questionnaire survey to understand views and expectations of stakeholders (including employees, shareholders, the management, directors, clients and suppliers) on the Group's response and disclosures of ESG issues;
- (iii) prioritising potential material issues based on a total of 120 valid questionnaires received.

By reviewing the result of the survey, the Group has mapped the key aspects and highlighted them in the ESG Report. Below is the materiality matrix derived from the results of the questionnaire survey.



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Through the assessment processes, the Group has identified 3 most material ESG aspects and made the relevant disclosure in the corresponding sections.

Material Aspect	Section with Corresponding Measures
15 Prevention of Child Labour and Forced Labour	EMPLOYEES' RIGHT – Employment Policies
23 Customer Service Management	OPERATION MANAGEMENT – Customer Service
25 Customer Privacy Protection	OPERATION MANAGEMENT – Privacy and Intellectual Property Protection

The data collected is a summary of the environmental and social initiatives carried out by the Group during the Year and forms the basis for the Group to map out short-term and long-term sustainable development strategies.

### ENVIRONMENTAL PROTECTION

#### Environmental Goals and Progress

The Group is committed to maintaining transparency and tracking the progress of the initiatives that address its goals set in the Year. The table below highlights our environmental-related goals in different aspects. The Group also ensures that its environmental impacts are minimised through continuous improvement and promises to constantly monitor the progress of its goals.

Aspect <sup>1</sup>	Our Goals	Section with Corresponding Measures
Emissions	<ul style="list-style-type: none"> <li>Reducing the intensity of greenhouse gas emissions</li> <li>Supporting Hong Kong's goal of achieving carbon neutrality by 2050</li> </ul>	ENVIRONMENTAL PROTECTION – Emission Management
Waste	<ul style="list-style-type: none"> <li>Optimising resource efficiency where feasible and avoid waste</li> <li>Recycling renewable resources where feasible</li> <li>Ensuring that all waste is disposed of in a safe and legal manner</li> </ul>	ENVIRONMENTAL PROTECTION – Waste Management

#### Emission Management

As a responsible enterprise, the Group spares no effort in reducing emission. The Group strictly complies with laws and regulations, including but not limited to the Air Pollution Control Ordinance. As a VCMA solution services provider, the Group is not involved in any manufacturing process and does not discharge water pollutants. During the business operation, air pollutants are generated from vehicle usage.

<sup>1</sup> Since the Group does not operate an energy and water-intensive business, no related goals were set in the Year. The Group will continue to monitor and review its energy and water consumption and establish related targets in the future.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group has taken the following measures to reduce the emission from vehicles:

- Keeping the company fleet properly tuned;
- Conducting regular inspections and air-fillings;
- Ensuring no idling vehicles with running engines; and
- Replacing old cars with electric vehicles.

The Group is also committed to reducing greenhouse gas (“GHG”) emission directly caused by its business operation and employees’ activities. The Group’s GHG emissions include direct emission from vehicle fuel combustion, energy indirect emission from purchased electricity, and other indirect emission from methane gas generated at the landfill due to disposal of paper waste and electricity used for processing fresh water and sewage by government departments.

To reduce GHG emissions, the Group has implemented the following measures:

- Encouraging employees to use public transportation;
- Communicating and educating employees about emission reduction measures through e-mail, posters and internal networks to enhance their environmental responsibility;
- Encouraging the use of teleconference to avoid unnecessary overseas business travel (video wall and IP phone are equipped in the office);
- Upgrading the virtual meeting facilities in the showroom to promote the use of teleconference; and
- Setting up LED wall demonstration units to promote Low GHG emission display.



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### Waste Management

With consistent goal of sustainable development, the Group complies with relevant laws and regulations, including but not limited to the Product Eco-responsibility Ordinance, the Waste Disposal Ordinance and the Water Pollution Control Ordinance. Non-hazardous waste produced by the Group comprises of general waste from daily operation, while hazardous waste includes battery, toner cartridge, light bulb and computer. Most of the non-hazardous wastes are disposed to landfill and hazardous wastes produced are collected and handled by qualified units to prevent environmental damage.

Also, the Group registered as a registered supplier with the Environmental Protection Department and fulfilled its role as a supplier of regulated electrical equipment (“**REE**”) of the Producer Responsibility Scheme on waste electrical and electronic equipment launched by the Hong Kong government by paying a recycling levy for REE distributed in Hong Kong.

### Use of Resources

The Group is committed to reducing energy and water consumption. Energy consumption of the Group mainly attributes to purchased electricity, while water consumption mainly comes from toilet usage. Due to the Group’s business nature, the water consumption is minimal and there has been no issue of water sourcing that is fit for purpose in the Year.

The Group takes the following measures in daily operation as a commitment to environmental protection.

#### Energy Conservation

- Maximise the use of natural light, minimise the number of lighting fixtures for areas with higher than required lighting level, and adopt energy-efficient lighting;
- Turn off all power consuming equipment before leaving the office;
- Allow employees to dress casually under hot weather and on Fridays; and
- Set computers to automatic standby or sleeping mode when idle.

#### Water Conservation

- Fix dripping taps immediately; and
- Reduce water pressure to the lowest practical level.

#### Green Operation

- Apply office automation system to substitute the traditional paper-based office administration system;
- Collect waste paper for recycling;
- Reuse envelopes, folders, file cards and other stationeries;
- Reduce the use of disposable and non-recyclable products;
- Publish and disseminate internal information and notice via email or internal network instead of printing hard copies; and
- Encourage employees to reuse paper and print on both sides with smaller fonts and line spacing.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### Responding to Climate Change

Climate change is one of the major global issues in recent years and extreme weather events due to climate change are becoming more severe, bringing negative impacts to many corporations. The Group is highly concerned about climate change and its related events and is committed to reducing greenhouse gas emissions. Climate change may bring various transitional risks, such as shifts in consumer preferences and substitution of existing products and services with lower-emissions options. As a result, the Group may need more capital to purchase equipment, face the increase in operating costs to implement new practices and process, and the early retirement of existing equipment.

In addition, according to the Hong Kong Observatory, there is an increasing risk of extreme weather events. To reduce the impact of the extreme weather events and protect employees, the Group has issued the guideline of work arrangement under typhoon and black rainstorm warning in the employees' manual.

### EMPLOYEES' RIGHT

#### Employment Policies

The Group believes that its competitive strengths are attributed to its experienced and capable employees. The Group adheres to the Employment Ordinance, Minimum Wage Ordinance, Employment of Children Regulations and other relevant laws and regulations in Hong Kong.

The Group has developed a human resources policy with internal promotion and external recruitment to fill positions. The Group evaluates current employees for internal promotion according to their qualification, experience and morality. When there is necessity of external recruitment, vacancies will be advertised via public channels, such as social media platforms, newspapers and academic institutions. Candidates are offered with equal opportunities and selected on the basis of a set of criteria, such as qualifications, abilities and experiences. Discrimination on the grounds of factors such as gender, age and race is not tolerated. Two interviews are arranged for external recruitment to ensure that candidates fulfill the requirement of the position. The Group advocates diverse workforce so as to enhance the creativity and competitiveness of its employee team.

New employees are required to provide their identification documents to the human resources department for checking, so as to prevent child labour. A letter of appointment between the employee and the Group will be issued, in which the date of employment, commencing salary, workdays and working hours are stipulated to avoid forced labour. If child labour or forced labour is discovered, the Group will immediately stop his or her duties and investigate the incident. General employees work five days per week and eight hours per day. Overtime work is not encouraged. However, technical employees, due to their particular job duties, are eligible to claim overtime work upon obtaining an advance permission from the department head and their overtime hours will be compensated in lieu of annual leave. Whenever an employee resigns, the Group will issue a letter of resignation and arrange an interview to understand the reasons for resignation and identify potential problems.

The overall remuneration level is based on employees' performance, qualifications, competence displayed and market level. The Group offers a competitive remuneration package which comprises salaries, commission, contribution to retirement benefit schemes and discretionary bonuses. Salaries are reviewed and adjusted every year. Special year-end bonus may be distributed depending on the Group's profit level and the employees' performance. Promotion is determined through a collective evaluation of the employees' ability, ambition, diligence, experience, qualification, performance, morality and seniority. The Group treats all candidates and employees fairly in recruitment, promotion, transfer, reward and other employment activities.

#### Welfare and Benefits

The Group strictly abides by laws and regulations relating to the employees' welfare, including but not limited to the Mandatory Provident Fund Schemes Ordinance. Retirement Benefits Scheme (for employees employed before December 2000) and Mandatory Provident Fund Plan are offered to employees. Also, all employees are entitled to paid statutory holidays. In addition to statutory holidays, employees are also entitled to annual leave, sick leave, casual leave, marriage leave, birthday leave, maternity leave and paternity leave. Furthermore, the Group has provided sickness allowance, communication and travelling allowance, study allowance and medical insurance.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In an attempt to improve team collaboration, working efficiency and team cohesion, create community and encourage connections, promote wellness and healthy living, and encourage a culture of work-life balance, the Group has set up a recreation centre for its employees with video watch equipment, a coffee place, game area and exercise machines.



### Development and Training

To promote the growth and development of employees, the Group devises training programmes and plans for employees on an annual basis. The Group provides employees with internal training courses and encourages employees to attend external talks and seminars to enrich their job-related knowledge. To encourage employees to pursue continuing education and training, employees can apply to the Group for education allowance. When new products are launched, product trainings are offered to technical employees, such as programmers and engineers. During the Year, the Group invited its major vendors to provide technical employees with product trainings, such as trainings on systems design for conference room, network solution, wireless best practices and techniques.

### Occupational Safety and Health

The Group attaches great importance to the safety and health of the employees. The Group complies with relevant laws and regulation, including but not limited to the Occupation Safety and Health Ordinance. To maintain a safe working environment and minimise injuries and illnesses, the management is responsible for providing and maintaining a safe working environment. The Group has established an internal policy for reporting hazards, injuries and illnesses. The Group responds to all reports of unsafe and unhealthy working environment. Also, safety procedures were in place for identified dangerous work and potential risks. Employees are provided with necessary personal protective equipment to protect them from injuries and informed about the injury and illness statistics and other safety-related issues to increase their awareness of such issues. To improve the indoor air quality, filters of air conditioners are regularly cleaned and green plants are placed in the office area.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the Year, no lost date due to work injuries was reported. Also, there was no work-related fatality for the past 3 years.

### Response to the Outbreak of the Coronavirus Disease 2019

The Group attached great importance to the prevention and control of Coronavirus Disease 2019 (“**COVID-19**”) and has taken a number of preventive measures during the Year. To protect employees from infection, the Group has launched an emergency working arrangement. The Group has adopted work from home arrangement during the severe epidemic situation to avoid employees travelling for work and minimise the risk of infection.

To maintain a safe working environment and prevent disease in the workplace, the Group has installed air sanitiser, non-contact temperature scanner and touch-free sanitising gel dispenser in the office area. Employees are required to check body temperature and wear surgical mask at all times during work. The Group has distributed surgical masks and sanitising gel to employees to ensure personal hygiene, and implemented online phone and video meeting system to avoid large-scale meetings and reduce face-to-face contacts.

To safeguard employees’ health, the Group has provided rapid antigen test kit to its employees during the Year. In addition, employees were entitled to a day of vaccination leave for each dose of vaccine, to ensure that they have sufficient rest after vaccination.

## OPERATION MANAGEMENT

### Supply Chain Management

The Group’s main suppliers are manufacturers of VCMA equipment. The quality of products from the suppliers directly affects the service quality of the Group. To increase efficiency and maintain the incoming product quality, the Group evaluates and manages supply chain on an open and fair basis.

For potential suppliers, the Group will ensure that they are in compliance with all laws and regulation relating to anticorruption, employment, and health and safety. Also, the Group rates the potential suppliers based on their product quality, reputation, price, supply capacity and time of delivery. Those potential suppliers with outstanding performance will be selected as our qualified suppliers.

To meet the quality requirements and demands of customers as well as keeping pace with the latest equipment and technology, we conduct annual monitoring and evaluation on the performance of existing suppliers. If the products supplied are found to be defective on arrival, the Group will negotiate with the suppliers and arrange for returns. In respect of the outsourced projects, the Group will closely monitor the subcontractors’ performance by evaluating their efficiency, service quality, responsiveness to the Group’s requests and pricing. To maintain a positive, motivating and competitive environment, the Group continuously explores potential new subcontractors. When a supplier or subcontractor is found to be inconsistent with the Group’s policies or contractual requirements, the Group will terminate future cooperation until the situation has been improved.

The Group attaches importance to environmental and social risks in the supply chain. The purchasing department reviews the updates of the supply chain-related policies to ensure the compliance with local policies, laws and regulations, and identifies potential environmental and social risks. To manage the related risks, the Group has implemented green procurement practices and ensured that the suppliers have listed the details on social-related issues in the agreement.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group integrates the concept of environmental conservation into its procurement. For example, it considers the environmental impact of those products it procures and gives priority to products that are eco-friendly or with less environmental impacts. We will also remind our employees to prioritise the use of products according to their expiry dates to avoid wastage.

During the Year, the number of suppliers divided by region are as follows:

Number of Suppliers <sup>2</sup>	Year Ended March 2022
Hong Kong	292
Mainland China	14

### Quality Control

The Group places significant emphasis on quality control. Each step in the operating procedures is controlled and monitored to guarantee its adherence to the stringent quality standards. The Group has set up the inventory management system, which standardises the process of product inspection and storage, and has established an internal quality management procedure, which requires products to be tested before being launched. Also, upon completion of the installation work, the Group will further carry out a user acceptance test which generally comprises a series of performance checking to ensure that the installed equipment and installation services provided are up to the standards as agreed with the customers.

During the Year, no product sold or shipped subject was recalled for safety and health reasons.

### Customer Service

The Group aims to deliver on-time and professional services. To this end, the Group has developed a customer-oriented service model in achieving customer satisfaction. The Group organises a team of expert engineers and technicians that cater for the various needs of the customers promptly and satisfactorily during the service process. The processes of the Group's service provided are as follows:

- i. Initial enquiry with the purpose of understanding customers' needs and budgetary concerns;
- ii. Feasibility assessment through on-site visit and evaluation of design and costs;
- iii. Issue of quotation for project confirmation;
- iv. Delivery and installation of equipment;
- v. On-site testing and training provided to customers; and
- vi. Ongoing maintenance and after-sales services.

At the beginning of the service, a design proposal concerning recommendations of equipment and descriptions of the features and functions of such equipment is provided for the customers. In certain cases, equipment demonstration is arranged to assist customers to better understand the operation and features of the suggested equipment. Upon customers' request, photos and catalogues of equipment may also be presented for their consideration. The design proposal may be refined multiple times based on the feedback from customers.

<sup>2</sup> The Group starts to disclose the number of suppliers from the Year.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

After the equipment installed comes into operation, the Group will provide the customers with a set of user manuals listing the functions and operational details of the equipment for their future reference. Depending on the customers' needs and requests, the Group provides customers with one to three sessions of free training on daily operation of the equipment so that they can derive all capabilities and are comfortable to use the equipment. The Group monitors, tracks customer feedback and timely addresses potential product quality or safety issues. Complaints received from customers would be handled independently for investigation.

Furthermore, in order to facilitate project management and allocation of manpower, the Group has established a computerised information management system, containing customers' information, specifications of equipment, tenders and quotations, inventories, invoices issued or received, payment schedules, delivery schedules and installation schedules.

During the Year, the Group did not receive any major customer complaints.

### Advertisement

The Group carries out marketing activities generally through its website and advertisements in magazines. In line with the Trade Descriptions Ordinance, all public sales and marketing information are checked to ensure it complies with laws and regulations relating to advertisement and labelling and are not false or misleading in any way.

During the Year, no cases of violation of the laws of advertising and labelling were observed and there was no record of complaint from customers or violation of the Trade Descriptions Ordinance.

### Privacy and Intellectual Property Protection

Protecting the privacy and intellectual property of both customers and the Group is important to the Group's business. The Group strictly follows laws and regulations related to privacy protection, including but not limited to the Personal Data (Privacy) Ordinance. The Group has formulated policies in protecting the confidentiality of the Group, such as inside information. For the protection of inside information, the access of information is restricted to limited employees on a need-to-know basis. To ensure that the employees are fully conversant with their obligations to preserve confidentiality, the Group provides regular trainings on related policies and procedures. A confidentiality agreement is in place when necessary, in order to ensure the undisclosed information not be leaked. If an employee discloses the Group's trade secrets, he or she will face disciplinary actions such as dismissal for gross misconduct. Also, the Group has taken a series of measures to guarantee information safety of customers, including safeguarding the computer database, and conducting ongoing monitoring and testing of privacy risks.

Apart from privacy protection, the Group also places emphasis on intellectual property protection through abiding by relevant laws and regulations, including but not limited to the Copyright Ordinance and Trade Marks Ordinance. The Group has established an intellectual property policy setting out the rules for the ownership, protection and exploitation of intellectual property to ensure the benefits of any innovations. When entering into a contract with its suppliers and clients, the Group will specify the proprietary rights, including the use of trademark and tradename, during the period of the agreement. In addition, employees are required to apply for software installation to ensure the use of legitimate software and avoid infringement of others' intellectual property rights.

During the Year, no cases of violation of the laws of privacy and intellectual property were observed.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### Anti-corruption

The Group abides by laws and regulations relating to anti-corruption, including but not limited to the Prevention of Bribery Ordinance, and takes a zero-tolerance approach towards corruption and bribery. To prevent the occurrence of bribery, the Group has adopted the anti-corruption policy and whistle-blowing policy. The Group has set up whistle-blowing policy, which provides employees with guidelines and specific email for reporting on fraud, malpractice or inappropriate behaviour. Also, the Group has provided employees with guidelines related to gifts and gratuities receiving and giving. Under no circumstances may any employee accept or offer gifts, gratuities or other benefits to or from outside parties for any transactions not authorised by the Group. An employee who breaches the anti-corruption policy will face disciplinary actions, which could result in dismissal for gross misconduct.

For projects obtained through tender, employees are prohibited from communicating with any individual other than the customer about the amount of any tender or otherwise collude with any other person to adjust the amount of any tender. During the Year, no corruption cases or internal whistle-blowing cases were recorded during our operation. The Group has included anti-corruption information for all employees during the quarterly meeting in the Year to enhance their awareness of corruption risks and corruption prevention.

### COMMUNITY CONTRIBUTION

Apart from focusing on its business development, the Group also proactively fulfills its social responsibility through community contribution. Our executive director, Mr. Tong Sai Wong, has been appointed as the director of Charles K. Kao Foundation for Alzheimer's Disease Limited since 2010 in helping those patients suffering from Alzheimer's disease.

To support local sports development, the Group has donated HKD400,000 to Eastern Long Lion Sports Club during the Year. In addition, the Group actively encourages employees to participate in public welfare events and volunteering activities, so as to make contributions to community.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## APPENDIX: SUMMARY OF ENVIRONMENTAL AND SOCIAL KPIS

Environmental Indicators	Year Ended 31 March 2022	Year Ended 31 March 2021
<b>Air Emissions<sup>3</sup></b>		
Nitrogen oxides (kg)	0.50	0.54
Sulphur oxides (kg)	0.01	0.01
Particulate matters (kg)	0.04	0.04
<b>GHG Emissions<sup>4</sup></b>		
Total GHG emissions (tonnes of carbon dioxide equivalent)	77	70
GHG emissions intensity (tonnes of carbon dioxide equivalent/employee)	1.02	0.95
Scope 1 – Direct emissions <sup>5</sup> (tonnes of carbon dioxide equivalent)	2	2
Scope 2 – Energy indirect emissions <sup>6</sup> (tonnes of carbon dioxide equivalent)	73	66
Scope 3 – Other indirect emissions <sup>7</sup> (tonnes of carbon dioxide equivalent)	2	2
<b>Waste</b>		
Total non-hazardous waste generated <sup>8</sup> (kg)	1,870	1,875
Non-hazardous waste intensity (kg/employee)	24.60	25.00
Total hazardous waste generated <sup>9</sup> (kg)	35	15
Hazardous waste intensity (kg/employee)	0.46	0.20
<b>Use of Resources<sup>10</sup></b>		
Total energy consumption (MWh)	195	187
Energy consumption intensity (MWh/employee)	2.57	2.51
Direct energy consumption <sup>11</sup> (MWh)	9	8
Indirect energy consumption <sup>12</sup> (MWh)	186	179
Total water consumption <sup>13</sup> (m <sup>3</sup> )	126	84
Water consumption intensity (m <sup>3</sup> /employee)	1.66	1.13

<sup>3</sup> The emission factors used are based on the Appendix II "Reporting Guidance on Environmental KPIs" ("Appendix II") published by the Stock Exchange.

<sup>4</sup> GHG emissions are calculated in accordance with the Appendix II published by the Stock Exchange, and the "Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purpose) in Hong Kong" published by the Environmental Protection Department and the Electrical and Mechanical Services Department. The Group's GHG emissions include carbon dioxide, methane and nitrous oxide, and are presented in tonnes of carbon dioxide equivalent for easy reading and understanding.

<sup>5</sup> The emission factors are based on the Appendix II published by the Stock Exchange.

<sup>6</sup> The emission factor is from CLP Holdings Limited.

<sup>7</sup> The Group considered emissions from water treatment, disposal of paper waste and business air travel by employees as its other indirect emissions with reference to the "Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purpose) in Hong Kong" published by the Environmental Protection Department and the Electrical and Mechanical Services Department. The emission factors are provided by the Water Suppliers Department and the Drainage Services Department and Appendix II published by the Stock Exchange. Due to the effect of COVID-19, there was no business air travel in the Year.

<sup>8</sup> The Group's non-hazardous waste is estimated based on its daily office operation situation.

<sup>9</sup> The Group's hazardous waste is calculated based on the actual amount of the waste.

<sup>10</sup> Due to the business nature, the Group does not involve any product packaging.

<sup>11</sup> Fuel consumption of vehicles is calculated based on the actual consumption. The conversion factor for fuel and energy is based on the Appendix II published by the Stock Exchange.

<sup>12</sup> Purchased electricity is calculated based on the actual amount consumed.

<sup>13</sup> Water consumption is calculated based on the actual amount consumed.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### Social Indicators<sup>14</sup>

Year Ended 31 March 2022

#### Number of Employees

Total number of employees	76
By gender	
Male	55
Female	21
By employment type	
Full-time	76
Part-time	0
By geographical region	
Hong Kong	75
Mainland China	1

#### Employee Turnover Rate

	%
Overall turnover rate	28
By gender	
Male	22
Female	41
By geographical region	
Hong Kong	28
Mainland China	0

#### Average Hours of Training per Employee and Percentage of Employees who Received Training

	<b>Hours (%)</b>
Overall average training hours (percentage of trained employees)	3 (17)
By gender	
Male	3 (18)
Female	3 (14)
By employee category	
Senior	7 (32)
Middle	5 (19)
Junior	1 (10)

<sup>14</sup> The Group starts to disclose the social KPIs from the Year. The social KPIs are calculated in accordance with the Appendix III "Reporting Guidance on Social KPIs" published by the Stock Exchange. To protect trade secrets, the Group decided not to disclose the number of employees and employee turnover rate by age group.

## REPORT OF THE DIRECTORS

The Directors are pleased to submit their report together with the audited consolidated financial statements of the Group for the year ended 31 March 2022.

### HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (now known as the Companies Act) of the Cayman Islands on 21 August 2014. Its principal place of business in Hong Kong is Units A&B, 12/F, MG Tower, 133 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong.

### PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activities of the Group comprise VCMA solution services, VCMA maintenance services and cloud-based IT+OT managed services. The principal activities and other particulars of the subsidiaries of the Company are set out in note 32 to the consolidated financial statements in this annual report.

Further discussions and analysis of these activities and financial key performance indicators, as well as the principal risks and uncertainties facing the Company, environmental policies and performance, and compliance with laws and regulations as required by Schedule 5 to the Hong Kong Companies Ordinance, can be found in the sections headed “Chairman’s Statement”, “Management Discussion and Analysis” and “Environmental, Social and Governance Report” of this annual report. Those discussion form part of this Report of the Directors.

### RELATIONSHIP WITH KEY STAKEHOLDERS

The support from key stakeholders, including employees, customers, suppliers and shareholders, contributes greatly to the Group’s success. The Group has an objective to devote resources to promote and maintain long term and sustainable relationships with these stakeholders.

### RESULTS AND APPROPRIATIONS

The financial performance of the Group for the financial year ended 31 March 2022 and the financial position of the Group as at 31 March 2022 are set out in the consolidated financial statements on pages 57 to 114 of this annual report.

### FINAL DIVIDEND

The Directors have recommended the payment of a final dividend out of the share premium account under reserves of the Company of HK0.50 cents (2021: HK0.65 cents) per share to the Shareholders, subject to approval by the Shareholders at the forthcoming annual general meeting of the Company (the “AGM”) and compliance with the Companies Act of the Cayman Islands.

### MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 March 2022, the Group’s top five customers accounted for approximately 27.40% of the revenue. The Group’s five largest suppliers accounted for approximately 44.74% of the total purchases for the year ended 31 March 2022. In addition, the Group’s largest customer accounted for approximately 7.67% of the revenue and the Group’s largest supplier accounted for approximately 21.86% of the total purchases for the year ended 31 March 2022.

As far as the Company is aware, as at the date of this annual report, save for an insignificant amount of shares in one of the above customers, which is a company whose shares are listed on the Stock Exchange, held for passive investment purpose by few Directors from time to time, none of the Directors, their close associates nor any Shareholders (which to the knowledge of the Directors own more than 5% of the Company’s share capital) had any interest in the Group’s top five customers and suppliers.

## REPORT OF THE DIRECTORS

### RESERVES

Details of movements in the reserves of the Group during the year ended 31 March 2022 are set out in the consolidated statement of changes in equity in this annual report.

As at 31 March 2022, the Company's reserves available for distribution amounted to approximately HK\$29,611,000.

### SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended 31 March 2022 are set out in note 25 to the consolidated financial statements in this annual report.

### PROPERTY AND EQUIPMENT

Details of movements in the property and equipment of the Group are set out in note 15 to the consolidated financial statements in this annual report.

### DIRECTORS

During the year ended 31 March 2022 and up to the date of this annual report, the Directors were:

#### *Executive Directors*

Mr. Zhong Naixiong (*Chairman*)

Mr. Yau Wing Keung

Mr. Tong Sai Wong

Mr. Chan Wing Yiu

Mr. Chan Wing Lun

#### *Non-executive Director*

Dr. Wong King Keung

#### *Independent non-executive Directors*

Mr. Fong Chi

Mr. Lai Kai Ming Ricky\*

Mr. Lum Pak Sum

Mr. Fung Chan Man Alex#

Mr. Li Ying Wai Wayne^

\* Appointed on 31 May 2022

# Resigned on 11 January 2022

^ Resigned on 31 May 2022

## REPORT OF THE DIRECTORS

Further details of the Directors are set forth in the section headed “Directors and Senior Management” of this annual report. Details of the emoluments of the Directors are set out in note 13 to the consolidated financial statements in this annual report.

By virtue of article 108(a) of the Articles, Mr. Chan Wing Lun, Dr. Wong King Keung and Mr. Fong Chi shall retire from office by rotation and, being eligible, offer themselves for re-election at the AGM.

By virtue of article 112 of the Articles, Mr. Lai Kai Ming Ricky shall hold office until the AGM and being eligible, offer himself for re-election at the AGM.

### Directors’ service contracts

Each of the executive Directors, non-executive Directors and independent non-executive Directors has entered into an appointment letter with the Company for a term of two years or less expiring on 31 March 2023 and is renewable thereafter, subject to early removal from office in accordance with the Articles, and retirement and re-election provisions in the Articles.

None of the Directors (including those proposed for re-election at the AGM) has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

## SHARE OPTION SCHEME

The following is a summary of the principal terms of the share option scheme adopted under the written resolutions of the shareholders of the Group passed on 11 May 2015 (“**Share Option Scheme**”). The Share Option Scheme remains valid and effective following the transfer of listing of the Shares from GEM to the Main Board of the Stock Exchange and will be implemented in full compliance with Chapter 17 of the Listing Rules.

### (a) Purpose

The purpose of the Share Option Scheme is to enable the Company to grant options to selected participants as incentives or rewards for their contribution to the Group.

### (b) Participants of the Share Option Scheme

The Directors may, at their absolute discretion, invite any person belonging to any of the following classes of participants, to take up options to subscribe for Shares:

- (a) any employee or proposed employee (whether full-time or part-time and including any executive Director), consultants or advisers of or to the Company, any of its subsidiaries or any entity (the “**Invested Entity**”) in which the Company holds an equity interest;
- (b) any non-executive Directors (including independent non-executive Directors) of the Company, any of its subsidiaries or any Invested Entity;
- (c) any supplier of goods or services to any members of the Group or any Invested Entity;
- (d) any customer of the Group or any Invested Entity;
- (e) any person or entity that provides research, development or other technological support to the Group or any Invested Entity; and
- (f) any Shareholders or any shareholder of any of its subsidiaries or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity,

## REPORT OF THE DIRECTORS

and for the purposes of the Share Option Scheme, the options may be granted to any company wholly-owned by one or more persons belonging to any of the above classes of participants. For the avoidance of doubt, the grant of any options by the Company for the subscription of Shares or other securities of the Company to any person who falls within any of the above classes of participants shall not, by itself, unless the Directors otherwise determine, be construed as a grant of option under the Share Option Scheme.

The basis of eligibility of any of the above classes of participants to the grant of any options shall be determined by the Directors from time to time on the basis of the participants' contribution to the development and growth of the Group. In order for a person to satisfy the Directors that he is qualified to be (or where applicable, continues to qualify to be) a participant, such person shall provide all such information as the Directors may request for the purpose of assessing his eligibility (or continuing eligibility).

### (c) Total number of Shares available for issue under the Share Option Scheme

The maximum number of Shares issuable upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company (excluding, for this purpose, Shares issuable upon exercise of options which have been granted but which have lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of the Company) must not in aggregate exceed 10% of the Shares in issue as at the date of the listing of the Shares (i.e. 27 May 2015).

The maximum number of Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme adopted by the Company must not in aggregate exceed 30% of the share capital of the Company in issue from time to time.

As at the date of this annual report, there were 3,000,000 Shares issuable on exercise of options granted under the Share Option Scheme.

As at the date of this annual report, the total number of share options available for grant under the Share Option Scheme is 97,000,000, being the balance of 10.0% of the Shares in issue as at the date of listing of the Shares deducting the total number of share options granted under the Share Option Scheme, and represents approximately 9.2% of the existing issued share capital of the Company.

### (d) Maximum entitlement of each participant and connected persons

The total number of Shares issued and to be issued upon exercise of options granted to each participant (including both exercised and outstanding options) under the Share Option Scheme, in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue.

Each grant of options to a Director, chief executive or substantial shareholder of the Company or any of their respective associates must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options) and the Shareholders in a general meeting with such participant and his/her close associates (or his/her associates if the participant is a connected person) abstaining from voting.

## REPORT OF THE DIRECTORS

### (e) The basis of determining the exercise price of option

The subscription price of a Share in respect of any option granted under the Share Option Scheme, subject to any adjustments made in accordance with the Share Option Scheme, shall be such price as the Board in its absolute discretion shall determine, provided that such price shall not be less than the highest of:

- (i) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for the five business day immediately preceding the date of grant of the option (which must be a business day);
- (ii) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option (which must be a business day); and
- (iii) the nominal value of the Shares.

### (f) Acceptance and payment on acceptance of option offer

An option may be accepted by a participant within 28 days from the date of the offer of grant of the option. A consideration of HK\$1.00 is payable on acceptance of the offer of the grant of an option.

### (g) Period of the Share Option Scheme

Unless terminated by the Company by resolution in general meeting, the Share Option Scheme shall be valid and effective for a period of 10 years commencing on the date on which the Share Option Scheme becomes unconditional (i.e. 11 May 2015).

During the year, 3,000,000 share options were granted under the Share Option Scheme. Details of the movement of share options granted under the Share Option Scheme during the year were as follows:

Participant	Date of grant	Exercise price per share (Note 1)	Exercise period	Balance	Granted during the year	Exercised during the year	Lapsed during the year	Balance	Approximate
				as at 1 April 2021				as at 31 March 2022	percentage of issued share capital as at 31 March 2022
Wang Yanghao	20 April 2021	HK\$0.54	20 April 2022 to 20 April 2028	-	900,000	-	-	900,000	0.09%
	20 April 2021	HK\$0.54	20 April 2023 to 20 April 2028	-	900,000	-	-	900,000	0.09%
	20 April 2021	HK\$0.54	20 April 2024 to 20 April 2028	-	1,200,000	-	-	1,200,000	0.11%
Total				-	3,000,000	-	-	3,000,000	

#### Notes:

- (1) The closing price of the Company's Shares on the date immediately before the date of grant was HK\$0.54 per Share.
- (2) There were no share options exercised, cancelled or lapsed under the Share Option Scheme during the year ended 31 March 2022.

## REPORT OF THE DIRECTORS

### SHARE AWARD SCHEME

The following is a summary of the principal terms of the share award scheme adopted by the Company on 3 February 2021 (“**Share Award Scheme**”).

**(a) Purpose**

The purpose of the Share Award Scheme is to recognise the contributions by certain employees and persons to the Group, to provide them with incentives in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group.

**(b) Eligible Person**

The eligible person includes any individual, being an employee (whether full time or part time), director (including an independent non-executive director), officer, consultant or advisor of any member of the Group who the Board considers, in its sole and absolute discretion, have contributed or will contribute to the Group.

**(c) Operation of the Share Award Scheme**

The Board may, from time to time, at its absolute discretion during the Award Period select any eligible person to be a selected participant and grant an award to such selected participant. The Board may impose such vesting criteria and condition(s), if any, as it deems appropriate under an award. Subject to all applicable laws, the Board may determine, amend and/or waive any one or more of such vesting criteria and conditions under an award (or any part thereof).

For the purpose of satisfying the award(s) made or to be made, the Board may determine at its absolute discretion, that the Company shall allot and issue new Shares to the Trustee (as defined hereinbelow) under the Share Award Scheme and/or procure the transfer of Shares from an existing Shareholder to the Trustee and/or provide the Trustee with the necessary funds and instruct the Trustee to acquire Shares through on-market transactions at the prevailing market price.

The Board intends to use the general mandate available at the time of granting of the award(s), and seek specific mandate from the Shareholders where (i) any grant of the award(s) would cause the Company to issue and allot Shares in excess of the permitted amount in the general mandate available at the time of granting of the relevant award(s) or (ii) the award(s) is to be granted to connected persons of the Company and Shareholders’ approval is required under Chapter 14A of the Listing Rules.

**(d) Restrictions on grants**

Notwithstanding the Board’s absolute discretion in granting an award, no awards shall be made under the following circumstances:

- (i) where the requisite approval from any applicable regulatory authorities has not been granted;
- (ii) where any member of the Group will be required under applicable securities laws, rules or regulations to issue a prospectus or other offer documents in respect of such award or the Share Award Scheme, unless the Board determines otherwise;
- (iii) where such award would result in a breach by any member of the Group or its directors of any applicable securities laws, rules or regulations in any jurisdiction; or
- (iv) where such grant of award would result in a breach of the Scheme Limit (as defined below) or would otherwise cause the Company to issue Shares in excess of the permitted amount in the mandate approved by the Shareholders.

For the avoidance of doubt, any award made under the above circumstances shall be null and void.

## REPORT OF THE DIRECTORS

(e) **Award Period**

The period commencing on the adoption date of the Share Award Scheme (i.e. 3 February 2021) (the “**Adoption Date**”), and ending on the business day immediately prior to the tenth anniversary of the Adoption Date.

(f) **Scheme Limit**

The Company shall not make any further grant of award which will result in the aggregate number of Shares underlying all grants made pursuant to the Share Award Scheme (excluding awarded Shares that have been forfeited in accordance with the Share Award Scheme) to exceed 15% of the entire issued share capital of the Company as at the Adoption Date without Shareholders’ approval (the “**Scheme Limit**”). The Scheme Limit shall be refreshed automatically on each anniversary date of the Adoption Date during the Award Period, such that the Scheme Limit so refreshed shall not exceed 15% of the issued share capital of the Company as at the relevant anniversary date of the Adoption Date.

(g) **Appointment of Trustee**

The Company has entered into the Trust Deed with Upbest Securities Company Limited (the “**Trustee**”) on 8 February 2021 to appoint it as the initial trustee under the Share Award Scheme. The Trustee is a company incorporated in Hong Kong and licensed to carry on Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance. The Trustee is a wholly owned subsidiary of Upbest Group Limited, a company whose issued shares are listed on the Stock Exchange (Stock Code: 335). To the best knowledge, information and belief of the Board after making all reasonable enquiries, the Trustee and its ultimate beneficial owners are independent third parties and not connected with the Company or any of its connected persons.

(h) **Grant of Award**

On 20 April 2021, the Company has granted an award of 500,000 awarded shares (the “**Awarded Shares**”) to Mr. Wang Yanghao (“**Mr. Wang**”) under the Share Award Scheme. Subject to the Lock-up Condition as set out below and the scheme rules of the Share Award Scheme, the Awarded Shares shall vest in Mr. Wang and Mr. Wang shall have the right to receive the Awarded Shares in accordance with the following vesting schedule:

- (i) as to 150,000 Awarded Shares, representing 30% of the Awarded Shares, on the first anniversary of the date of grant;
- (ii) as to 150,000 Awarded Shares, representing 30% of the Awarded Shares, on the second anniversary of the date of grant; and
- (iii) as to 200,000 Awarded Shares, representing 40% of the Awarded Shares, on the third anniversary of the date of grant.

The vested Awarded Shares (and the vesting of the remaining Awarded Shares) are subject to the condition that Mr. Wang will not dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of the relevant vested Awarded Shares during a period of six (6) months commencing on the vesting date of the relevant Awarded Shares (the “**Lock-up Condition**”).

On 7 May 2021, the 500,000 Awarded Shares were issued and allotted to the Trustee under the Share Award Scheme at nominal value under the general mandate granted to the Directors pursuant to an ordinary resolution passed by the Shareholders at the annual general meeting of the Company held on 7 August 2020.

On 20 April 2022, 150,000 Awarded Shares have been vested in Mr. Wang and transferred from the Trustee to Mr. Wang, subject to the Lock-up Condition.

As at the date of this annual report, a total of 500,000 awarded Shares were granted under the Share Award Scheme, leaving behind 149,500,000 awarded Shares being available for grant under the Scheme Limit.

## REPORT OF THE DIRECTORS

### DISCLOSURE OF INTERESTS

#### (a) Interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company or the associated corporations

As at 31 March 2022, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required 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 (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required as otherwise to be notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors as referred to in the Model Code, were as follows:

#### *Interests in the Company*

Name	Capacity/Nature of interest	Number of Shares interested (Note 1)	Approximate percentage of the total issued share capital of the Company (Note 2)
Mr. Zhong Naixiong	Interest in a controlled corporation (Note 3)	600,000,000	57.12%
Dr. Wong King Keung	Beneficial owner	150,000,000	14.28%

#### *Notes:*

- (1) All interests stated are long positions.
- (2) Total numbers of issued shares as at 31 March 2022 was 1,050,500,000.
- (3) These Shares are held by Phoenix Time Holdings Limited, which is 100% owned by Mr. Zhong Naixiong. Pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO, Mr. Zhong Naixiong is deemed to have an interest in all Shares in which Phoenix Time Holdings Limited has, or deemed to have, an interest.

Save as disclosed above, as at the date of this annual report, none of the Directors and the chief executives of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required 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/or short positions which they were taken or deemed to have under such provisions of the SFO) or (ii) which were required to be recorded in the register required to be kept by the Company under Section 352 of the SFO or (iii) which were otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors as referred to in the Model Code.

## REPORT OF THE DIRECTORS

### (b) Interests and short positions of the substantial shareholders in the shares and underlying shares

As at 31 March 2022, so far as is known to the Directors and the chief executives of the Company, the following corporation or persons (other than the Directors or the chief executives of the Company) had, or were deemed or taken to have interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO, were as follows:

Name	Capacity/Nature of interest	Number of Shares interested (Note 1)	Approximate percentage of the total issued share capital of the Company (Note 2)
Phoenix Time Holdings Limited	Beneficial owner	600,000,000	57.12%
Ms. Chen Minling (Note 3)	Interest of spouse	600,000,000	57.12%
Ms. Wong Lau Sau Yee Angeli (Note 4)	Interest of spouse	150,000,000	14.28%

Notes:

- (1) All interest stated are long positions.
- (2) Total numbers of issued shares as at 31 March 2022 was 1,050,500,000.
- (3) Ms. Chen Minling is the spouse of Mr. Zhong Naixiong. Pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, Ms. Chen Minling is deemed to have an interest in all Shares in which Mr. Zhong Naixiong has, or deemed to have, an interest.
- (4) Ms. Wong Lau Sau Yee Angeli is the spouse of Dr. Wong King Keung. Pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, Ms. Wong Lau Sau Yee Angeli is deemed to have an interest in all Shares in which Dr. Wong King Keung has, or deemed to have, an interest.

Save as disclosed above, as at the date of this annual report, the Directors and the chief executives of the Company are not aware of any other person, not being a Director or a chief executive of the Company, who had, or was deemed or taken to have an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

### DIRECTORS' RIGHT TO ACQUIRE SHARES

Save as disclosed in this annual report, at no time during the year ended 31 March 2022 was the Company, its holding company, or any of its subsidiaries or its fellow subsidiaries a party to any arrangement to enable the Directors and the chief executives of the Company (including their spouses and children under 18 years of age) to hold any interests or short positions in the shares, underlying shares, or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO).

### SUFFICIENCY OF PUBLIC FLOAT

The Company is in compliance with the minimum public float requirement during the year ended 31 March 2022 and as at the date of this annual report based on the information publicly available to the Company and within the knowledge of the Directors.

## REPORT OF THE DIRECTORS

### RELATED PARTY TRANSACTIONS

The material related party transactions of the Company are set out in note 28 to the consolidated financial statements in this annual report. For the year ended 31 March 2022, the Group had not entered into any transactions constituting connected transactions (including continuing connected transactions) which are subject to the disclosure requirements under Chapter 14A of the Listing Rules.

### DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE COMPANY'S BUSINESS

Save as otherwise disclosed, no other transactions, arrangements or contracts of significance to which the Company, its holding company, or any of its subsidiaries was a party, and in which a Director had a material interest, either directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 March 2022.

### EQUITY-LINKED AGREEMENTS

Other than the Share Option Scheme and the Share Award Scheme of the Company as disclosed above, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the year ended 31 March 2022 or subsisted at the end of the year or at any time during the year ended 31 March 2022.

### MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year ended 31 March 2022.

### CONTROLLING SHAREHOLDERS' INTEREST IN CONTRACTS OF SIGNIFICANCE

No contract of significance to which the Company, its holding company, or any of its subsidiaries was a party, and in which the controlling shareholders of the Company had a material interest, either directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 March 2022.

### DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 March 2022, none of the Directors or their respective associates had any business or interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

### RETIREMENT BENEFITS SCHEME

Particulars of retirement benefits scheme of the Group as at 31 March 2022 are set out in note 27 to the consolidated financial statements in this annual report.

### CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors a confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive Directors were independent during the year ended 31 March 2022.

### PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated.

## REPORT OF THE DIRECTORS

### PERMITTED INDEMNITY

Pursuant to the Articles, subject to the applicable laws and regulations, every Director shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain in or about the execution of their duty in their offices. Such permitted indemnity provision has been in force throughout the Reviewing Year. The Company has arranged appropriate directors' and officers' liability insurance coverage for the directors and officers of the Group.

### PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 March 2022, none of the Company and its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

### CHARITABLE DONATIONS

During the year ended 31 March 2022, charitable donations made by the Group amounted to HK\$400,000 (2021: nil).

### EVENTS AFTER THE REPORTING PERIOD

The Directors are not aware of any significant event requiring disclosure that has taken place subsequent to 31 March 2022 and up to the date of this annual report.

### CORPORATE GOVERNANCE

The Company maintains a high standard of corporate governance practices. Details of the corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 19 to 28 of this annual report.

### FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group is set out in the financial summary on page 116 of this annual report.

### AUDITOR

The consolidated financial statements for the year ended 31 March 2022 have been audited by SHINEWING (HK) CPA Limited who will retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of SHINEWING (HK) CPA Limited as the auditor of the Company is to be proposed at the AGM.

By order of the Board

**Zhong Naixiong**  
*Chairman*

Hong Kong, 24 June 2022

# INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS



SHINEWING (HK) CPA Limited  
17/F, Chubb Tower, Windsor House,  
311 Gloucester Road,  
Causeway Bay, Hong Kong

信永中和(香港)會計師事務所有限公司  
香港銅鑼灣告士打道311號  
皇室大廈安達人壽大樓17樓

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF i-CONTROL HOLDINGS LIMITED

*(incorporated in the Cayman Islands with limited liability)*

### OPINION

We have audited the consolidated financial statements of i-Control Holdings Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) set out on pages 57 to 114, which comprise the consolidated statement of financial position as at 31 March 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 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 (the “**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 judgement, 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 OF TRADE RECEIVABLES AND CONTRACT ASSETS

Refer to note 18 to the consolidated financial statements and the accounting policies on pages 73 to 75.

#### The key audit matter

As at 31 March 2022, the Group had trade receivables and contract assets of approximately HK\$44,238,000 which are significant to the consolidated financial statements.

We have identified the impairment of trade receivables and contract assets as a key audit matter because the carrying amount of trade receivables and contract assets is significant to the consolidated financial statements and the provision of expected credit loss (“**ECL**”) involves significant judgements and estimates on internal credit ratings and selection of forward-looking information.

#### How the matter was addressed in our audit

Our procedures were designed to review management's assessment and judgement in determining credit loss allowance by grouping of debtors into different categories in provision matrix.

We also reviewed the provision matrix based on the individual groups of debtor's default rates and forward-looking information.

We have also challenged the reasonableness of estimation and assessed the appropriateness of the input data used by the management in the calculation of the ECL.

## INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

### OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than 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 DIRECTORS OF THE COMPANY AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company 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 of the Company 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 of the Company 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 of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

### 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, solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

## INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.
- Conclude on the appropriateness of the Company's 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 those charged with governance 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 those charged with governance 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 those charged with governance, 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.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Wong Hon Kei, Anthony.

### **SHINEWING (HK) CPA Limited**

*Certified Public Accountants*

#### **Wong Hon Kei, Anthony**

Practising Certificate Number: P05591

Hong Kong  
24 June 2022

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year Ended 31 March 2022

	Notes	2022 HK\$'000	2021 HK\$'000
Revenue	7	171,448	145,380
Cost of sales		(110,584)	(88,557)
Staff cost		(39,201)	(35,207)
Depreciation		(3,037)	(3,282)
Other income and net gain	7	331	3,837
Other operating expenses		(9,880)	(6,922)
Finance costs	9	(371)	(582)
<b>Profit before taxation</b>		<b>8,706</b>	14,667
Income tax expenses	10	(2,021)	(1,943)
<b>Profit for the year</b>	11	<b>6,685</b>	12,724
<b>Other comprehensive income</b>			
<b>Item that may be reclassified subsequently to profit or loss:</b>			
Exchange differences arising on translating foreign operations		358	131
<b>Total comprehensive income for the year</b>		<b>7,043</b>	12,855
<b>Profit (loss) for the year attributable to:</b>			
Equity shareholders of the Company		6,697	12,789
Non-controlling interests		(12)	(65)
		<b>6,685</b>	12,724
<b>Total comprehensive income for the year attributable to:</b>			
Equity shareholders of the Company		7,084	12,918
Non-controlling interests		(41)	(63)
		<b>7,043</b>	12,855
<b>Earnings per share</b>			
Basic	12	HK0.65 cents	HK1.28 cents
Diluted		HK0.65 cents	HK1.28 cents

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2022

	<i>Notes</i>	2022 HK\$'000	2021 HK\$'000
<b>Non-current assets</b>			
Property and equipment	15	82,856	85,393
Financial assets at fair value through other comprehensive income ("FVTOCI")	16	8,586	–
Prepayments	19	4,416	–
Deferred tax assets	24	805	654
		<b>96,663</b>	86,047
<b>Current assets</b>			
Inventories	17	17,902	12,513
Trade receivables and contract assets	18	44,238	35,915
Prepayments, deposits and other receivables	19	5,017	2,491
Loan to an investee	16	8,586	–
Tax recoverables		356	2,010
Bank balances and cash	20	71,034	68,692
		<b>147,133</b>	121,621
<b>Current liabilities</b>			
Trade payables	21	20,131	16,427
Other payables and accruals	22	24,255	18,402
Bank borrowings	23	22,527	26,417
Tax payables		312	299
		<b>67,225</b>	61,545
<b>Net current assets</b>		<b>79,908</b>	60,076
<b>Total assets less current liabilities</b>		<b>176,571</b>	146,123
<b>Non-current liability</b>			
Deferred tax liabilities	24	1,483	1,208
<b>Net assets</b>		<b>175,088</b>	144,915

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2022

	<i>Notes</i>	2022 HK\$'000	2021 HK\$'000
<b>Capital and reserves</b>			
Share capital	25	10,505	10,000
Reserves		163,799	134,978
<b>Total equity attributable to equity shareholders of the Company</b>		<b>174,304</b>	144,978
Non-controlling interests		784	(63)
<b>Total equity</b>		<b>175,088</b>	144,915

The consolidated financial statements on pages 57 to 114 were approved and authorised for issue by the board of directors on 24 June 2022 and are signed on its behalf by:

**Zhong Naixiong**  
*Director*

**Tong Sai Wong**  
*Director*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year Ended 31 March 2022

	Attributable to the equity shareholders of the Company										
	Shares held under			Employee share-based		Statutory			Non-controlling		Total equity
	Share capital	share award scheme	Share premium	Merger reserve	compensation reserve	Translation reserve	surplus reserve	Retained profits	Total	interests	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(note 26)		(note 26)	(note 26)				
At 1 April 2020	10,000	-	35,344	10,817	-	(246)	-	85,145	141,060	-	141,060
Profit (loss) for the year	-	-	-	-	-	-	-	12,789	12,789	(65)	12,724
Other comprehensive income for the year:											
Exchange differences arising on translating foreign operations	-	-	-	-	-	129	-	-	129	2	131
Total comprehensive income for the year	-	-	-	-	-	129	-	12,789	12,918	(63)	12,855
2020 final dividend paid (note 14)	-	-	(9,000)	-	-	-	-	-	(9,000)	-	(9,000)
At 31 March 2021 and 1 April 2021	10,000	-	26,344	10,817	-	(117)	-	97,934	144,978	(63)	144,915
Profit (loss) for the year	-	-	-	-	-	-	-	6,697	6,697	(12)	6,685
Other comprehensive income for the year:											
Exchange differences arising on translating foreign operations	-	-	-	-	-	387	-	-	387	(29)	358
Total comprehensive income for the year	-	-	-	-	-	387	-	6,697	7,084	(41)	7,043
Issue of shares under share award scheme (note 25)	5	(270)	265	-	-	-	-	-	-	-	-
Issue of shares under placing (note 25)	500	-	28,000	-	-	-	-	-	28,500	-	28,500
Capital injection by non-controlling interests	-	-	-	-	-	-	-	-	-	888	888
Equity-settled share-based payment transactions (note 29)	-	144	-	-	426	-	-	-	570	-	570
2021 final dividend paid (note 14)	-	-	(6,828)	-	-	-	-	-	(6,828)	-	(6,828)
Transfer to statutory surplus reserve	-	-	-	-	-	-	208	(208)	-	-	-
At 31 March 2022	10,505	(126)	47,781	10,817	426	270	208	104,423	174,304	784	175,088

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended 31 March 2022

	2022 HK\$'000	2021 HK\$'000
<b>OPERATING ACTIVITIES</b>		
Profit before taxation	8,706	14,667
Adjustments for:		
Bank interest income	(82)	(61)
Depreciation	3,037	3,283
Finance costs	371	582
Government grant	–	(3,447)
Gain on disposal of property and equipment	(215)	(55)
Write-off of trade payables	–	(68)
Provision for write-down of inventories	–	271
Equity-settled share-based payment transactions ( <i>note 29</i> )	570	–
Operating cash flows before movements in working capital	12,387	15,172
Increase in inventories	(5,389)	(1,401)
(Increase) decrease in trade receivables and contract assets	(8,323)	1,766
Increase in prepayments, deposits and other receivables	(2,526)	(1,030)
Increase (decrease) in trade payables	3,704	(2,060)
Increase (decrease) in other payables and accruals	5,853	(212)
Cash generated from operations	5,706	12,235
Income taxes paid	(230)	(3,357)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>5,476</b>	<b>8,878</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of financial assets at FVTOCI	(8,586)	–
Loan to an investee ( <i>note 16</i> )	(8,586)	–
Increase in prepayments	(4,416)	–
Proceeds from disposal of property and equipment	215	539
Acquisitions of property and equipment	(500)	(1,160)
Bank interest received	82	61
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(21,791)</b>	<b>(560)</b>

**CONSOLIDATED STATEMENT OF CASH FLOWS**

For the Year Ended 31 March 2022

	2022 HK\$'000	2021 HK\$'000
<b>FINANCING ACTIVITIES</b>		
Issue of shares under placing ( <i>note 25</i> )	<b>28,500</b>	–
Capital injection by non-controlling interests	<b>888</b>	–
Dividend paid	<b>(6,828)</b>	(9,000)
Repayment of bank borrowings	<b>(3,890)</b>	(4,421)
Interest paid	<b>(371)</b>	(580)
Government grant received	–	3,447
Capital element of repayment of lease liability	–	(97)
Interest element of repayment of lease liability	–	(2)
<b>NET CASH FROM (USED IN) FINANCING ACTIVITIES</b>	<b>18,299</b>	(10,653)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>1,984</b>	(2,335)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<b>68,692</b>	70,936
Effect of foreign exchange rate changes	<b>358</b>	91
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>71,034</b>	68,692
Represented by bank balances and cash		

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2022

## 1. CORPORATE INFORMATION AND BASIS OF PREPARATION OF FINANCIAL STATEMENTS

i-Control Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands on 21 August 2014 as an exempted company with limited liability under the Companies Law (as revised) (now known as the Companies Act) of the Cayman Islands. The registered office of the Company is Ocorian Trust (Cayman) Limited, Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands and its headquarters and principal place of business in Hong Kong is Units A&B, 12/F, MG Tower, 133 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong. The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The directors of the Company (the “**Directors**”) consider that the immediate and ultimate holding company is Phoenix Time Holdings Limited which is incorporated in the British Virgin Islands (the “**BVI**”). Its ultimate controlling party is Mr. Zhong Naixiong.

The Company is engaged in investment holding while its principal subsidiaries are principally engaged in provision of video conferencing and multimedia audiovisual (“**VCMA**”) solution and maintenance services and cloud-based Information Technology and Operational Technology (“**IT+OT**”) managed services.

Items included in the financial statements of each of the Company and its subsidiaries (collectively referred to as the “**Group**”) are measured using the currency of the primary economic environment in which the entity operates (the “**functional currency**”). The consolidated financial statements are presented in Hong Kong dollars (the “**HK\$**” or “**HKD**”), which is the Company’s functional and presentation currency. Other than the subsidiaries established in the People’s Republic of China (the “**PRC**”) and Singapore whose functional currency is Renminbi (“**RMB**”) and Singapore dollar (“**SGD**”) respectively, the functional currency of the Company and other subsidiaries is HK\$.

## 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

In the current year, the Group has applied, for the first time, the Amendments to References to the Conceptual Framework in HKFRSs and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) which are effective for the Group’s financial year beginning 1 April 2021:

Amendments to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

The application of the amendments to HKFRSs in the current year has had no material effect on the Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in these consolidated financial statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2022

### 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

#### New and amendments to HKFRSs issued but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts and related Amendments <sup>2</sup>
Amendments to HKFRS 3	Reference to 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	Classification of Liabilities as Current or Non-current and the related amendments to Hong Kong Interpretation 5 (2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause <sup>2</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure 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>2</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 cycle <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.

The Directors anticipate that the application of the new and amendments to HKFRSs will have no material impact on the results and the financial position of the Group.

### 3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis, except for financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained in the accounting policies set out below.

The principal accounting policies are set out below.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2022

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (i.e. its subsidiaries). If a subsidiary prepares its financial statements using accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to that subsidiary's financial statements in preparing the consolidated financial statements to ensure conformity with the Group's accounting policies.

Control is achieved where the Group has: (i) the power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the Group's returns. When the Group has less than a majority of the voting rights of an investee, power over the investee may be obtained through: (i) a contractual arrangement with other vote holders; (ii) rights arising from other contractual arrangements; (iii) the Group's voting rights and potential voting rights; or (iv) a combination of the above, based on all relevant facts and circumstances.

The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of these elements of control stated above.

Consolidation of a subsidiary begins when the Group obtains control of the subsidiary and ceases when the Group loses control of the subsidiary.

Income and expenses of subsidiaries are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income of subsidiaries are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group are eliminated in full on consolidation.

#### Investments in subsidiaries

Investments in subsidiaries are stated on the statement of financial position of the Company at cost less accumulated impairment loss.

#### Revenue recognition

Revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Group uses a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2022

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Revenue recognition (Continued)

The Group recognised revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to customers.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs;
- The Group’s performance creates and enhances an asset that the customer controls as the asset is created and enhanced; or
- The Group’s performance 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.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct goods or services.

Revenue is measured based on the consideration specified in a contract with a customer, excludes amounts collected on behalf of third parties, discounts and sales related taxes.

#### *Principal versus agent*

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2022

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Revenue recognition (Continued)

##### *Contract assets and contract liabilities*

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. It is assessed for impairment in accordance with HKFRS 9. 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.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration from the customer. A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

The Group recognised revenue from the following major sources:

- Provision of VCMA solution services
- Provision of VCMA maintenance services
- Provision of Artificial Intelligence of Things ("AIoT") operation and other services
- Provision of security services

##### *(i) Provision of VCMA solution services*

Revenue from provision of VCMA solution services comprised two performance obligations (i.e. sales of goods and provision of installation service). Sale of goods is recognised at the point when the control of the products is transferred to the customers (generally on delivery of products). Revenue from the service rendered is recognised at a point in time when service is rendered to customers with customer's acceptance.

##### *(ii) Provision of VCMA maintenance services*

Revenue from provision of VCMA maintenance services is recognised over time on a straight-line basis over the contract period.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2022

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Revenue recognition (Continued)

##### *Contract assets and contract liabilities (Continued)*

##### *(iii) Provision of AIoT operation and other services*

Revenue from provision of AIoT operation and other services comprised three performance obligations (i.e. sales of goods, provision of system development service and provision of maintenance service). Sale of goods is recognised at the point when the control of the products is transferred to the customers (generally on delivery of products). Revenue from provision of system development service rendered is recognised at a point in time when service is rendered to customers with customer's acceptance. Revenue from provision of maintenance service rendered is recognised over time on a straight-line basis over the contract period.

##### *(iv) Provision of security services*

Revenue from provision of security services comprised two performance obligations (i.e. sales of goods and provision of installation service). Sale of goods is recognised at the point in time when the control of the products is transferred to the customers (generally on delivery of products). Revenue from provision of security service is recognised at a point in time when service is rendered to customers with customer's acceptance.

#### Government grants

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

#### Property and equipment

Property and equipment including right-of-use asset are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to allocate the cost of items of property and equipment, less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Right-of-use asset for property is depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and carrying amount of the asset and is recognised in profit or loss.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2022

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Leasing

##### *Definition of a lease*

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

##### *The Group as lessor*

The Group enters into lease agreement as a lessor with respect to investment property. Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When a contract includes both lease and non-lease components, the Group applies HKFRS 15 to allocate the consideration under the contract to each component.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

##### *The Group as lessee*

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

##### *Lease liability*

At the commencement date, the Group measures lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted by using the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise fixed lease payments (including in-substance fixed payments), less any lease incentives receivable.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

Lease liability is remeasured (and with a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using revised discount rate;
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2022

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Leasing (Continued)

##### *The Group as lessee (Continued)*

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

The right-of-use asset comprises the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs, less lease incentives received. Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, provision is recognised and measured under HKAS 37. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use asset is depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Group presents right-of-use asset in “property and equipment” in the consolidated statements of financial position.

The Group applies HKAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

##### *Leasehold land and building*

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments, including any lump-sum upfront payments, are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as “prepaid lease payments” in the consolidated statements of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property and equipment.

#### Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. 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 retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group’s foreign operations are translated into the presentation currency of the Group (i.e. HK\$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2022

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs recognised in profit or loss in the period in which they are incurred.

#### **Equity-settled share-based payment transactions**

##### *Share options granted to employees under the share option scheme*

The fair value of services received determined by reference to the fair value of share options granted at the date of grants is expected on a straight-line basis over the vesting period, with a corresponding increase in equity (employee share-based compensation reserve).

At the end of the reporting period, the Group reviews its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to employee share-based compensation reserve.

When share options are exercised, the amount previously recognised in employee share-based compensation reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in employee share-based compensation reserve will continue to be held in employee share-based compensation reserve.

##### *Share awards granted to employees under the share award scheme*

The fair value of services received determined by reference to the fair value of share awards granted at the date of grants is expected on a straight-line basis over the vesting period, with a corresponding increase in equity (shares held under share award scheme).

At the end of the reporting period, the Group reviews its estimates of the number of share awards that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that cumulative expense reflects the revised estimate, with a corresponding adjustment to shares held under share award scheme.

#### **Retirement benefits costs**

Payments to state-managed retirement benefit schemes, schemes established under Occupational Retirement Scheme Ordinance and Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contribution.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2022

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before taxation' as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investment in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on the tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority on either (i) the same taxable entity; or (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2022

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Taxation (Continued)

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use asset and the related lease liability, the Group first determines whether the tax deductions are attributable to the right-of-use asset or the lease liability.

For leasing transactions in which the tax deductions are attributable to the lease liability, the Group applies HKAS 12 requirements to right-of-use asset and lease liability separately. Temporary differences relating to right-of-use asset and lease liability are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

Current and deferred tax are recognised in profit or loss.

#### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

#### Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss (“FVTPL”)) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2022

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Financial instruments (Continued)

##### *Financial assets*

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets. Financial assets are classified, at initial recognition, as subsequently measured at amortised cost and fair value through other comprehensive income (“**FVTOCI**”).

The classification of financial assets at initial recognition depends on the financial asset’s contractual cash flow characteristics and the Group’s business model for managing them.

##### *Financial assets at amortised cost (debt instruments)*

The Group measures financial assets subsequently at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment.

##### *Amortised cost and effective interest method*

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2022

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Financial instruments (Continued)

##### *Financial assets (Continued)*

##### *Financial assets at amortised cost (debt instruments) (Continued)*

##### *Amortised cost and effective interest method (Continued)*

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss and it included in the “Other income and net gain” line item (note 7).

##### *Equity instruments designated as at FVTOCI*

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investment revaluation reserve. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

Dividends from investments in equity instruments are recognised in profit or loss when the Group’s right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

##### *Impairment of financial assets and other items subject to impairment assessment under HKFRS 9*

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables and contract assets. The expected credit losses on these financial assets are estimated individually of debtors with significant balances and/or collectively using a provision matrix based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group measures the loss allowance equal to 12-month ECL, unless when there has a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of a default occurring since initial recognition.

##### *Significant increase in credit risk*

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes various external sources of actual and forecast economic information that relate to the Group’s operations.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2022

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Financial instruments (Continued)

##### *Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (Continued)*

##### *Significant increase in credit risk (Continued)*

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular debtor, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument have not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term, and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations. The Group considers a financial asset to have low credit risk when the asset has an internal rating of 'performing'. Performing means that the counterparty has no past due amounts.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

##### *Definition of default*

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2022

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Financial instruments (Continued)

##### *Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (Continued)*

##### *Definition of default (Continued)*

To the best knowledge of the Directors, sizeable clients normally have more stringent internal procedure and would require a longer period of time to go through their own internal procedures before they could make payment to us. The Group considers that default has occurred when a financial asset is more than 12 months past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

##### *Credit-impaired financial assets*

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

##### *Write-off policy*

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

##### *Measurement and recognition of ECL*

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

Generally, the expected credit loss is estimated 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, discounted at the original effective interest rate.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2022

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Financial instruments (Continued)

##### *Derecognition of financial assets*

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

##### *Financial liabilities and equity instruments*

###### *Classification as debt or equity*

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

###### *Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

###### *Financial liabilities*

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

###### *Financial liabilities subsequently measured at amortised cost*

Financial liabilities that are not 1) contingent consideration of an acquirer in a business combination, 2) held-for-trading, or 3) designated as at FVTPL, are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

###### *Derecognition of financial liabilities*

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

#### Cash and cash equivalents

Bank balances and cash in the consolidated statement of financial position comprise cash at banks and on hand.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of bank balances and cash as defined above.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2022

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Impairment losses on property and equipment and right-of-use assets

At the end of the reporting period, the Group reviews the carrying amounts of its property and equipment and right-of-use assets 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. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generation units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value-in-use, the estimated future cash flows 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 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 cash-generating units, 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. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of CGUs. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of CGUs. An impairment loss is recognised immediately in profit or loss.

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

#### Fair value measurement

When measuring fair value except for the Group's share-based payment transactions, leasing transactions, net realisable value of inventories and value in use of tangible assets for the purpose of impairment assessment, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2022

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Fair value measurement (Continued)

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Specifically, the Group categorised the fair value measurements into three levels, based on the characteristics of inputs, as follows:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

At the end of the reporting period, the Group determines whether transfer occur between levels of the fair value hierarchy for assets and liabilities which are measured at fair value on recurring basis by reviewing their respective fair value measurement.

### 4. KEY SOURCES OF ESTIMATION UNCERTAINTIES

In the application of the Group's accounting policies, which are described in note 3, 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.

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

#### Estimated impairment of property and equipment

Property and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account their estimated residual values. The determination of the useful lives and residual values involves management's estimation. The Group assesses annually the residual value and the useful life of the property and equipment and if the expectation differs from the original estimate, such a difference may impact the depreciation in the year and the estimate will be changed in the future period.

The Group determines whether the property and equipment are impaired whenever there is indication of impairment presented. The impairment loss for property and equipment are recognised for the amounts by which the carrying amounts exceed their recoverable amounts, in accordance with the Group's accounting policy. The recoverable amounts of property and equipment have been determined based on higher of the fair value less costs of disposal and value-in-use calculations. These calculations require the use of judgements and estimations. As at 31 March 2022, the carrying values of property and equipment were approximately HK\$82,856,000 (2021: HK\$85,393,000). No impairment was recognised for the years ended 31 March 2022 and 2021.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2022

### 4. KEY SOURCES OF ESTIMATION UNCERTAINTIES (Continued)

#### Estimated provision for write-down of inventories

The management of the Group reviews an ageing analysis at the end of each reporting period and makes provision for obsolete and slow-moving items identified that are no longer suitable for sale or use. The Group makes provision for write-down of inventories based on the assessment of the net realisable value. The management estimates the net realisable value for inventories based primarily on the latest invoice prices and current market conditions. As at 31 March 2022, the carrying amount of inventories of the Group was approximately HK\$17,902,000 (2021: HK\$12,513,000), net of accumulated provision for write-down of inventories of approximately HK\$3,116,000 (2021: HK\$3,116,000). During the year ended 31 March 2022, no provision for write-down of inventories (2021: approximately HK\$271,000) was recognised.

#### Impairment of trade receivables and contract assets

The impairment provisions for trade receivables and contract assets are based on assumptions about ECL. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, bases on the number of days that an individual receivable is outstanding as well as the Group's historical experience and forward-looking information at the end of the reporting period. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional impairment charge to the consolidated statement of profit or loss and other comprehensive income.

As at 31 March 2022, the carrying amount of trade receivables and contract assets was approximately HK\$44,238,000 (2021: HK\$35,915,000). No impairment was recognised for the years ended 31 March 2022 and 2021.

#### Fair value measurement and valuation process of financial assets at FVTOCI

In estimating the fair value of the investments in unlisted equity investment classified as financial assets at FVTOCI, the Directors with the assistance of independent professional valuer use their judgements in selecting an appropriate valuation technique and unobservable inputs for unlisted equity investment. As at 31 March 2022, the fair value of financial assets at FVTOCI is approximately HK\$8,586,000 (2021: N/A). The Directors believe that the chosen valuation techniques and assumptions are appropriate in determining the fair value of these investments.

#### Impairment of loan to an investee

The impairment provision for loan to an investee is based on assumptions about ECL. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, bases on the number of days that the loan receivable is outstanding as well as the Group's historical experience and forward-looking information at the end of the reporting period. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional impairment charge to the consolidated statement of profit or loss and other comprehensive income. As at 31 March 2022, the carrying amount of loan to an investee was approximately HK\$8,586,000 (2021: N/A). No impairment was recognised for the year ended 31 March 2022.

### 5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders of the Company (the "Shareholders") through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes the bank borrowings disclosed in note 23, net of cash and cash equivalents and equity attributable to the owners of the Company, comprising issued share capital and reserves.

The Directors review the capital structure regularly. As part of this review, the Directors consider the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends, issuance of new shares as well as the issue of new debts or the redemption of borrowings.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the Year Ended 31 March 2022

**6. FINANCIAL INSTRUMENTS****(a) Categories of financial instruments**

	2022 HK\$'000	2021 HK\$'000
<b>Financial assets</b>		
Financial assets at amortised cost	<b>123,133</b>	104,833
Financial assets at FVTOCI	<b>8,586</b>	–
	<b>131,719</b>	104,833
<b>Financial liabilities</b>		
Financial liabilities at amortised cost	<b>51,861</b>	54,222

**(b) Financial risk management objectives and policies**

The Group's major financial instruments include financial assets at FVTOCI, trade receivables, deposits and other receivables, loan to an investee, bank balances and cash, trade payables, other payables and accruals and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

*Market risk**Currency risk*

The Group's exposure to foreign currency risk relates principally to its trade receivables, bank balances and trade payables denominated in foreign currencies other than the functional currency of relevant group entity.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the end of the reporting period are as follows:

	Assets		Liabilities	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
United States dollar ("USD")	<b>3,073</b>	2,404	<b>2,160</b>	2,348
Euro ("EUR")	<b>97</b>	100	<b>30</b>	240

The Group currently does not have a foreign currency hedging policy. However, the Directors continuously monitor the related foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2022

### 6. FINANCIAL INSTRUMENTS (Continued)

#### (b) Financial risk management objectives and policies (Continued)

##### *Market risk (Continued)*

##### *Currency risk (Continued)*

##### Sensitivity analysis

The Group is mainly exposed to the currency risk of USD and EUR.

As HK\$ is pegged to USD, the Directors do not expect any significant movements in the USD/HKD exchange rate.

The following table details the Group's sensitivity to a 5% increase or decrease in HK\$ against the EUR for the years ended 31 March 2022 and 2021. 5% is the sensitivity rates used when reporting foreign currency risk internally to key management personnel and represent management's assessment of the reasonably possible change in foreign exchange rates.

The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2021: 5%) change in foreign currency rates. A positive number below indicates an increase in post-tax profit where the respective functional currency strengthen 5% (2021: 5%) against the relevant currency. For a 5% (2021: 5%) weakening of the respective functional currency against the relevant currency, there would be an equal and opposite impact on the profit.

	EUR	
	2022	2021
	HK\$'000	HK\$'000
Impact on post-tax profit for the year	3	(6)

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

##### *Interest rate risk*

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances (note 20) and variable-rate bank borrowings (note 23) carrying interest at prevailing market rates. However, the exposure in bank balances is minimal to the Group as the bank balances are all short-term in nature. It is the Group's policy to keep its borrowings at floating rate of interest so as to minimise the fair value interest rate risk.

##### Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the end of each reporting period. The analysis is prepared assuming the amount of liability outstanding at the end of reporting period was outstanding for the whole year. A 50 (2021: 50) basis point increase or decrease is used for the year when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower for the year ended 31 March 2022 and all other variables were held constant, the Group's post-tax profit would decrease/increase by approximately HK\$94,000 (2021: HK\$110,000). This is mainly attributable to the Group's exposure to cash flow interest rate risk on its variable-rate bank borrowings.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2022

### 6. FINANCIAL INSTRUMENTS (Continued)

#### (b) Financial risk management objectives and policies (Continued)

##### *Credit risk*

As at 31 March 2022, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The credit risk of our Group mainly arises from bank balances and cash, trade receivables and contract assets, deposits and other receivables and loan to an investee. The carrying amounts of these balances represent our Group's maximum exposure to credit risk in relation to financial assets.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

For trade receivables and contract assets, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL individually for debtors with significant balances and/or collectively by using a provision matrix, estimated based on historical credit loss experience, as well as the general economic conditions of the industry in which the debtors operate. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

For other non-traded related receivables, the Group has assessed whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime rather than 12-month ECL.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout the reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating;
- external credit rating;
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations; and
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the Group and changes in the operating results of the borrower.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the Year Ended 31 March 2022

**6. FINANCIAL INSTRUMENTS (Continued)****(b) Financial risk management objectives and policies (Continued)***Credit risk (Continued)**The Group's exposure to credit risk*

In order to minimise credit risk, the Group has tasked its operation management to develop and maintain the Group's credit risk grading to categories exposures according to their degree of risk of default. The credit rating information is drawn from publicly available financial information and the Group's own trading records to rate its major customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Group's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising ECL
Performing	For financial assets where there has low risk of default or has not been a significant increase in credit risk since initial recognition and that are not credit-impaired (refer to as Stage 1)	12-month ECL
Doubtful	For financial assets where there has been a significant increase in credit risk since initial recognition but that are not credit-impaired (refer to as Stage 2)	Lifetime ECL – not credit-impaired
Default	Financial assets are assessed as credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred (refer to as Stage 3)	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

The tables below detail the credit quality of the Group's financial assets and contract assets, as well as the Group's maximum exposure to credit risk by credit risk rating grades.

	Internal credit rating	12-month or lifetime ECL	As at 31 March 2022		As at 31 March 2021	
			Gross carrying amount HK\$'000	Net carrying amount HK\$'000	Gross carrying amount HK\$'000	Net carrying amount HK\$'000
Trade receivables	<i>Note a</i>	Lifetime ECL (simplified approach)	43,190	43,190	35,637	35,637
Deposits and other receivables	Performing ( <i>Note b</i> )	12-month ECL	323	323	504	504
Loan to an investee	Performing ( <i>Note c</i> )	12-month ECL	8,586	8,586	–	–
			<b>52,099</b>	<b>52,099</b>	36,141	36,141
Contract assets	<i>Note a</i>	Lifetime ECL (simplified approach)	1,048	1,048	278	278

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the Year Ended 31 March 2022

**6. FINANCIAL INSTRUMENTS (Continued)****(b) Financial risk management objectives and policies (Continued)***Credit risk (Continued)**The Group's exposure to credit risk (Continued)*

*Note a:* For trade receivables and contract assets, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors with significant outstanding balances or credit-impaired, the Group determines the expected credit losses on these items by using a provision matrix, grouped by ageing of trade receivables. No loss allowance has been made on trade receivables and contract assets as the amount involved is insignificant.

*Note b:* As at 31 March 2022 and 2021, the credit rating of deposit and other receivables and bank balance and cash were performing and the expected loss rate are assessed to be close to zero. Thus, no loss allowance has been made.

*Note c:* For the loan to an investee, as at 31 March 2022, in determining the expected credit losses for this loan receivable, the Directors have taken into account the valuation of assets held by the investee in estimating the probability of default. The expected loss rate is assessed to be close to zero. Thus, no loss allowance has been made.

Included in the Group's trade receivables and contract assets balance as at 31 March 2022, approximately HK\$5,566,000 (2021: HK\$3,501,000) and HK\$18,964,000 (2021: HK\$11,946,000), representing approximately 13% (2021: 10%) and 43% (2021: 33%) of the total trade receivables and contract assets were due from the Group's largest customer and the five largest customers respectively. There are no other customers who represent more than 5% of the total trade receivables balance as at the end of the reporting periods.

*Liquidity risk*

In the management of the liquidity risk, the Group monitors and maintains a level of bank balances and cash deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. Management monitors the utilisation of bank borrowings and ensures compliance with terms of loan.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of each reporting period.

	Weighted average interest rate	On demand or within 1 year HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
<b>As at 31 March 2022</b>				
Trade payables	–	20,131	20,131	20,131
Other payables and accruals	–	9,203	9,203	9,203
Bank borrowings	1.53%	22,869	22,869	22,527
		52,203	52,203	51,861

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the Year Ended 31 March 2022

**6. FINANCIAL INSTRUMENTS (Continued)****(b) Financial risk management objectives and policies (Continued)***Liquidity risk (Continued)*

	Weighted average interest rate	On demand or within 1 year HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
<b>As at 31 March 2021</b>				
Trade payables	–	16,427	16,427	16,427
Other payables and accruals	–	11,378	11,378	11,378
Bank borrowings	2.03%	26,953	26,953	26,417
		54,758	54,758	54,222

Bank borrowings with a repayment on demand clause are included in the “on demand or within 1 year” time band in the above maturity analysis. At 31 March 2022, the aggregate undiscounted principal amounts of these bank loans amounted to approximately HK\$22,527,000 (2021: HK\$26,417,000). Taking into account the Group’s financial position, the Directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The Directors believe that such bank loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to approximately HK\$23,502,000 (2021: HK\$26,781,000).

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

**(c) Fair value measurements recognised in the consolidated statement of financial position**

The following table provides an analysis of financial instruments that are measured at fair value at the end of each reporting period, grouped into Level 3 based on the degree to which the fair value is observable in accordance to the Group’s accounting policy.

	2022 Level 3 HK\$'000
Financial assets at FVTOCI Unlisted equity investments	8,586

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the Year Ended 31 March 2022

**6. FINANCIAL INSTRUMENTS (Continued)****(c) Fair value measurements recognised in the consolidated statement of financial position (Continued)**

Reconciliation of Level 3 fair value measurements of financial assets on recurring basis:

	Unlisted equity investments HK\$'000
As at 1 April 2021	–
Purchase	<b>8,586</b>
As at 31 March 2022	<b>8,586</b>

**7. REVENUE AND OTHER INCOME AND NET GAIN**

Revenue represents the amounts received and receivable for services rendered in the normal course of business, net of discounts and sales related taxes. Analysis of the Group's revenue and other income and net gain is as follows:

	2022 HK\$'000	2021 HK\$'000
<b>Revenue from contracts with customers within the scope of HKFRS 15</b>		
Disaggregated by major products or service line		
Provision of VCMA solution and maintenance services:		
– VCMA solution services	<b>124,259</b>	123,083
– VCMA maintenance services	<b>20,848</b>	18,777
Provision of cloud-based IT+OT managed services:		
– IoT operation and other services	<b>14,843</b>	2,870
– Security services	<b>11,498</b>	650
	<b>171,448</b>	145,380

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the Year Ended 31 March 2022

**7. REVENUE AND OTHER INCOME AND NET GAIN (Continued)**

Disaggregation of revenue by timing of recognition

	2022 HK\$'000	2021 HK\$'000
<b>Timing of revenue recognition</b>		
At a point in time	150,290	125,734
Over time	21,158	19,646
Total revenue from contracts with customers	<b>171,448</b>	145,380

	2022 HK\$'000	2021 HK\$'000
<b>Other income and net gain</b>		
Government grants ( <i>note</i> )	–	3,447
Net exchange gain	29	206
Write off of trade payables	–	68
Bank interest income	82	61
Gain on disposal of property and equipment	215	55
Others	5	–
	<b>331</b>	3,837

*Note:* During the year ended 31 March 2021, the Group recognised government grants of approximately HK\$3,447,000 in respect of COVID-19-related subsidies related to Employment Support Scheme provided by the Government of the Hong Kong Special Administrative Region under the Anti-epidemic Fund. There are no unfulfilled conditions and other contingencies attached to the receipts of those subsidies.

**8. SEGMENT INFORMATION**

The Directors consider that there are two operating and reportable business segments for the Group, being the provision of VCMA solution and maintenance services and cloud-based IT+OT managed services. The Group's operating segments are reported in a manner consistent with the information reported to the board of Directors, being the chief operating decision maker (the "CODM"), for the purposes of resources allocation and performance assessment.

The Directors have chosen to organise the Group around differences in products and services.

Specifically, the Group's reportable segments are as follows:

1. Provision of VCMA solution and maintenance services
2. Provision of cloud-based IT+OT managed services

The provision of cloud-based IT+OT managed services, which included the provision of AIoT operation and other services and provision of security services, was commenced during the year ended 31 March 2021 as the Group diversified its business operation during the year ended 31 March 2021.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the Year Ended 31 March 2022

**8. SEGMENT INFORMATION (Continued)****(a) Segment revenue and results**

The following is an analysis of the Group's revenue and results by reportable segments:

	Provision of VCMA solution and maintenance services		Provision of cloud-based IT+OT managed services		Total	
	2022	2021	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>For the year ended 31 March</b>						
Segment revenue – external customers	145,107	141,860	26,341	3,520	171,448	145,380
Segment results	23,909	23,473	495	(430)	24,404	23,043
Unallocated other income and net gain					31	3,770
Unallocated expenses					(15,729)	(12,146)
Profit before tax					8,706	14,667

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3.

Segment results represents the result from each segment without allocation of Directors' emoluments, other income and net gain, certain items of other operating expenses and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance.

**(b) Segment assets and liabilities**

The following is an analysis of the Group's assets and liabilities by reportable segments:

	Provision of VCMA solution and maintenance services		Provision of cloud-based IT+OT managed services		Total	
	2022	2021	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>As at 31 March</b>						
<b>Segment assets</b>	62,987	47,085	19,042	3,917	82,029	51,002
Unallocated assets					161,767	156,666
Total assets					243,796	207,668
<b>Segment liabilities</b>	(32,751)	(25,714)	(7,224)	(4,940)	(39,975)	(30,654)
Unallocated liabilities					(28,733)	(32,099)
Total liabilities					(68,708)	(62,753)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the Year Ended 31 March 2022

**8. SEGMENT INFORMATION (Continued)****(b) Segment assets and liabilities (Continued)**

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than certain property and equipment, bank balances and cash, certain prepayments, deposits and other receivables, deferred tax assets and tax recoverables which are unable to allocate to reportable segments; and
- all liabilities are allocated to reportable segments other than certain other payables and accruals, bank borrowings, tax payables and deferred tax liabilities.

**(c) Other segment information**

	Provision of VCMA solution and maintenance services		Provision of cloud-based IT+OT managed services		Unallocated		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amounts included in the measure of segment profit or loss or segment assets:								
Additions to property and equipment	483	40	17	-	-	1,120	500	1,160
Disposal of property and equipment	-	-	-	-	-	(484)	-	(484)
Depreciation of property and equipment	364	613	2	-	2,671	2,654	3,037	3,267
Provision for write-down of inventories	-	271	-	-	-	-	-	271
Write-off of trade payables	-	(68)	-	-	-	-	-	(68)

**(d) Geographical information**

The Group's operations are located in Hong Kong (place of domicile), the PRC and Singapore. The Group's customers are mainly located in Hong Kong, the PRC and Macau.

An analysis of the Group's revenue from external customers is presented based on the location of customers as below:

	Revenue from external customers	
	2022	2021
	HK\$'000	HK\$'000
Hong Kong (place of domicile)	143,224	139,463
The PRC	27,076	4,846
Macau	1,148	1,071
	171,448	145,380

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the Year Ended 31 March 2022

**8. SEGMENT INFORMATION (Continued)****(d) Geographical information (Continued)**

The Group's information about its non-current assets is presented based on location of the assets as below:

	Non-current assets	
	2022 HK\$'000	2021 HK\$'000
Hong Kong (place of domicile)	82,835	85,386
The PRC	21	7
	<b>82,856</b>	<b>85,393</b>

*Note:* Non-current assets excluded deferred tax assets, financial assets at FVTOCI and non-current portion of prepayments.

**(e) Information about major customers**

No revenue from individual external customer contributed over 10% of total revenue of the Group for the year ended 31 March 2022.

**9. FINANCE COSTS**

	2022 HK\$'000	2021 HK\$'000
Interest expenses on bank borrowings	371	580
Interest on lease liability	–	2
	<b>371</b>	<b>582</b>

**10. INCOME TAX EXPENSES**

	2022 HK\$'000	2021 HK\$'000
Current tax:		
– Hong Kong Profits Tax	1,771	1,790
– PRC Enterprise Income Tax	126	–
	<b>1,897</b>	<b>1,790</b>
Deferred taxation ( <i>note 24</i> )	124	153
	<b>2,021</b>	<b>1,943</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the Year Ended 31 March 2022

**10. INCOME TAX EXPENSES (Continued)**

- i) Under the two-tiered profits tax rates regime in Hong Kong, the first HK\$2 million of profits of qualifying corporation will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. For the year ended 31 March 2022, Hong Kong Profits Tax of the qualified entity of the Group is calculated in accordance with the two-tiered profits tax rates regime. The profits of other Group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5%.
- ii) Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, PRC Enterprises Income Tax is calculated at 25% of the estimated assessable profits for the years ended 31 March 2022 and 2021.
- iii) The Singapore subsidiary is in loss-making position for the current year and accordingly does not have any provision for Singapore Corporate Tax at 17% for the years ended 31 March 2022 and 2021.
- iv) Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI.

The income tax expenses for the year can be reconciled to the profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2022 HK\$'000	2021 HK\$'000
Profit before taxation	<b>8,706</b>	14,667
Tax at domestic income tax rate of 16.5% (2021: 16.5%)	<b>1,436</b>	2,420
Effect of different tax rate of subsidiaries operating in other jurisdictions	<b>(32)</b>	(55)
Tax effect of two-tiered profits tax rates regime	<b>(165)</b>	(165)
Tax effect of expense not deductible for tax purposes	<b>1,413</b>	348
Tax effect of income not taxable for tax purposes	<b>(458)</b>	(604)
Tax effect of tax loss not recognised	<b>156</b>	172
Utilisation of taxes losses previously not recognised	<b>(166)</b>	(123)
Tax exemption ( <i>note</i> )	<b>(163)</b>	(50)
Income tax expenses for the year	<b>2,021</b>	1,943

*Note:* Tax exemption represented: i) a reduction of Hong Kong Profits Tax for the years of assessment 2021/2022 and 2020/2021 by 100%, subject to a ceiling of HK\$10,000; and ii) from 1 April 2019 to 31 March 2022 under relevant PRC EIT Law, for PRC enterprises that qualifies for small enterprises, annual taxable income below RMB3 million and thin-profit enterprises with an annual taxable income of RMB1 million or less are applicable to the effective tax rate of 5%. Where their annual taxable income exceeds RMB1 million but does not exceed RMB3 million, the RMB1 million portion will be subject to an effective tax rate of 5%, whereas the excess portion will be subject to the effective tax rate of 10%..

Details of the deferred taxation are set out in note 24.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the Year Ended 31 March 2022

**11. PROFIT FOR THE YEAR**

	2022 HK\$'000	2021 HK\$'000
Profit for the year has been arrived at after charging:		
Directors' emoluments ( <i>note 13</i> )	7,511	7,946
Salaries (excluding Directors' emoluments)	29,123	25,966
Retirement benefit scheme contributions (excluding Directors' emoluments)	1,997	1,295
Equity-settled share-based payment expenses	570	–
<b>Total staff costs</b>	<b>39,201</b>	35,207
Cost of inventories sold including system development cost and installation cost	110,584	88,184
Provision for write-down of inventories (included in cost of sales)	–	271
Depreciation for property and equipment and right-of-use asset	3,037	3,267
Depreciation for investment property	–	15
Auditor's remuneration	748	725
Operating lease rentals in respect of rented premises	626	383
Research and development expenses (included in staff cost and other operating expenses)	2,595	116

**12. EARNINGS PER SHARE**

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

	2022 HK\$'000	2021 HK\$'000
<b>Earnings</b>		
Earnings for the purpose of basic and diluted earnings per share	6,697	12,789

	2022 '000	2021 '000
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,031,296	1,000,000
Weighted average number of ordinary shares in issue	1,031,296	1,000,000
Effect of share options granted	2,844	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,034,140	1,000,000

The diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding by the assumption of the conversion of all potential dilutive ordinary shares arising from share options granted by the Company.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the Year Ended 31 March 2022

**13. DIRECTORS', CHIEF EXECUTIVES' AND EMPLOYEES' EMOLUMENTS****(a) Directors' and chief executives' emoluments**

The emoluments paid or payable to the executive directors who are also chief executives and other directors as follows:

**For the year ended 31 March 2022**

	<i>Notes</i>	Fees HK\$'000	Salaries HK\$'000	Discretionary bonus HK\$'000	Retirement benefit scheme contributions HK\$'000	Total HK\$'000
<b>Executive directors:</b>						
Mr. Zhong Naixiong		120	-	-	-	120
Mr. Yau Wing Keung		180	-	-	-	180
Mr. Chan Wing Yiu		-	758	876	-	1,634
Mr. Tong Sai Wong		-	758	876	-	1,634
Mr. Chan Wing Lun		-	1,200	1,978	18	3,196
<b>Non-executive director:</b>						
Dr. Wong King Keung		180	-	-	-	180
<b>Independent non-executive directors:</b>						
Mr. Lum Pak Sum		150	-	-	-	150
Mr. Fong Chi		150	-	-	-	150
Mr. Fung Chan Man Alex	<i>(i)</i>	117	-	-	-	117
Mr. Li Ying Wai Wayne	<i>(ii)</i>	150	-	-	-	150
		<b>1,047</b>	<b>2,716</b>	<b>3,730</b>	<b>18</b>	<b>7,511</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the Year Ended 31 March 2022

**13. DIRECTORS', CHIEF EXECUTIVES' AND EMPLOYEES' EMOLUMENTS (Continued)****(a) Directors' and chief executives' emoluments (Continued)****For the year ended 31 March 2021**

	Notes	Fees HK\$'000	Salaries HK\$'000	Discretionary bonus HK\$'000	Retirement benefit scheme contributions HK\$'000	Total HK\$'000
<b>Executive directors:</b>						
Mr. Zhong Naixiong		120	–	–	–	120
Mr. Yau Wing Keung		180	–	–	–	180
Mr. Chan Wing Yiu		–	758	871	–	1,629
Mr. Tong Sai Wong		–	758	871	–	1,629
Mr. Chan Wing Lun		–	1,280	2,310	18	3,608
<b>Non-executive director:</b>						
Dr. Wong King Keung		180	–	–	–	180
<b>Independent non-executive directors:</b>						
Mr. Lum Pak Sum		150	–	–	–	150
Mr. Fong Chi		150	–	–	–	150
Mr. Fung Chan Man Alex	(i)	150	–	–	–	150
Mr. Mong Cheuk Wai	(iii)	126	–	–	–	126
Mr. Li Ying Wai Wayne	(ii)	24	–	–	–	24
		1,080	2,796	4,052	18	7,946

Notes:

(i) Resigned on 11 January 2022.

(ii) Appointed on 4 February 2021 and resigned on 31 May 2022.

(iii) Resigned on 4 February 2021.

Discretionary bonus was determined with reference to the Group's operating results, individual performance and comparable market statistics for such financial year.

None of the Directors waived or agreed to waive any emoluments during the years ended 31 March 2022 and 2021.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the Year Ended 31 March 2022

**13. DIRECTORS', CHIEF EXECUTIVES' AND EMPLOYEES' EMOLUMENTS (Continued)****(b) Employees' emoluments**

Of the five individuals with the highest emoluments in the Group, three (2021: three) were the Directors. Their emoluments are included in the disclosures in note 13(a) above. The emoluments of the remaining two (2021: two) individuals for the years ended 31 March 2022 and 2021 were as follows:

	2022 HK\$'000	2021 HK\$'000
Salaries	1,804	2,313
Performance related incentive payments	732	1,026
Equity-settled share-based payment expenses	570	–
Retirement benefit scheme contributions	176	77
	<b>3,282</b>	3,416

Their emoluments were within the following bands:

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

No emoluments were paid by the Group to the Directors, chief executives or the five highest paid individuals as inducements to join or upon joining the Group or as a compensation for loss of office during the years ended 31 March 2022 and 2021.

**14. DIVIDEND**

	2022 HK\$'000	2021 HK\$'000
Dividend recognised as distribution during the year		
2021 Final dividend – HK0.65 cents per share (2021: 2020 Final dividend – HK0.90 cents per share)	<b>6,828</b>	9,000

Dividend of approximately HK\$6,828,000 was paid during the year ended 31 March 2022 (2021: HK\$9,000,000). Subsequent to the end of the reporting period, a final dividend of HK0.50 cents (2021: HK0.65 cents) per share in respect of the year ended 31 March 2022 has been proposed by the Directors and is subject to approval by the Shareholders at the forthcoming annual general meeting of the Company.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the Year Ended 31 March 2022

**15. PROPERTY AND EQUIPMENT**

	Land and buildings HK\$'000	Right-of-use asset-property HK\$'000	Furniture and fixtures HK\$'000	Computer equipment HK\$'000	Leasehold improvement HK\$'000	Motor vehicle HK\$'000	Total HK\$'000
<b>COST</b>							
At 1 April 2020	101,215	222	1,208	1,332	2,847	499	107,323
Additions	–	–	610	40	–	510	1,160
Disposal	–	–	(9)	(25)	–	(510)	(544)
Written off on expiry of lease term	–	(222)	–	–	–	–	(222)
Transferred from investment property	1,680	–	–	–	–	–	1,680
At 31 March 2021 and 1 April 2021	102,895	–	1,809	1,347	2,847	499	109,397
Additions	–	–	5	109	–	386	500
Disposal	–	–	–	–	–	(499)	(499)
At 31 March 2022	102,895	–	1,814	1,456	2,847	386	109,398
<b>ACCUMULATED DEPRECIATION</b>							
At 1 April 2020	15,798	127	1,203	1,033	2,366	325	20,852
Provided for the year	2,654	95	20	199	174	125	3,267
Disposal	–	–	(9)	(25)	–	(26)	(60)
Written off	–	(222)	–	–	–	–	(222)
Transferred from investment property	167	–	–	–	–	–	167
At 31 March 2021 and 1 April 2021	18,619	–	1,214	1,207	2,540	424	24,004
Provided for the year	2,670	–	123	70	80	94	3,037
Disposal	–	–	–	–	–	(499)	(499)
At 31 March 2022	21,289	–	1,337	1,277	2,620	19	26,542
<b>CARRYING VALUES</b>							
At 31 March 2022	81,606	–	477	179	227	367	82,856
At 31 March 2021	84,276	–	595	140	307	75	85,393

- i) The above items of property and equipment are depreciated on a straight-line basis at the following rates per annum:

Land and buildings	Over the shorter of term of the lease or 2%
Right-of-use asset – property	Over the lease term
Furniture and fixtures	10–20%
Computer equipment	20%
Leasehold improvement	20–33%
Motor vehicle	20%

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2022

### 15. PROPERTY AND EQUIPMENT (Continued)

- ii) As at 31 March 2022, land and buildings with carrying amounts of approximately HK\$80,155,000 (2021: HK\$82,786,000) have been pledged to secure bank borrowings of approximately HK\$22,527,000 (2021: HK\$26,417,000).
- iii) All of the land and buildings are located in Hong Kong.
- iv) During the year ended 31 March 2021, the Group repossessed a carpark located in Hong Kong as property and equipment which was previously leased out to an independent third party and classified as investment property. The carrying value of the unit on the date of reclassification amounted to approximately HK\$1,513,000.

### 16. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME AND LOAN TO AN INVESTEE

Financial assets at FVTOCI comprise:

	2022 HK\$'000	2021 HK\$'000
Equity instrument designated as FVTOCI		
– Unlisted	8,586	–

On 25 March 2021, Top Luck Development Limited (祥高發展有限公司) (“**Top Luck**”), a wholly-owned subsidiary of the Company, has entered into a shareholders’ agreement with two independent third parties of the Group (the “**Independent Third Parties**”) and a related company, which is controlled and substantially owned by Mr. Zhong Naixiong, a director of the Company (the “**Related Company**”), in relation to a commitment of capital contribution of RMB2,000,000 in Top Luck’s investment in a 4% equity interest of Changzhou Guoyun Green Data Technology Co., Limited\* (常州國雲綠色數據技術有限公司) (“**Changzhou Guoyun**”).

During the year ended 31 March 2022, the Independent Third Parties have transferred their entire interests in Changzhou Guoyun to the Related Company and Changzhou Guoyun has increased its registered capital from RMB50,000,000 to RMB350,000,000 for the purpose of funding the development of the IDC center in the PRC. In light of the aforesaid changes, Top Luck and the Related Company entered into a new shareholders’ agreement in August 2021 (the “**New Shareholders’ Agreement**”) pursuant to which the commitment of capital contributions of the Related Company and Top Luck were increased to RMB168,000,000 and RMB7,000,000 respectively (the “**Committed Capital Contributions**”). The timing for payment of the balance of the registered capital of Changzhou Guoyun in the sum of RMB175,000,000 is subject to further agreement between Top Luck and the Related Company. During the year ended 31 March 2022, the Committed Capital Contributions in respect of Top Luck’s 4% investment in Changzhou Guoyun in the sum of RMB7,000,000 (equivalent to approximately HK\$8,586,000) was fully paid and recognised as financial assets at FVTOCI in the consolidated statement of financial position as it is held for long-term investment purpose.

Pursuant to the New Shareholders’ Agreement, any further capital contributions provided by the shareholders of Changzhou Guoyun in addition to the Committed Capital Contributions shall not be regarded as paid-up capital of Changzhou Guoyun but in the form of shareholders’ loans to Changzhou Guoyun, unless and until a further agreement is made between the Related Company and Top Luck to convert the same into paid-up capital.

During the year ended 31 March 2022, Top Luck has made a shareholder loan of RMB7,000,000 (equivalent to approximately HK\$8,586,000, which was in proportion to its 4% equity interest in Changzhou Guoyun) to Changzhou Guoyun which is unsecured, interest-free and repayable on demand. Up to the date of this annual report, the Group has not entered into any further agreement with the Related Company regarding the conversion of shareholders’ loans to Changzhou Guoyun into paid-up capital.

\* English name for identification purposes only

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2022

### 17. INVENTORIES

	2022 HK\$'000	2021 HK\$'000
Finished goods	17,902	12,513

### 18. TRADE RECEIVABLES AND CONTRACT ASSETS

	2022 HK\$'000	2021 HK\$'000
Trade receivables	43,190	35,637
Contract assets	1,048	278
	<b>44,238</b>	<b>35,915</b>

As at 31 March 2022, the gross amount of trade receivables and contract assets arising from contracts with customers amounted to approximately HK\$44,238,000 (2021: HK\$35,915,000) of which approximately HK\$1,048,000 (2021: HK\$278,000) represented contract assets.

As at 31 March 2021, trade receivables of approximately HK\$258,000 represented trade receivables from a related company.

Contract assets are initially recognised for certain amount of revenue earned from provision of VCMA solution services as receipt of consideration is conditional on successful completion of retention period ranged from 1-5 years. The contract assets are transferred to trade receivables when the rights become unconditional. Upon completion of retention period, the amounts recognised as contract assets are reclassified to trade receivables. At 31 March 2022, contract assets of approximately HK\$213,000 (2021: HK\$37,000) are expected to be recovered after one year from the end of reporting period.

The Group generally allows credit periods ranged from 30 days to 180 days to the customers. The following is an ageing analysis of trade receivables, presented based on date of acknowledgement of receipt of goods by customers, which approximated the respective revenue recognition dates, at the end of the reporting period.

	2022 HK\$'000	2021 HK\$'000
0 to 30 days	15,203	15,823
31 to 60 days	2,288	6,712
61 to 120 days	13,984	4,464
121 to 365 days	9,383	4,987
Over 365 days	2,332	3,651
	<b>43,190</b>	<b>35,637</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2022

### 18. TRADE RECEIVABLES AND CONTRACT ASSETS (Continued)

Before accepting any new customer, the Group will internally assess the credit quality of the potential customer and define appropriate credit limit. Receivables that were neither past due nor impaired relate to customers for whom there was no recent history of default.

The Group measures the loss allowance for trade receivables and contract assets at an amount equal to lifetime ECL. The expected credit losses on trade receivables and contract assets are estimated using a provision matrix by reference to past default experience and creditworthiness of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The expected credit losses on contract assets are estimated based on past default experience on amounts not yet past due.

No loss allowance was made on the balances during the years ended 31 March 2022 and 2021 as the amount involved is insignificant.

### 19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2022 HK\$'000	2021 HK\$'000
Prepayments	8,211	1,604
Deposits	263	312
Other receivables	959	575
	<b>9,433</b>	2,491
Less: non-current portion of prepayments ( <i>note 31</i> )	<b>(4,416)</b>	–
Current portion	<b>5,017</b>	2,491

### 20. BANK BALANCES AND CASH

The bank balances for the years ended 31 March 2022 and 2021 carried interest at the prevailing market rate.

The Group's bank balances and cash denominated in RMB amounted to approximately HK\$13,278,000 (2021: HK\$2,683,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations.

### 21. TRADE PAYABLES

	2022 HK\$'000	2021 HK\$'000
Trade payables	<b>20,131</b>	16,427

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2022

### 21. TRADE PAYABLES (Continued)

An ageing analysis of trade payables presented based on the date of recognition at the end of the reporting period is as follows:

	2022 HK\$'000	2021 HK\$'000
0 to 60 days	5,055	8,974
61 to 90 days	5,656	834
Over 90 days	9,420	6,619
	<b>20,131</b>	16,427

The general credit periods on purchase of goods ranged from 30 days to 180 days. The Group has financial risk management policies or plans for its payables with respect to the credit timeframe.

### 22. OTHER PAYABLES AND ACCRUALS

	2022 HK\$'000	2021 HK\$'000
Accrued salary	6,239	5,909
Commission payable	1,496	2,481
Contract liabilities	15,052	7,024
Accrued expenses and other payables	1,468	2,041
Amount due to a related company ( <i>note</i> )	–	947
	<b>24,255</b>	18,402

*Note:* As at 31 March 2021, the amount represented amount due to a related company of which the Director, Mr. Zhong Naixiong has control and beneficial interest in the related company. The amount is non-trade nature, unsecured, interest-free and repayable on demand.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the Year Ended 31 March 2022

**22. OTHER PAYABLES AND ACCRUALS (Continued)**

Contract liabilities represented advance payments from customers pursuant to the respective sales contracts.

The following table sets out the revenue recognised that was included in the contract liabilities balance at the beginning of the year. There was no revenue recognised in the current year that related to performance obligations that were satisfied in a prior year.

	2022 HK\$'000	2021 HK\$'000
VCMA solution services	2,629	5,738
VCMA maintenance services	4,395	1,971
	<b>7,024</b>	7,709

**23. BANK BORROWINGS**

	2022 HK\$'000	2021 HK\$'000
Secured mortgage loans	<b>22,527</b>	26,417
Carrying amount repayable (based on scheduled repayment dates set out in the loan agreements):		
Within one year	4,096	21,481
More than one year but not exceeding two years	4,096	4,439
More than two years but not exceeding five years	14,335	497
	<b>22,527</b>	26,417
Carrying amount of bank loans that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	<b>18,431</b>	4,936
Carrying amount repayable within one year	4,096	21,481
Amounts shown under current liabilities	<b>22,527</b>	26,417

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2022

### 23. BANK BORROWINGS (Continued)

Borrowings comprise:

	Maturity Date	Effective interest rate	Carrying amount	
			2022 HK\$'000	2021 HK\$'000
Floating-rate borrowings:				
– HKD mortgage loans <sup>(1)</sup>	25/9/2027 (2021: 21/8/2021)	1.53% (2021: 2.03%)	<b>17,211</b>	20,001
– HKD mortgage loans <sup>(2)</sup>	25/9/2027 (2021: 12/7/2025)	1.53% (2021: 2.03%)	<b>5,316</b>	6,416
			<b>22,527</b>	26,417

<sup>(1)</sup> During the year ended 31 March 2022, the floating rate is lower of Hong Kong Interbank Offered Rate (“**HIBOR**”) plus 1.4% (2021: 1.4%) or 2.25% (2021: 2.25%) below best lending rate. Repayable in 155 monthly installments commencing from the drawdown of the borrowings.

<sup>(2)</sup> During the year ended 31 March 2022, the floating rate is lower of HIBOR plus 1.4% (2021: 1.4%) or 2.25% (2021: 2.25%) below best lending rate. Repayable in 146 monthly installments commencing from the drawdown of the borrowings.

Notes:

- i. The bank borrowings are all denominated in HK\$.
- ii. All borrowings were guaranteed by the Company and its subsidiaries in Hong Kong for both years.
- iii. As at 31 March 2022, bank borrowings of approximately HK\$22,527,000 (2021: HK\$26,417,000) were secured by land and buildings of the Group with carrying amounts of approximately HK\$80,155,000 (2021: HK\$82,786,000).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the Year Ended 31 March 2022

**24. DEFERRED TAXATION**

The following is the analysis of the deferred tax assets (liabilities), before set off certain deferred tax assets against deferred tax liabilities of the same taxable entity, for financial reporting purposes:

	2022 HK\$'000	2021 HK\$'000
Deferred tax assets	805	654
Deferred tax liabilities	(1,483)	(1,208)
	<b>(678)</b>	(554)

The following are the major deferred tax liabilities (assets) recognised and movements thereon during the current year and prior year:

	Accelerated depreciation allowance HK\$'000	Tax losses HK\$'000	Provision for write-down of inventory HK\$'000	Total HK\$'000
At 31 March 2020 and 1 April 2020	784	(6)	(377)	401
Charged (credit) to profit or loss during the year (note 10)	192	6	(45)	153
At 31 March 2021 and 1 April 2021	976	–	(422)	554
Charged (credit) to profit or loss during the year (note 10)	124	–	–	124
At 31 March 2022	1,100	–	(422)	678

At 31 March 2022, the Group had unused tax losses of approximately HK\$2,387,000 (2021: HK\$2,623,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such losses (2021: nil). No deferred tax asset has been recognised in respect of the remaining HK\$2,387,000 (2021: HK\$2,623,000) due to the unpredictability of future profit streams. Except for the unused tax losses of HK\$1,095,000 (2021: HK\$927,000) which will expire during the period from 2023 to 2026 (2021: 2023 to 2025), the remaining unused tax losses may be carried forward indefinitely.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the Year Ended 31 March 2022

**25. SHARE CAPITAL**

	Number of share '000	Share capital HK\$'000
Ordinary shares of HK\$0.01 each		
<b>Authorised</b>		
At 1 April 2020, 31 March 2021, 1 April 2021 and 31 March 2022	2,000,000	20,000
<b>Issued and fully paid</b>		
At 1 April 2020, 31 March 2021 and 1 April 2021	1,000,000	10,000
Issue of shares under share award scheme ( <i>note a</i> )	500	5
Issue of shares under placing ( <i>note b</i> )	50,000	500
	<hr/>	<hr/>
At 31 March 2022	1,050,500	10,505

*Notes:*

- (a) On 20 April 2021, the Company has granted an award of 500,000 shares to Mr. Wang Yanghao ("**Mr. Wang**"), a senior management of the Company, under the share award scheme of the Company (the "**Share Award Scheme**") and 500,000 new shares were issued and allotted to the trustee under the Share Award Scheme accordingly.
- (b) On 11 August 2021, the Company entered into a placing agreement with an independent placing agent for the placement of 50,000,000 new shares at the placing price of HK\$0.57 per placing share which was completed on 19 August 2021.

**26. RESERVES****Merger reserve**

Merger reserve represented the difference between share capital of the new holding company and the aggregate of the share capital of the then holding company of the Group and the companies comprising the Group, pursuant to the group reorganisation in prior year.

**Translation reserve**

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 3.

**Statutory surplus reserve**

In accordance with the Company Law of the PRC, domestic enterprises in the PRC are required to transfer 10% of their profit after taxation, as determined under accounting principles generally accepted in the PRC, to the statutory surplus reserve until such reserve balance reaches 50% of the registered capital.

The statutory surplus reserve can be used to reduce previous years' losses, if any, and may be converted into paid-up capital, provided that the balance after such conversion is not less than 25% of the registered capital of the subsidiaries.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2022

### 27. RETIREMENT BENEFIT SCHEME

The Group participates in a defined contribution scheme which is registered under the Occupational Retirement Schemes Ordinance (the “**ORSO Scheme**”) and a Mandatory Provident Fund Scheme (the “**MPF Scheme**”) established under the Mandatory Provident Fund Schemes Ordinance in December 2000. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. Employees who were members of the ORSO Scheme prior to the establishment of the MPF Scheme were offered a choice of staying within the ORSO Scheme or switching to the MPF Scheme, whereas all new employees joining the Group are required to join the MPF Scheme. For members of the MPF Scheme, the Group contributes 5% of relevant payroll costs, capped at HK\$1,500 per month, to the MPF Scheme, in which contribution is matched by the employee. The ORSO Scheme is funded by monthly contributions from both employees and the Group at rates ranging from 5% to 10% of the employee’s basic salary, depending on the length of service with the Group.

Pursuant to the regulations of the relevant authorities in the PRC, the subsidiaries of the Company in this country participate in respective government retirement benefit scheme (the “**Scheme**”) whereby the subsidiaries are required to contribute to the Scheme to fund the retirement benefits of the eligible employees. Contributions made to the Scheme are calculated based on certain percentages of the applicable payroll costs as stipulated under the requirements in the PRC. The relevant authorities of the PRC are responsible for the entire pension obligations payable to the retired employees. The only obligation of the Group with respect to the Schemes is to pay the ongoing required contributions under the Schemes.

The retirement benefit scheme contributions represent gross contributions by the Group to the defined contribution schemes operated in Hong Kong and the Scheme operated by the relevant authorities of the PRC.

The total cost charged to profit or loss of approximately HK\$2,015,000 (2021: HK\$1,313,000) represents contributions payable to those schemes by the Group in respect of the current accounting period.

During the year ended 31 March 2022, the Group had no forfeited contributions (2021: nil) that may be used by the Group to reduce the existing level of contributions under the defined contribution schemes operated in Hong Kong and the Scheme operated by the relevant authorities of the PRC.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the Year Ended 31 March 2022

**28. RELATED PARTY TRANSACTIONS**

During the year, the Group had the following material transactions and balances with related parties.

- (a) Save as disclosed elsewhere in the consolidated financial statements, the Group had the following material transactions with related parties during the year:

	2022 HK\$'000	2021 HK\$'000
Sales to the related companies ( <i>note a</i> )	647	480
Donation to a related company ( <i>note b</i> )	400	–
Service fee to a related company ( <i>note c</i> )	144	144
Service fee to a related company ( <i>note d</i> )	144	144

The following balances were outstanding at the end of the reporting period:

	2022 HK\$'000	2021 HK\$'000
Trade receivables due from a related company ( <i>note a</i> )	–	258
Advance payments from a related company ( <i>note e</i> )	(456)	–
Amount due to a related company (included in other payables and accruals) ( <i>note f</i> )	–	(947)

Notes:

- (a) The sales were made on a mutually agreed basis. The related companies are controlled and substantially owned by Mr. Zhong Naixiong, a director of the Company.
- (b) The donation was made to a related company which is a charitable institution and controlled by Zhong Naixiong, a director of the company and his close family member.
- (c) The service fee was made on a mutually agreed basis. The related company is controlled and beneficially owned by a close family member of Mr. Zhong Naixiong, a director of the Company.
- (d) The service fee was made on a mutually agreed basis. The related company is controlled and beneficially owned by Mr. Yau Wing Keung, a director of the Company.
- (e) The advance payments were made on a mutually agreed basis pursuant to the respective sales contracts. The related company is controlled and substantially owned by Mr. Zhong Naixiong, a director of the Company.
- (f) The amount was non-trade nature, unsecured, interest-free and repayable on demand.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2022

### 28. RELATED PARTY TRANSACTIONS (Continued)

(b) Compensation of key management personnel

The remuneration of the directors and key management personnel is determined by the board of Directors having regard to the performance of individuals and market trends.

The related party transactions including remuneration for key management personnel of the Group are as follows:

	2022 HK\$'000	2021 HK\$'000
Short-term benefits	12,829	11,487
Equity-settled share-based payment expenses	570	–
Retirement benefit scheme contributions	249	130
	<b>13,648</b>	<b>11,617</b>

### 29. EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS

(a) Share Option Scheme

On 20 April 2021, the Company granted share options (the “Options”) under the share option scheme of the Company (the “Share Option Scheme”) to Mr. Wang, being a senior management of the Company, to subscribe for a total of 3,000,000 shares as disclosed in the announcement of the Company dated 20 April 2021. The 3,000,000 Options granted to Mr. Wang are exercisable from the respective dates set out below until 20 April 2028 (the “Option Period”) at the subscription price of HK\$0.54 per Share, which is equivalent to the closing price of the shares on the date immediately before the date of grant:

- (i) as to 900,000 Options, exercisable at any time commencing from the date falling between the first anniversary of the date of grant up to and including the last day of the Option Period;
- (ii) as to 900,000 Options, exercisable at any time commencing from the date falling between the second anniversary of the date of grant up to and including the last day of the Option Period; and
- (iii) as to 1,200,000 Options, exercisable at any time commencing from the date falling on the third anniversary of the date of grant up to and including the last day of the Option Period.

The exercise price of HK\$0.54 per Share was determined in accordance with the scheme rules of the Share Option Scheme, being the highest of:

- (i) the closing price of HK\$0.54 per Share as quoted in the Stock Exchange’s daily quotation sheet on the date of grant;
- (ii) the average closing price of HK\$0.536 per Share as quoted in the Stock Exchange’s daily quotation sheet for the five (5) business days immediately preceding the date of grant; and
- (iii) the nominal value of HK\$0.01 per Share.

As at 31 March 2022, all of the said 3,000,000 Options are not yet exercisable and have not been exercised. Other than disclosed above, there were no Options granted, exercised, cancelled or lapsed under the Share Option Scheme during the year.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2022

### 29. EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS (Continued)

#### (a) Share Option Scheme (Continued)

The fair value on the date of grant is estimated using a binomial pricing model, taking into account the terms and conditions upon which the Options were granted. The contractual life of the Options granted is 7 years. There is no cash settlement of the Options. The fair value of Options granted during the year ended 31 March 2022 was estimated on the date of grant using the following assumptions:

Dividend yield:	3.03%
Expected volatility:	70%
Risk-free interest rate:	0.86%

The fair value of the Options granted during the year ended 31 March 2022 was HK\$808,000. For the year ended 31 March 2022, the Company has recognised approximately HK\$426,000 of equity-settled share-based payment expenses in respect of the Options in the consolidated statement of profit or loss and other comprehensive income.

#### (b) Share Award Scheme

The Share Award Scheme was adopted by the Company on 3 February 2021. The purpose of the Share Award Scheme is to recognise the contributions by certain employees and persons to the Group, to provide them with incentives in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group.

On 20 April 2021, the Company has granted an award of 500,000 shares (the “**Awarded Shares**”) to Mr. Wang under the Share Award Scheme. Subject to the lock-up condition as set out below and the scheme rules of the Share Award Scheme, the Awarded Shares shall vest in Mr. Wang and Mr. Wang shall have the right to receive the Awarded Shares in accordance with the following vesting schedule:

- (i) as to 150,000 Awarded Shares, representing 30% of the Awarded Shares, on the first anniversary of the date of grant;
- (ii) as to 150,000 Awarded Shares, representing 30% of the Awarded Shares, on the second anniversary of the date of grant; and
- (iii) as to 200,000 Awarded Shares, representing 40% of the Awarded Shares, on the third anniversary of the date of grant.

The vested Awarded Shares (and the vesting of the remaining Awarded Shares) are subject to the condition that Mr. Wang will not dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of the relevant vested Awarded Shares during a period of six (6) months commencing on the vesting date of the relevant Awarded Shares.

On 7 May 2021, the 500,000 new shares were issued and allotted to the trustee under the Share Award Scheme at nominal value under the general mandate granted to the Directors pursuant to an ordinary resolution passed by the Shareholders at the annual general meeting of the Company held on 7 August 2020.

For the year ended 31 March 2022, the Company has recognised approximately HK\$144,000 of equity-settled share-based payment expenses in respect of the Awarded Shares in consolidated statement of profit or loss and other comprehensive income.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2022

### 30. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the consolidated statement of cash flows as cash flows from financing activities.

	1 April 2021 HK\$'000	Financing cash flows HK\$'000	Interest expense incurred HK\$'000	31 March 2022 HK\$'000
Interest payables	–	(371)	371	–
Bank borrowings (note 23)	26,417	(3,890)	–	22,527
	26,417	(4,261)	–	22,527

	1 April 2020 HK\$'000	Financing cash flows HK\$'000	Interest expense incurred HK\$'000	31 March 2021 HK\$'000
Lease liability	97	(99)	2	–
Interest payables	–	(580)	580	–
Bank borrowings (note 23)	30,838	(4,421)	–	26,417
	30,935	(5,100)	582	26,417

### 31. CAPITAL COMMITMENT

At the end of the reporting period, the Group had the following contracted for but not provided other commitment:

	2022 HK\$'000	2021 HK\$'000
Capital contribution to financial assets at FVTOCI	–	2,368
Capital expenditure on IT+OT product development	6,624	–
	6,624	2,368

Note: In March 2022, Beijing National Greenfield Technology Co. Limited\* (北京能興國雲信息科技有限公司) has entered into a contract in relation to IT+OT product development project in the sum of approximately HK\$11,040,000 of which approximately HK\$4,416,000 has been prepaid and recognised as "Prepayments" under non-current assets of the consolidated statement of financial position. Up to the date of this annual report, the remaining balance of approximately HK\$6,624,000 has not yet been paid.

\* English name for identification purposes only

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2022

### 32. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Name of subsidiaries	Place of incorporation/ establishment	Issued ordinary shares/ registered and paid-up capital	Proportion of ownership interest held by the Company				Proportion of voting power held by the Company		Principal activities
			Directly		Indirectly		2022	2021	
			2022	2021	2022	2021	2022	2021	
			%	%	%	%	%	%	
i-Control ITAV Limited	The BVI	Ordinary shares USD7	100	100	-	-	100	100	Investment holding
i-Control Consultancy Limited	The BVI	Ordinary share USD1	-	-	100	100	-	-	Corporate consultancy and support
i-Control Limited	Hong Kong	Ordinary shares HK\$2,500,000	-	-	100	100	-	-	Professional audio visual system integrator
I-CONTROL (ITAV) PTE. LTD.	Singapore	Ordinary shares SGD1,000	-	-	100	100	-	-	Professional audio visual system integrator
Eduseve International Limited	Hong Kong	Ordinary shares HK\$3,000,000	-	-	100	100	-	-	Professional audio visual system integrator
i-Control (China) Limited	Hong Kong	Ordinary shares HK\$1,800,000	-	-	100	100	-	-	Professional audio visual system integrator
i-Control (Shanghai) Information Technology Co. Ltd 愛港超(上海)信息科技有限公司 <sup>(1)(2)</sup>	The PRC	Registered and paid-up capital: RMB1,000,000	-	-	100	100	-	-	Professional audio visual system integrator
View Mark Limited	Hong Kong	Ordinary shares HK\$10,000	-	-	100	100	-	-	Property holding
Billion Peace Limited	Hong Kong	Ordinary shares HK\$10,000	-	-	100	100	-	-	Property holding
Modern China Business Consultants Limited	Hong Kong	Ordinary shares HK\$4,500,000	-	-	100	100	-	-	Property holding
Deluxe Peace Limited	Hong Kong	Ordinary shares HK\$10,000	-	-	100	100	-	-	Property holding
Wise Union Holdings Limited	Hong Kong	Ordinary share HK\$1	100	-	-	-	100	-	Investment holding
			(Note 4)						
Great Prosper Investments Limited	The BVI	Ordinary share HK\$1	100	-	-	-	100	-	Investment holding
			(Note 5)						
Perfect Mark Investments Limited	Hong Kong	Ordinary share HK\$1	100	100	-	-	100	100	Investment holding
Top Luck Development Limited	Hong Kong	Ordinary share HK\$1	100	100	-	-	100	100	Investment holding
Beijing National Greenfield Technology Co. Ltd 北京能興國雲信息科技有限公司 <sup>(3)</sup>	The PRC	Registered capital: RMB10,000,000; Paid-up capital: RMB9,250,000	-	-	85	85	-	-	Provision of cloud-based IT+OT managed services
Nenking Data Solutions (Changzhou) Co., Limited 能興數據服務(常州)有限公司 <sup>(3)</sup>	The PRC	Registered capital: RMB15,000,000 Paid-up capital: RMB300,000	-	-	85	-	-	-	Inactive
					(Note 6)				
Shenzhen i-Control Technology Co., Limited 深圳市超智聯科技有限公司 <sup>(3)</sup>	The PRC	Registered capital: RMB1,000,000 Paid-up capital: nil	-	-	100	-	-	-	Professional audio visual system integrator
					(Note 7)				

None of the subsidiaries had any debt securities issued at the end of both years or anytime during both years.

- (1) The company is a wholly foreign-owned enterprise with limited liability in the PRC.
- (2) The company is a sino-foreign equity joint venture with limited liability in the PRC.
- (3) English name for identification purpose only.
- (4) The subsidiary was established on 16 April 2021 which the Group obtained its control on 2 August 2021.
- (5) The subsidiary was established on 30 April 2021 which the Group obtained its control on 26 May 2021.
- (6) The subsidiary was established on 8 October 2021.
- (7) The subsidiary was established on 29 September 2021.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the Year Ended 31 March 2022

**33. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY**

	2022 HK\$'000	2021 HK\$'000
<b>Non-current asset</b>		
Investments in subsidiaries	20,664	20,093
<b>Current assets</b>		
Other receivables	172	129
Amounts due from subsidiaries ( <i>note (i)</i> )	85,445	55,692
Tax recoverable	144	–
Bank balances and cash	4,294	9,027
	<b>90,055</b>	64,848
<b>Current liabilities</b>		
Other payables	3,769	3,611
Amounts due to subsidiaries ( <i>note (i)</i> )	46,441	42,000
Tax payable	–	10
	<b>50,210</b>	45,621
<b>Net current assets</b>	<b>39,845</b>	19,227
<b>Net assets</b>	<b>60,509</b>	39,320
<b>Capital and reserves</b>		
Share capital ( <i>note 25</i> )	10,505	10,000
Reserves ( <i>note (ii)</i> )	50,004	29,320
<b>Total equity</b>	<b>60,509</b>	39,320

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2022

### 33. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Notes:

- (i) The amounts due from (to) subsidiaries are unsecured, interest-free and repayable on demand.
- (ii) Movement in reserves

	Shares held under Share Award Scheme HK\$'000	Share premium HK\$'000	Employee share-based compensation reserve HK\$'000	Accumulated loss HK\$'000	Merger reserve HK\$'000	Total HK\$'000
At 1 April 2020	-	35,344	-	(15,037)	20,093	40,400
Dividend	-	(9,000)	-	-	-	(9,000)
Loss for the year and total comprehensive income for the year	-	-	-	(2,080)	-	(2,080)
At 31 March 2021 and 1 April 2021	-	26,344	-	(17,117)	20,093	29,320
Dividend	-	(6,828)	-	-	-	(6,828)
Share issued under placing	-	28,000	-	-	-	28,000
Issue of shares under share award scheme	(270)	265	-	-	-	(5)
Equity-settled share-based payment transactions	144	-	426	-	-	570
Loss for the year and total comprehensive income for the year	-	-	-	(1,053)	-	(1,053)
At 31 March 2022	(126)	47,781	426	(18,170)	20,093	50,004

## PARTICULARS OF PROPERTIES

### 1. PROPERTIES HELD FOR SELF USE

Location	Existing Use	Category of lease	Groups' interest	Market Value (HK\$'000) (Note)
Unit A, 12/F, MG Tower, 133 Hoi Bun Road, Kwun Tong, Kowloon	Office	Medium term lease	100%	50,200
Unit B, 12/F, MG Tower, 133 Hoi Bun Road, Kwun Tong, Kowloon	Office	Medium term lease	100%	27,800
Unit L, 12/F, MG Tower, 133 Hoi Bun Road, Kwun Tong, Kowloon	Office	Medium term lease	100%	15,700
Unit K, 12/F, MG Tower, 133 Hoi Bun Road, Kwun Tong, Kowloon	Office	Medium term lease	100%	16,100
Units Nos. 32-40 & flat roofs Nos. 39-40, 5/F, Pacific Trade Centre, No.2 Kai Hing Road, Kowloon Bay, Kowloon	Warehouse and service centre	Medium term lease	100%	38,100
Car parking space P52, 2/F, MG Tower, 133 Hoi Bun Road, Kwun Tong, Kowloon	Carpark	Medium term lease	100%	1,975
Car parking space P53, 2/F, MG Tower, 133 Hoi Bun Road, Kwun Tong, Kowloon	Carpark	Medium term lease	100%	1,975
Car parking space P54, 2/F, MG Tower, 133 Hoi Bun Road, Kwun Tong, Kowloon	Carpark	Medium term lease	100%	1,975
Car parking space P85, 2/F, MG Tower, 133 Hoi Bun Road, Kwun Tong, Kowloon	Carpark	Medium term lease	100%	1,975
Car parking space L22, Basement, Pacific Trade Centre, No.2 Kai Hing Road, Kowloon	Carpark	Medium term lease	100%	2,780
Car parking space P27, 2/F, MG Tower, 133 Hoi Bun Road, Kwun Tong, Kowloon	Carpark	Medium term lease	100%	1,975
<b>TOTAL</b>				<b>160,555</b>

Note:

The market values of above properties were estimated by the Directors by using market comparable approach that reflects recent transaction prices for similar properties, adjusted for differences in the nature, location and conditions of the properties under review.

## FINANCIAL SUMMARY

	Year ended 31 March				
	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000
Revenue	<b>171,448</b>	145,380	158,504	185,714	158,609
Profit before taxation	<b>8,706</b>	14,667	6,157	28,537	20,591
Profit for the year	<b>6,685</b>	12,724	2,621	23,503	16,909
Total comprehensive income for the year	<b>7,043</b>	12,855	2,485	23,245	17,179

	As at 31 March				
	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000
<b>ASSETS AND LIABILITIES</b>					
Total assets	<b>243,796</b>	207,668	210,187	236,536	203,492
Total liabilities	<b>(68,708)</b>	(62,753)	(69,127)	(85,961)	(68,162)
	<b>175,088</b>	144,915	141,060	150,575	135,330
Equity attributable to equity shareholders of the Company	<b>174,304</b>	144,978	141,060	150,575	135,330
Non-controlling interests	<b>784</b>	(63)	–	–	–
Total equity	<b>175,088</b>	144,915	141,060	150,575	135,330

*Note:*

The consolidated results of the Group and the consolidated assets and liabilities of the Group were extracted from the published audited financial statements of the Company.

Such summary was prepared if the current structure of the Group had been in existence throughout these financial years.