



**ICO Group Limited**

**揚科集團有限公司\***

(incorporated in the Cayman Islands with limited liability)

Stock Code: 1460

**ANNUAL REPORT**  
**2021/22**

\* For identification purpose only

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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. Lee Cheong Yuen (*Chairman of the Board*)

Mr. Leong Yeng Kit

### Non-executive Director

Dr. Choi Chiu Fai Stanley (*Vice Chairman of the Board*)

(Appointed on 17 August 2021)

### Independent non-executive Directors

The Hon. Ip Kwok Him, *G.B.M., G.B.S., JP.*

(Appointed on 17 August 2021)

Ms. Yvonne Low Win Kum

Mr. Chiu King Yan

## COMPANY SECRETARY

Mr. Pun Shing Cheung, *CPA*

## AUTHORISED REPRESENTATIVES

For the purpose of the Rules Governing the Listing of Securities  
of The Stock Exchange of Hong Kong Limited

Mr. Leong Yeng Kit

Mr. Pun Shing Cheung

## AUDIT COMMITTEE

Mr. Chiu King Yan (*Chairman*)

Dr. Choi Chiu Fai Stanley

Ms. Yvonne Low Win Kum

## REMUNERATION COMMITTEE

Ms. Yvonne Low Win Kum (*Chairlady*)

Mr. Leong Yeng Kit

The Hon. Ip Kwok Him, *G.B.M., G.B.S., JP.*

## NOMINATION COMMITTEE

Mr. Lee Cheong Yuen (*Chairman*)

The Hon. Ip Kwok Him, *G.B.M., G.B.S., JP.*

Ms. Yvonne Low Win Kum

## INDEPENDENT AUDITOR

BDO Limited

*Certified Public Accountants and*

*Registered Public Interest Entity Auditor*

## REGISTERED OFFICE

Windward 3, Regatta Office Park

PO Box 1350

Grand Cayman KY1-1108

Cayman Islands

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit A, 25/F

TG Place

10 Shing Yip Street, Kwun Tong

Kowloon, Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

Union Registrars Limited

Suites 3301-04, 33/F

Two Chinachem Exchange Square

338 King's Road, North Point

Hong Kong

## PRINCIPAL BANKERS

Citibank N.A.

DBS Bank (Hong Kong) Limited

Shanghai Commercial Bank Limited

Standard Chartered Bank (Hong Kong) Limited

The Hongkong and Shanghai Banking Corporation Limited

## WEBSITE ADDRESS

[www.1460.hk](http://www.1460.hk)

## STOCK CODE

1460

# CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of ICO Group Limited (the "**Company**"), I am presenting to you this annual report of the Company which comprises the audited consolidated financial statements of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 March 2022 ("**FY2022**").

The outbreak of the unprecedented coronavirus disease 2019 ("**COVID-19**"), which has brought dramatic change to the world, not only has significant impact on daily life, but also on the business operations of various industries. The Group has taken practicable measures to cope with the challenges, including the implementation of cost-control measures and the exploration of opportunities to further develop its business in order to enhance its growth potential. In the meantime, the Group is striving for the highest caution standard to protect the health and safety of our staff.

FY2022 was a year challenged by COVID-19, intensified market competition and the business environment continued to be full of uncertainties. Fortunately, due to the extensive and successful experience in the IT industry, the Group was able to maintain steady revenue growth in FY2022.

The Group recorded the profit attributable to equity shareholders of the Company of approximately HK\$8 million for FY2022, which remain stable when compared to previous financial year. The valuable profit making position were mainly contributed by:

- (i) the significant increase in revenue deriving from the IT infrastructure solutions services segment, IT maintenance and support services segment, and IT secondment services segment outweigh the decrease in revenue deriving from IT application and solution development services segment; and
- (ii) the effective controlling of costs, mainly attributed from the procurement of hardware and software, and the manpower resource management in the Group.

As a service provider where project basis income (IT application and solution development services segment) is one of the primary sources of revenue, tender bidding results have a decisive effect on the profitability of the Group. Nevertheless, some factors that are beyond control of the Group may impact the results of tender bidding, thus in turn creates uncertainties on the Group's financial results.

Due to the outbreak of COVID-19, the operational commencement of Project CKB (the development of an e-Marketplace project with physical stores in Malaysia, which was ready to commence the operation in previous financial year) had been delayed, which adversely affected the financial position of the Group. Nevertheless, we believe that COVID-19 situation will return to normal gradually and thus Project CKB will be back on the right track, contribute stable rental income from the physical stores as well as service income from the online trading platform to the Group in the foreseeable future.

Pursuant to the share option scheme adopted by the Company on 12 August 2016, the Group granted share options to certain selected long term employees within the Group and advisers, as incentives and rewards for their contribution to the Group, to subscribe for an aggregate of 40,000,000 ordinary shares during FY2022.

# CHAIRMAN'S STATEMENT

The Board recognized the importance of having a diversified board to the development and success of the Group. On behalf of the Board, I take great pleasure for the appointment of two honorable directors in FY2022, namely Dr. Choi Chiu Fai Stanley and The Hon. Ip Kwok Him, *G.B.M., G.B.S., JP*. Both are outstanding leaders in their respective profession and industry. With their invaluable experience and vision provided to the Board, the Group will achieve a new level of success.

The Group understands the need to reassess and diversify its current business portfolio to better position itself for the future. Hence, the Group continues to maintain a healthy cash position to enable ourselves to create value for shareholders and seize opportunities, continue to optimize its business portfolio, and get ready for new investment opportunities. The Group will also continue to strengthen the governance of sustainable development, closely monitor the latest COVID-19 development and take all necessary measures to protect the interests of employees and business operations.

Looking forward, challenges and opportunities coexist. In view of ongoing uncertainties concerning global economic recovery amid the unprecedented COVID-19, the Group remains cautiously optimistic towards our business development, and will proactively confront and manage the challenges ahead.

Last but not least, on behalf of the Board, I would like to take this opportunity to express my sincere gratitude to the fellow members of the Board, shareholders, investors, business partners, suppliers and customers, for their confidence and continued support to our Group, especially during this difficult and challenging period. Moreover, I would like to express the gratitude on behalf of the Board towards all committed staff for their endeavor and contribution to ensure we maintained the high level of services and deliver greater return to the shareholders.



**Lee Cheong Yuen**  
*Chairman and Executive Director*  
**ICO Group Limited**  
Hong Kong, 29 June 2022

# MANAGEMENT DISCUSSION AND ANALYSIS

The following discussion and analysis should be read in conjunction with the financial information of the Group contained in the consolidated financial statements (together with the notes thereto) reproduced in the annual results announcement for the year ended 31 March 2022 ("FY2022"). The consolidated financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards. The following discussions on the synopsis of historical results do not represent any prediction as to the future business operations of the Group.

## SUMMARY

Established in 1992, the Group is an IT services provider based in Hong Kong. The Group is principally engaged in the following businesses: (i) provision of IT application and solution development services; (ii) provision of IT infrastructure solutions services; (iii) provision of IT secondment services; (iv) provision of IT maintenance and support services and (v) property leasing and e-commerce business.

For FY2022, the revenue of the Group was approximately HK\$712.5 million, representing an increase of approximately HK\$75.1 million or 12% as compared to the year ended 31 March 2021 ("FY2021"), the increase was primarily attributable to the significant increase in revenue derived from (i) the IT infrastructure solutions services segment and (ii) the IT maintenance and support services segment. For FY2022, the Group recorded profit before taxation of approximately HK\$25.8 million (2021: approximately HK\$22.6 million), profit before interests, tax, depreciation and amortisation of approximately HK\$35.8 million (2021: approximately HK\$30.0 million) and profit attributable to equity shareholders of the Company of approximately HK\$8.1 million (2021: approximately HK\$8.1 million).

## BUSINESS REVIEW AND OUTLOOK

### Provision of IT application and solution development services

This segment provides design and implementation of IT application solution services and procurement of third party hardware and software. The revenue generated from this segment amounted to approximately HK\$128.6 million, representing approximately 18% of the total revenue for FY2022. The revenue derived from this segment decreased by approximately 0.4% from approximately HK\$129.1 million for FY2021 to approximately HK\$128.6 million for FY2022. The decrease was primarily due to the implementation phrase of various one-off projects, which commenced in last financial year, was completed during FY2022.

### Provision of IT infrastructure solutions services

This segment provides IT infrastructure solutions services and sale of IT infrastructure solutions related hardware and software. The revenue generated from this segment amounted to approximately HK\$413.6 million, representing approximately 58% of the total revenue for FY2022. The revenue derived from this segment increased by approximately 17% from approximately HK\$352.9 million for FY2021 to approximately HK\$413.6 million for FY2022. The increase were primarily due to (i) increase in the number of active customers for the Group as a result of the Group's effort to expand its sales channel and customer portfolio and (ii) the revenue contributed by PointSoft Limited ("PointSoft"), a company with a focus on developing and managing food and beverage point-of-sales system, since it became the subsidiary of the Group in the second half of FY2021.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Provision of IT secondment services

This segment provides IT secondment services for a fixed period of time pursuant to the IT secondment service agreements. The revenue generated from this segment amounted to approximately HK\$22.9 million, representing approximately 3% of the total revenue for FY2022. The revenue derived from this segment increased by approximately 4% from approximately HK\$22.0 million for FY2021 to approximately HK\$22.9 million for FY2022. The increase were primarily due to (i) the increase in demand for services from the major customers in banking and finance sector and (ii) the revenue of new IT secondment services contracts awarded to the Group during FY2022.

## Provision of IT maintenance and support services

This segment provides IT maintenance and support services. The revenue generated from this segment amounted to approximately HK\$147.4 million, representing approximately 21% of the total revenue for FY2022. The revenue derived from this segment increased by approximately 10% from approximately HK\$133.4 million for FY2021 to approximately HK\$147.4 million for FY2022. The increase were primarily due to (i) the increase of new IT maintenance contracts awarded to the Group offset the subsequent completion of some contracts during FY2022; (ii) the increase of the enhancement services from a sizable IT project and (iii) the revenue contributed by PointSoft since it became the subsidiary of the Group in the second half of FY2021.

## Property leasing and e-commerce business

On 6 December 2017, ICO IT Properties (Malaysia) Limited, an indirectly wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with various vendors, at a total consideration of RM145 million for the acquisition of O2O Limited and its subsidiary, which holds a building construction project (the "Property") and an online-to-offline wholesale trading platform in Malaysia (collectively referred to as the "Project CKB"). The acquisition was completed on 2 June 2020. Upon the completion, (i) the companies in the Project CKB became indirect wholly-owned subsidiaries of the Company and their financial statements were consolidated into the Group; (ii) the Property was classified as investment property in the consolidated statement of financial position and (iii) the business of Project CKB became the new segment of the Group.

Due to the outbreak of novel coronavirus disease 2019 (the "COVID-19") has adversely impacted the worldwide economy, the Project CKB was not started its operation during FY2022.

## OUTLOOK AND FUTURE PROSPECTS

With the outbreak of COVID-19, different industries in Hong Kong have suffered from weakened economic activities and intensified business competition. Despite the uncertainties surrounding the COVID-19 outbreak, the Group maintain healthy financial position and steady growth in business operation during the financial year 2022.

In recent years, the Group has managed to optimize asset allocation and cost control by continuing monitor the staff costs and the financial performance for different investments. Looking forward, the Group will continue to develop the current business segments and utilize the resources effectively to maintain sustainable long-term growth. On the other hand, the Group will closely monitor the changes in the market and continue to be cautiously in exploring valuable and suitable investment opportunities to develop its businesses.

The Group will build on the solid foundation and good reputation it has accumulated over the years as dedicated as ever to strive for the continuous growth of its business in the future. We believe that with the constant efforts of all our staff and the support of our stakeholders, the Group's business performance will maintain steady growth in the coming financial years.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

### Revenue

The Group's revenue for FY2022 amounted to approximately HK\$712.5 million, representing an increase by approximately 12% from approximately HK\$637.3 million for FY2021 to approximately HK\$712.5 million for FY2022. The increase was mainly attributable to the increase in revenue generated from (i) the IT infrastructure solutions services segment; (ii) the IT secondment services segment and (iii) the IT maintenance and support services segment of approximately HK\$60.8 million, approximately HK\$0.9 million and approximately HK\$13.9 million respectively. This offset by the decrease in revenue generated from the IT application and solution development services segment of approximately HK\$0.5 million.

### Gross profit and gross profit margin

The Group's gross profit for FY2022 amounted to approximately HK\$131.0 million, representing an increase by approximately 19% from approximately HK\$110.3 million for FY2021 to approximately HK\$131.0 million for FY2022, while the gross profit margin of the Group increased from approximately 17% for FY2021 to approximately 18% for FY2022. For (i) IT infrastructure solutions services segment; (ii) IT secondment services segment and (iii) IT maintenance and support services segment, the gross profits increased in line with the increase in revenue in these segments; for IT application and solution development services segment, the gross profit decreased in line with the decrease in revenue.

Due to the effective control of staff costs and resources utilisation during FY2022, the gross profit margin was increased in IT maintenance and support services segment. For the gross profit margin in (i) IT application and solution development services segment; (ii) IT infrastructure solutions services segment and (iii) IT secondment services segment, they are remained stable for FY2022.

### General and administrative expenses

The Group's general and administrative expenses for FY2022 amounted to approximately HK\$96.4 million (2021: approximately HK\$76.4 million), representing an increase by approximately HK\$20.0 million or 26% as compared to FY2021. The increase was mainly due to the increase in staff costs of approximately HK\$15.9 million as compared to FY2021, which attributed to (i) expansion of the Group's sales team so as to expand its sales channels; (ii) commission paid to sales team which was in line with the increase in revenue of the Group during FY2022 and (iii) the increase of the staff from PointSoft, since it became the subsidiary of the Company in the second half of FY2021.

### Change in fair value of investment property and contingent consideration payables

On 2 June 2020, the acquisition of Project CKB was completed. As a result, investment property and contingent consideration payables were recognised during FY2021. According to the relevant accounting standards, these investment property and financial liabilities are required to be remeasured at fair value at the end of each reporting period with the remeasurement gain or loss recognised in profit or loss. With reference to valuation reports prepared by the independent professional valuation firm, the valuation gain or loss on these investment property and financial liabilities were determined and recognised for FY2022 and FY2021. Nevertheless, the valuation gain or loss were merely results of accounting treatments and do not have any actual impact on the operations and cash flow of the Group. During FY2022, due to the fulfilment of certain condition, the contingent consideration payables were derecognised and the relevant promissory note payable was recognised.



# MANAGEMENT DISCUSSION AND ANALYSIS

## Finance costs

The Group's finance costs for FY2022 amounted to approximately HK\$1.0 million (2021: approximately HK\$0.8 million), representing an increase of approximately HK\$0.2 million or approximately 27% as compared to FY2021. The finance costs for FY2022 and FY2021 were mainly comprised of imputed interest expenses arising from amortisation of promissory notes in accordance with the relevant accounting standards. Such imputed interest expenses do not have any actual impact on the operation result and cash flow of the Group.

## Income tax

The Group's income tax for FY2022 amounted to approximately HK\$6.9 million (2021: approximately HK\$6.6 million), representing an increase of approximately HK\$0.3 million or approximately 5% as compared to FY2021. The increase was primarily due to the net profit of the operating units increased during FY2022.

## Profit for the year

The Group recorded a net profit of approximately HK\$18.9 million for FY2022 (2021: approximately HK\$16.0 million), representing an increase of approximately HK\$2.9 million or approximately 18% as compared to FY2021. The increase were primarily due to the combined effect of (i) the increase in gross profit of approximately HK\$20.8 million as compared to FY2021; (ii) the decrease in aggregate loss in fair value of contingent consideration payables and investment property by approximately HK\$4.6 million and (iii) the increase in general and administrative expenses by approximately HK\$20.0 million, which was mainly due to the increase in staff costs of approximately HK\$15.9 million.

## NON-FULFILLMENT OF THE PERFORMANCE GUARANTEE

On 6 December 2017, ICO IT Properties (Malaysia) Limited, a wholly-owned subsidiary of the Company (the "**Purchaser**"), has entered into the conditional sale and purchase agreement with Rainbow Field Investment Limited (the "**Vendor**") and Mr. Teoh Teng Guan, Mr. Tan Yun Harn and Mr. Lau Chuen Yien Calvin (together as the "**Guarantors**") (the "**Acquisition Agreement**"), pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the sale shares and the sale loan of the entire issued capital of O2O Limited, at a consideration of RM145 million (subject to adjustment), which would be satisfied by a combination of cash, the issue of convertible bonds and the issue of promissory notes.

On 2 June 2020, the Group completed its acquisition of O2O Limited and its subsidiary. Pursuant to the Acquisition Agreement, the Vendor guarantees to the Purchaser that for a period of eighteen months from the completion date (the "**Performance Guarantee Period**"), the total gross rental net of taxes of Malaysia (including Goods and Services Tax) received in full by Nexus Primo Sdn. Bhd. (the wholly-owned subsidiary of O2O Limited) generated by the leases entered into for Chow Kit Baru shall reach the sum of not less than RM10.15 million (the "**Performance Guarantee**").

Due to the outbreak of COVID-19, the operational commencement and its related leasing activities of Chow Kit Baru had been delayed, and no rental income had been generated as at the date on 2 December 2021. Accordingly, the Performance Guarantee for the Performance Guarantee Period was not fulfilled by the Vendor. As such, the parties to the Acquisition Agreement agreed that the payment condition (K) shall lapse, and the final payment would be waived and the promissory note in the principal amount of RM10,150,000 will not be issued to the Vendor.

# MANAGEMENT DISCUSSION AND ANALYSIS

## USE OF PROCEEDS

On 27 August 2020, the Company entered into the placing agreement with the placing agent, in relation to placing of 839,000,000 placing shares, at the placing price of HK\$0.028 per placing share to independent investors under general mandate. On 24 September 2020, the Company completed the placing of 839,000,000 placing shares. The net proceeds from the placing amounted to approximately HK\$22.8 million ("2020 Placing Shares Proceeds").

On 29 March 2021, the Company entered into the placing agreement with the placing agent, in relation to placing of 141,287,000 placing shares, at the placing price of HK\$0.220 per placing share to independent investors under general mandate. On 20 April 2021, the Company completed the placing of 141,287,000 placing shares. The net proceeds from the placing amounted to approximately HK\$30.5 million ("2021 Placing Shares Proceeds").

The below table sets out the intended use of net proceeds for 2020 Placing Shares Proceeds and 2021 Placing Shares Proceeds as at 31 March 2022:

	Intended use of net proceeds HK\$ million	Utilised of the net proceeds up to 31 March 2022 HK\$ million	Unutilised of the net proceeds up to 31 March 2022 HK\$ million	Expected timeline for the application of the net proceeds
<b>2020 Placing Shares Proceeds</b>				
Settlement of the consideration	18.0	18.0	-	On or before 31 December
Further business development	4.8	0.4	4.4	2023
<b>Total</b>	<b>22.8</b>	<b>18.4</b>	<b>4.4</b>	
<b>2021 Placing Shares Proceeds</b>				
Development of the Algorithmic Trading Solution Platform	30.5	0.7	29.8	On or before 31 December 2024

# MANAGEMENT DISCUSSION AND ANALYSIS

## INVESTMENT PROPERTY

On 2 June 2020, the acquisition of Project CKB was completed, the Property was classified as investment property in the consolidated statement of financial position.

The investment property of the Group as at 31 March 2022 is as follows:

Location	Attributable interest of the Group	Current use	Lease term	Gross floor area
Lot 445, 446, 447 and 448 Section 46, Jalan Chow Kit, Kuala Lumpur, Malaysia	100%	Commercial	Long term	approximately 49,702 square foot

As at 31 March 2022, with reference to the valuation report prepared by an independent professional valuation firm, the carrying amount of the investment property is approximately HK\$220.1 million, representing approximately 28% of the Group's total asset.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2022, the shareholders' funds of the Group amounted to approximately HK\$531.0 million (2021: approximately HK\$483.6 million). Current assets were approximately HK\$448.0 million (2021: approximately HK\$340.7 million), mainly comprised of cash and cash equivalents of approximately HK\$107.4 million (2021: approximately HK\$106.8 million), trade and other receivables and contract assets of approximately HK\$336.2 million (2021: approximately HK\$230.6 million). Current liabilities were approximately HK\$181.9 million (2021: approximately HK\$171.3 million), mainly comprised of trade and other payables and contract liabilities of approximately HK\$158.8 million (2021: approximately HK\$131.2 million).

The changes in current assets and current liabilities of the Group were primarily due to:

- (i) the increase in cash and cash equivalent arising from (i) the increase in cash inflow from IT infrastructure solutions services segment, IT secondment services segment and IT maintenance and support services segment; (ii) the completion of placing new shares during FY2022 and (iii) the exercise of share options of the Company by employees and advisers of the Group;
- (ii) the increase in the aggregate amount of trade and other receivables, and contract assets arising from services rendered in yet pending for settlement in accordance with the payment schedule set out in contracts with customers; and
- (iii) the increase in the aggregate amount of trade and other payable, and contract liabilities arising from increased purchases made by the Group but not yet due for settlement.

As at 31 March 2022, the Group has unutilised banking facilities amounted to HK\$86.8 million. The net asset value per share attributable to equity shareholders of the Company was approximately HK\$0.6 (2021: approximately HK\$0.7). The Group's gearing ratio, expressed as a percentage of promissory note payables and contingent consideration payables over total equity, was approximately 10% (2021: approximately 11%). The liquidity ratio of the Group, determined as a ratio of current assets over current liabilities, was approximately 2.5 times (2021: approximately 2.0 times).

# MANAGEMENT DISCUSSION AND ANALYSIS

## CAPITAL STRUCTURE

The share capital of the Company only comprises of ordinary shares.

During FY2022, the Company had the following changes in its share capital:

### (i) Completion of placing of new shares under general mandate on 20 April 2021

On 20 April 2021, an aggregate of 141,287,000 placing shares have been placed by the placing agent pursuant to the placing agreement entered on 29 March 2021.

### (ii) Exercise of 29,864,000 share options

During FY2022, 29,864,000 ordinary shares were issued upon the exercise of 29,864,000 share options of the Company by employees and advisers of the Group.

As at 31 March 2022 and 31 March 2021, the Company's issued share capitals were approximately HK\$21,940,000 and approximately HK\$17,661,000 respectively, and the numbers of its issued ordinary shares were 877,590,312 and 706,439,312 of HK\$0.025 each respectively.

During FY2022 and FY2021, the Group's capital is mainly derived from net proceeds from placing of new shares, promissory notes and retained profits of the Group. When managing its capital, the Group's primary objectives are to safeguard the Group's ability to continue as going concern, so that it can continue to provide returns for the equity owners, benefits for other stakeholders and maintain an optimal capital structure to reduce the cost of capital. The promissory notes issued by the Company carry interest of 2% per annum.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by sound capital position, and makes adjustments to capital structure in light of changes in economic conditions.

## SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Scheme") after the shareholders of the Company approved the Scheme at the annual general meeting of the Company held on 12 August 2016. Under the terms of the Scheme, the Board may, at its discretion, grant options to eligible participants to subscribe shares of the Company.

On 9 July 2021 (the "Date of Grant"), pursuant to the Scheme, the Company has granted 40,000,000 share options to certain employees and advisers of the Group. The exercise price of the share options granted and the closing price of share on the Date of Grant were HK\$0.325 per Share, for the validity period of 2 years from the Date of Grant.

# MANAGEMENT DISCUSSION AND ANALYSIS

Movements relating to the share options granted during FY2022 were as follows:

Capacity	Number of share options					As at 31 March 2022
	As at 1 April 2021	Granted	Exercised	Lapsed	Cancelled	
Employees	–	24,400,000	(21,984,000) <sup>(1)</sup>	–	–	2,416,000
Advisers	–	15,600,000	(7,880,000) <sup>(2)</sup>	–	–	7,720,000
Total	–	40,000,000	(29,864,000)	–	–	10,136,000

Notes:

- (1) The weighted average closing price of the Company's shares immediately before the dates of exercises of share options by the employees of the Company during the FY2022 was HK\$0.418 per share.
- (2) The weighted average closing price of the Company's shares immediately before the dates of exercises of share options by the advisers of the Company during the FY2022 was HK\$0.438 per share.

Out of these 40,000,000 Share options, an aggregate of 29,864,000 Share options were exercised. None of these Shares options have lapsed nor have been cancelled. Further details of these Share options are provided in the circular of the Company dated 26 August 2021.

At the annual general meeting of the Company held on 28 September 2021 ("2021 AGM"), an ordinary resolution was passed to approve the refreshment of the scheme mandate limit. Therefore, Company was allowed under the Scheme for subscription of up to a maximum of 87,754,231 shares, representing 10% of the shares in issue as at the date of the 2021 AGM.

## FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group from time to time is exploring investment opportunities that would benefit the shareholders of the Company as a whole. Except for those disclosed elsewhere in this annual report, the Group does not have any concrete plans for material investments and capital assets.

## MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During FY2022 and up to the date of this annual report, the Group did not enter into any material acquisitions or disposals of subsidiaries and affiliated companies.

# MANAGEMENT DISCUSSION AND ANALYSIS

## SIGNIFICANT INVESTMENTS AND CAPITAL ASSETS

### Significant investments held as at 31 March 2022

#### *Project CKB*

On 6 December 2017, ICO IT Properties (Malaysia) Limited, an indirectly wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with various vendors, at a total consideration of RM145 million for the acquisition of Project CKB. The acquisition was completed on 2 June 2020. Upon the completion, (i) the companies in the Project CKB becomes indirect wholly-owned subsidiaries of the Company and their financial statements were consolidated into the Group; (ii) the property was classified as investment property in the consolidated statement of financial position and (iii) the business of Project CKB became the new segment of the Group.

Project CKB provides property leasing services and online trading platform services. By acquiring Project CKB, it is expected that the Group shall be able to diversify its revenue sources by receiving stable rental income from the physical stores as well as service income from the online trading platform. During FY2022 and FY2021, Project CKB was not yet started its operation and no dividend income was received from this investment.

The Group assessed the fair value of the Property by the independent valuation firm, B.I. Appraisals Limited (the "Valuation Firm"). The Valuation Firm is an independent professional valuation firm and possesses professional qualifications with recent experience in the valuation of similar properties in vicinity. According to the valuation report, in FY2022, there was drop in the monthly market rent per square foot adopted in the valuation under income capitalisation approach, the fair value of the Property is approximately RM123.4 million (approximately HK\$231.1 million) as at 31 March 2021 and decrease to RM117.9 million (approximately HK\$220.1 million) as at 31 March 2022.

The valuation of the Property was principally arrived at using income capitalisation approach, by taking into account the current rents passing and the reversionary income potential of the Property, which is a method of valuation whereby vacant units are assumed to be let at their respective market rents as at the valuation date. The valuation result is cross-checked by direct comparison method.

In the valuation, which falls under Level 3 of fair value hierarchy, the market rentals of all lettable units of the Property are assessed and capitalised at market yield expected by investors for this type of the Property. The market rentals are assessed by reference to the rentals achieved in the lettable units of the Property as well as other lettings of similar properties in the neighbourhood. The market yield which is the capitalisation rate adopted is made by reference to the yields derived from analysing the sales transactions of similar properties in Malaysia and adjusted to take account of the valuation firm's knowledge of the market expectation from property investors to reflect factors specific to the Property.

The adopted capitalisation rates in the valuation range from 4.6% – 5.2%, and the monthly market rent per square foot ranged from approximately RM19.5 (equivalent to approximately HK\$35.8) to approximately RM24.0 (equivalent to approximately HK\$44.8). The capitalisation rate and the monthly market rent per square foot are the key parameters in the valuation method of income capitalisation and they involve professional judgment in relation to the adjustments made by the Valuation Firm. The fair value measurement is positively correlated to the monthly market rent per square foot and negatively correlated to the capitalisation rate. Taking into account the change in fair value of investment property, the Group considered that it is appropriate to make a decrease of fair value change in investment property of approximately HK\$10.3 million.

# MANAGEMENT DISCUSSION AND ANALYSIS

## *INAX Technology Limited ("INAX")*

On 10 November 2017, Value Digital Limited, an indirectly wholly-owned subsidiary of the Company, entered into a sale and purchase agreement, at a total consideration of HK\$66 million to acquire 15% equity interest in INAX, INAX is a limited company incorporated in Hong Kong and which principally engages in IT infrastructure business with a focus on IT and telecommunication infrastructures and data centre industry. After consideration the operation and financial performance of INAX for the past years, the management of the Group decided to dispose the 15% equity interest in INAX, in order to deliver better return to the shareholders.

On 28 February 2022, Value Digital Limited entered into a sale and purchase agreement, at a total consideration of HK\$4.5 million to dispose 15% equity interest in INAX. The transaction was completed on 28 February 2022. After reviewing the latest financial information of the investment, the management decided to dispose of the subsidiary holding the investment in order to improve financial performance of the Group. A decrease in fair value of other financial asset amounting to approximately HK\$3,200,000 (2021: an increase in fair value of HK\$800,000) was recognised in the other comprehensive income for disposal of INAX. During FY2022, no dividend was received from this investment.

## **Other investments held as at 31 March 2022**

The interests in joint ventures represented 33.3% equity interest in DeepSolutions Limited, which in turn holds 100% equity interest in DeepTranslate Limited (together the "**DeepSolutions Group**"). As disclosed in the announcement of the Company dated 8 August 2018, DeepSolutions Limited and DeepTranslate Limited are the limited companies incorporated in Hong Kong established by the Group and other parties pursuant to a joint venture agreement. DeepSolutions Group aims at developing a machine translation system to be used for translation of documents. The machine translation system was firstly launched in August 2019. After consideration the operation and financial performance of DeepSolutions Group for the past years, the management of the Group decided to dispose the 33.3% equity interest in DeepSolutions Group, in order to deliver better return to the shareholders. On 16 February 2022, the Group entered into a sale and purchase agreement, at a total consideration of HK\$6.5 million to dispose 33.3% equity interest in DeepSolutions Group. The transaction was completed on 28 February 2022. According to the management account of DeepSolutions Group for the period ended 28 February 2022, DeepSolutions Group recorded net profit of approximately HK\$1.5 million. During FY2022, there was increase in sales of translation services and thanks to considerable government grants covering the research and development costs. During FY2022, no dividend was received from this investment.

The interests in associates represented 25% equity interest in Bao Cheng Holdings (HK) Limited, which in turn holds 80% equity interest in 深圳市寶誠生物發展有限公司 (the "**Bao Cheng Group**"). Bao Cheng Holdings (HK) Limited and 深圳市寶誠生物發展有限公司 are limited companies incorporated in Hong Kong and the PRC established by the Group and other parties pursuant to an agreement. Bao Cheng Group aims at IT services in vaccine production business. During the year ended 31 March 2022, Bao Cheng PRC faced uncertainty on the commercial roll out of its new products and turnaround of its business in view of the COVID-19 together with the change in the Group's strategy. The Group has discontinued the recognition of its share of losses of associates because the share of losses of the associates exceeded the Group's interest in the associates and the Group has no obligation to take up further losses. The amounts of the Group's unrecognised share of losses of associates for the current year and cumulatively were HK\$431,000 (2021: nil) and HK\$431,000 (2021: nil), respectively. As at 31 March 2022, the carrying amount of Bao Cheng Group is nil (2021: approximately HK\$2.2 million). During FY2022, no dividend was received from this investment.

Saved as disclosed above, the Group did not acquire or hold any other significant investments during FY2022 and FY2021. In the future, the Group will continue to identify suitable targets for investment that (i) are profitable and have growth potentials that would contribute to the future earnings of the Group or (ii) provide collaboration and cross-selling opportunities that would be mutually beneficial for both the Group and the targets.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Capital assets held as at 31 March 2022

The Group acquired an office premises and a carpark space in Kwun Tong during the year ended 31 March 2016 at a consideration of approximately HK\$45.3 million. During FY2022, the Group still held the office premises and the carpark space and up to the date of this annual report. As at 31 March 2022, according to a valuation report issued by an independent professional valuation firm, the fair value of the office premises and the carpark space is approximately HK\$50.0 million (as at 31 March 2021: approximately HK\$50.7 million).

Saved as disclosed above, the Group did not acquire or hold any other significant capital assets during FY2022 and FY2021.

## CONTINGENT LIABILITIES

As at 31 March 2022, the performance bonds amounted to approximately HK\$10.2 million (2021: approximately HK\$10.2 million) were issued by a bank to customers of the Group, in order to protect the customers from the Group's default on its obligation under the contracts. If the customers demand compensation for the Group's default under the performance bonds, the Group will be liable to reimburse the bank up to the full amount of the performance bonds.

Saved as disclosed above, the Group had no other material contingent liabilities during FY2022 and FY2021.

## EXPOSURE TO EXCHANGE RATE FLUCTUATION

For FY2022 and FY2021, besides the limited currency exchange rate fluctuation risks encountered before, the Group faced foreign exchange exposure after the acquisition completion of Project CKB. Hence, the Group will continue to monitor its foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

## CHARGE ON THE GROUP'S ASSETS

As at 31 March 2022, except for (i) the pledged bank deposit of approximately HK\$2.0 million (2021: approximately HK\$2.0 million) in relation to guarantees issued by a bank in respect of the Group's IT application and solution development services segment and (ii) the property, plant and equipment with net book value of approximately HK\$36.9 million (2021: approximately HK\$38.4 million) pledged to a bank for facilities of HK\$52.0 million (2021: HK\$52.0 million) used to finance the working capital of the Group, there was no other charges on the Group's assets.

## EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2022, the Group employed a total of 264 full-time employees (2021: 276). The employee remuneration (including directors' remuneration) of the Group was approximately HK\$136.0 million for FY2022 (2021: approximately HK\$112.6 million). The Group determined the remuneration packages of all employees (including the directors) with reference to individual's performance, qualifications, experience, competence as well as market salary scale.



# MANAGEMENT DISCUSSION AND ANALYSIS

## CHANGE OF DIRECTORS

A summary of change of Directors of the Company from 1 April 2021 up to the date of this annual report:

- (a) Mr. Leong Yeng Kit has stepped down from the position of the chairman of the Board (the "**Chairman**"), together with a member and the chairman of the nomination committee of the Company (the "**Nomination Committee**") but remains as an executive Director with effect from 17 August 2021;
- (b) Mr. Lee Cheong Yuen has been appointed as the Chairman and a member and the chairman of the Nomination Committee with effect from 17 August 2021;
- (c) Dr. Choi Chiu Fai Stanley has been appointed as a non-executive Director, the vice chairman of the Company and a member of the audit committee of the Company (the "**Audit Committee**") with effect from 17 August 2021;
- (d) The Hon. Ip Kwok Him, *G.B.M., G.B.S., JP.* has been appointed as an independent non-executive Director, a member of each of the remuneration committee (the "**Remuneration Committee**") and the Nomination Committee with effect from 17 August 2021;
- (e) Ms. Lee Pei Ling has retired as an executive Director with effect from the conclusion of the 2021 AGM;
- (f) Mr. Gan Cheng Khuan ("**Mr. Gan**") has retired as an independent non-executive Director, ceased to be a member and the chairman of Remuneration Committee, and member of each Audit Committee and Nomination Committee with effect from the conclusion of the 2021 AGM; and
- (g) Ms. Yvonne Low Win Kum, an independent non-executive Director, has been appointed as a member and the chairlady of Remuneration Committee to fill up the vacancy as a result of the retirement of Mr. Gan with effect from the conclusion of the 2021 AGM.

# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

## EXECUTIVE DIRECTORS

**Mr. Lee Cheong Yuen ("Mr. Lee")**, aged 54, is the Chairman and an executive Director. Mr. Lee is also the chairman of the Nomination Committee. Mr. Lee is primarily responsible for overseeing the business development, in-house operations, overall strategic planning, devising market strategies and business expansion plans of the Group. In the past years, he led the Group to successfully complete several large-scale IT application and solution development projects for major clients in the public sector, private sector, banking and finance sector and logistics sector. Mr. Lee obtained a degree of bachelor of science in computer studies from The University of Hong Kong ("HKU") in December 1989. He has over 25 years of experience in the IT industry. Mr. Lee is one of the substantial shareholders of the Company.

**Mr. Leong Yeng Kit ("Mr. Leong")**, aged 48, is an executive Director. Mr. Leong is also a member of the Remuneration Committee. Mr. Leong is primarily responsible for overseeing the business development, overall strategic planning, devising market strategies and business expansion plans of the Group.

Mr. Leong is a Malaysian lawyer and banker by profession as well as an experienced investor with decades of investment experience in various industries, including advertising and media, securities services, palm oil plantation, real estate, property development, aviation operations, food and beverage and private equity funds. In a diplomatic role, Mr. Leong is the Honorary Consul of the Republic of Latvia to Malaysia.

Mr. Leong was an independent non-executive director of Meridian Berhad, the property developer of Malaysia Tourism City, which is listed on Bursa Malaysia (stock code: 5040). He resigned this directorship on 31 December 2020.

## NON-EXECUTIVE DIRECTOR

**Dr. Choi Chiu Fai Stanley ("Dr. Choi")**, aged 53, is the vice chairman and a non-executive Director. Dr. Choi is also a member of the Audit Committee. Dr. Choi is responsible for advising on business opportunities for investment, development and expansion of the Group.

Dr. Choi possesses more than 20 years of experience in financial service and merger and acquisition projects. He is also the chairman of Head & Shoulders Financial Group Limited and the chairman of Head & Shoulders X Inc. Head & Shoulders X Inc. is principally engaged in fintech and blockchain projects.

Dr. Choi resigned as executive director of International Entertainment Corporation, a company listed on the main board of the Stock Exchange (stock code: 1009) ("IEC") with effect from 31 March 2022 and *ipso facto* cease to be the Chairman of IEC.

Dr. Choi obtained a bachelor's degree of business administration (Magna Cum Laude) from Wichita State University in 1995 and a master's degree of science from the University of Illinois at Urbana Champaign in 1996, both of which are in the United States of America. He has also obtained a doctoral degree of business administration from the City University of Hong Kong in 2013. Dr. Choi is one of the substantial shareholders of the Company.

# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**The Hon. Ip Kwok Him, G.B.M., G.B.S., JP. ("The Hon. Ip")**, aged 70, is an independent non-executive Director and is responsible for providing independent judgement on the issues of strategy, performance, resources and standard of conduct of the Group. The Hon. Ip is also a member of Nomination Committee and Remuneration Committee.

The Hon. Ip is presently a Hong Kong Deputy to the 13th National People's Congress of People's Republic of China for HKSAR, a non-official member of the Executive Council of the Government of the Hong Kong SAR, the Chairman of Mandatory Provident Fund Schemes Advisory Committee, the Deputy Chairman of Private Columbaria Licensing Board, the Chairman of Hon Wah Educational Organisation, and a Party Affair Advisor of the Democratic Alliance for Betterment and Progress of Hong Kong. The Hon. Ip is the Chairman of the Panel on Security and Committee on Members' Interests and of the Legislative Council of the Hong Kong SAR. The Hon. Ip was also a member of the Legislative Council of Hong Kong between 1995–1997, a member of the Provisional Legislative Council of the Hong Kong SAR between 1997–1998, a member of the Legislative Council of the Hong Kong SAR representing the district council functional constituency between 2000–2004 and between 2008–2016, and was an elected member of the Central and Western District Council between 1992–2003 and between 2007–2015. The Hon. Ip was appointed as a Justice of the Peace in 1999, and was awarded the Gold Bauhinia Star in 2004 and the Grand Bauhinia Medal in 2017.

The Hon. Ip was also the non-executive director of the board of the Mandatory Provident Fund Schemes Authority and the Urban Renewal Authority. The Hon. Ip was a member of the Hong Kong Housing Authority and the Court of the Hong Kong University. The Hon. Ip was also appointed as non-executive director of Urban Renewal Authority Board, the Transport Advisory Committee and the Governing Committee of the Beat Drugs Fund Association. He was also a member of Standing Committee on Disciplined Services Salaries and Conditions of Service, a member of Competition Policy Review Committee, a member of Consultative Committee on the Core Arts and Cultural Facilities of the West Kowloon Culture District.

The Hon. Ip is also an independent non-executive director of Xinyi Energy Holdings Limited, a company listed on the main board of the Stock Exchange (stock code: 3868). The Hon. Ip was an independent non-executive director of Vantage International (Holdings) Limited, (stock code: 0015), a company delisted on the Stock Exchange on 22 October 2020 following its privatisation by way of a scheme of arrangement.

**Ms. Yvonne Low Win Kum ("Ms. Low")**, aged 34, is an independent non-executive Director and is responsible for providing independent judgment on the issues of strategy, performance, resources and standard of conduct of the Group. Ms. Low is also the chairlady of Remuneration Committee, a member of the Nomination Committee and Audit Committee. Ms. Low is a qualified barrister and solicitor in Malaysia and has graduated from Cardiff University.

She advises project promoters, concessionaires, land developers and investors on structuring the development, construction and financing of real estate in Malaysia. She regularly acts for domestic and foreign investors, government-linked and public-listed companies, in real estate matters during her legal practice.

Ms. Low joined F3 Capital Group in 2014 as the Head of Legal and Corporate Affairs with complete responsibility for defining organizational culture, and developing strategic plans. She is now the Managing Partner of a corporate legal firm in Malaysia specialized in corporate and commercial transactions, private mergers and acquisitions, as well as regulatory compliance.

**Mr. Chiu King Yan ("Mr. Chiu")**, aged 45, is an independent non-executive Director and is responsible for providing independent judgment on the issues of strategy, performance, resources and standard of conduct of the Group. Mr. Chiu is also the chairman of the Audit Committee. Mr. Chiu has over 20 years of experience in audit, accounting, private equity investment and corporate finance, obtained from his previous working experience in international accounting firms and various listed companies in Hong Kong.

# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Chiu is currently an executive director of Summit Ascent Holdings Limited (stock code: 102) and an independent non-executive director of Hailiang International Holdings Limited (stock code: 2336), both of which are listed on the Stock Exchange. He is also currently the company secretary and Chief Financial Officer of Suncity Group Holdings Limited (stock code: 1383), a company listed on the Stock Exchange, and is responsible for financial reporting and corporate finance matters.

Mr. Chiu holds a master's degree in financial analysis from The Hong Kong University of Science and Technology and a bachelor's degree in business administration in Accountancy from The City University of Hong Kong. He is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants in the United Kingdom.

## SENIOR MANAGEMENT

**Mr. Chan Kwok Pui ("Mr. Chan")**, aged 65, is the director of ICO Limited and is responsible for overseeing the business development, in-house operations, overall strategic planning, devising market strategies and business expansion plans of ICO Limited. Mr. Chan obtained a degree of bachelor of science in computer studies from HKU in December 1989. Mr. Chan has over 30 years of experience in the IT industry. Mr. Chan was a computer officer at HKU from August 1992 to August 1995. He then joined the Group in 1995. Mr. Chan is one of the substantial shareholders of the Company.

**Mr. Tam Kwok Wah ("Mr. Tam")**, aged 72, is the director of ICO Limited and is responsible for advising on business opportunities for investment, development and expansion of ICO Limited as well as providing extra advisory services to ICO Limited with a focus on business development on both local and overseas market. Mr. Tam obtained a degree of bachelor of social sciences from HKU in November 1975. He further received a master degree of science from The University of Manchester in the United Kingdom in December 1982. Mr. Tam was an assistant professor of HKU's business school, which was the last position he held at HKU from January 1985 to June 2004. Mr. Tam is one of the substantial shareholders of the Company.

**Mr. Leung Man Lun Walter ("Mr. Walter Leung")**, aged 60, is the managing director of ICO Technology Limited. He joined the Group in 2006 and is responsible for the overall management of ICO Technology Limited including strategic planning and sales and marketing in Hong Kong. Mr. Walter Leung has over 30 years of experience in the IT industry including data processing, programming, customer support strategic planning, sales and marketing and management of daily operations.

**Mr. Ko Ka Hay Kenneth ("Mr. Kenneth Ko")**, aged 58, is the general manager of ICO Technology Limited. He joined the Group in 2015 as director of strategic business and promoted to general manager in April 2019. Mr. Kenneth Ko is responsible for the supervision, performance, development, strategies of both sales and technical teams. Mr. Kenneth Ko obtained a degree of bachelor of economics from the National Taiwan University. He has over 30 years of experience in IT industry. Before joining the Group, Mr. Kenneth Ko was the managing director of a Japanese listed company and responsible for the management on both information technology division and data card technology division.

**Mr. Chung Yat Ming ("Mr. Chung")**, aged 59, is the director of business development of ICO Technology Limited. He joined the Group in 2015 and is responsible for sales and marketing including leading one of the sales teams, assisting Mr. Kenneth Ko to acquire new products and identifying business opportunities. He has over 30 years of experience in IT industry. Before joining the Group, Mr. Chung was the general manager of an international IT company for 12 years.

**Mr. Yuen Yat Kwai ("Mr. Yuen")**, aged 51, is the director of PointSoft Limited. He joined the Group in 2020 and is responsible for software development of food and beverage point-of-sales system of PointSoft Limited. He has over 30 years of experience in IT industry. Before joining the Group, Mr. Yuen was one of major developers of PointSoft Limited, managing and developing most of the applications of PointSoft Limited.

**Mr. Pun Shing Cheung ("Mr. Pun")**, aged 38, is the company secretary and the authorized representative of the Company. He joined the Group in 2019 and is responsible for overseeing the accounting and financial operations as well as the company secretarial function of the Group. Mr. Pun is also the financial controller of the Group. Mr. Pun has over 10 years of experience in accounting and auditing. Before joining the Company, he had worked for one of the big four international accounting firms and several companies listed on the main board of the Stock Exchange. Mr. Pun is a member of the Hong Kong Institute of Certified Public Accountants.

# DIRECTORS' REPORT

The board (the "Board") of directors (the "Directors") of ICO Group Limited (the "Company") present its report together with the audited consolidated financial statements of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 March 2022 ("FY2022").

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities and other particulars of its subsidiaries are set out in note 19 to the consolidated financial statements.

## BUSINESS REVIEW

A business review of the Group during FY2022, an indication of likely future development in the Group's business, an analysis using financial key indicators is included in the "Management Discussion and Analysis" section of this annual report.

## PRINCIPAL RISKS AND UNCERTAINTIES

The Group's financial position, results of operations and business prospects may be affected by a number of risks and uncertainties pertaining to the Group's business. The followings are part of the key risks and uncertainties identified by the Group. There may be other risks and uncertainties in addition to those shown below which are not known to the Group or which may not be material now but could turn out to be material in the future.

### **The Group may encounter cost overruns or delays in the IT application and solution development projects, which may materially and adversely affect the Group's business, financial position and results of operation**

The Group generally provides IT application and solution development services on project basis. Some IT application and solution development projects are awarded through competitive tendering process. The Group would estimate the time and costs needed for the implementation phase of these IT application and solution development projects in order to determine the quotations. There is no assurance that the actual time taken and costs incurred would not exceed the estimation. The Group expects to continue bidding on fixed-price contracts, the terms of which normally require the Group to complete a project for a fixed price, increasing the possibility of exposing the Group to cost overruns and resulting in lower profits or losses in a project.

The actual time taken and cost incurred by the Group in completing IT application and solution development projects may be affected by many factors, including technical difficulties, integration with third party vendors' products, and other unforeseeable problems and circumstances. Any one of these factors may cause delays in the completion of project or cost overruns.

Most of the IT application and solution development projects are subjected to specific schedules and some of the customers are entitled to claim liquidated damages from the Group if the Group does not meet the schedules. Liquidated damages are typically levied at an agreed rate for each day or part of a day for such delay. Failure to meet the schedule requirements of the contracts may result in a significant number of liquidated damages claims, other contract liabilities and disputes with the customers or even the termination of relevant contracts. There is no guarantee that the Group would not encounter cost overruns or delays in the current and future IT application and solution development projects. Should such problems occur, the Group's business, financial position and results of operations of the Group would be materially and adversely affected.

### **The Group relies on contracts with its major customers**

The Group relies on contracts with its major customers. Revenue generated from the Group's top five customers accounted for approximately 47% and 32% respectively of the Group's total revenue for the years ended 31 March 2021 and 2022. It is not assured that the Group can successfully expand its customer base and secure new customers given the competitiveness of the industry in which the Group operates. Should reduction in demand for services or termination of the contracts by the top five customers of the Group, it would cause material decrease in revenue which in turn adversely affect the Group's business, financial position and results of operations.

## The Group's contracts are project basis which creates uncertainty on future revenue streams

The Group's IT application and solution development services are conducted on project basis which is not recurring in nature. The Group's customers may subsequently engage the Group in enhancement works or conducting upgrades for the systems developed by the Group in previous projects. The customers may also engage the Group to develop new IT systems after the retirement of outdated systems. However, there is no assurance that the customers will continue to provide the Group with new businesses after completion of the projects.

After the completion of IT application and solution development projects, the Group usually provides IT maintenance and support services to the customers under separate agreements. The Group cannot guarantee that these IT maintenance and support service agreements will be renewed in the future nor can the Group guarantee that it shall be able to enter into new agreements with the customers.

The contracts are project basis which creates uncertainty on future revenue streams. In the event that the Group is unable to renew the existing agreements or secure new engagements with customers or customers substantially reduce their purchase orders, the Group's business and future revenue will likely be adversely affected.

## ENVIRONMENTAL POLICIES AND PERFORMANCE

A discussion on the environmental policies and performance of the Group is included in the "Environmental, Social and Governance Report" section of this annual report.

## COMPLIANCE WITH LAWS 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. During FY2022, there was no material breach of or non-compliance with the applicable laws and regulations by the Group. The Company was not involved in any material litigation or arbitration during FY2022. The Directors are also not aware of any material litigation or claims that are pending or threatened against the Group during FY2022.

## RESULTS

The results of the Group for the years ended 31 March 2022 and 2021 are set out in the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income on pages 69 to 70 of this annual report.

## DIVIDEND

The Board of the Company does not recommend the payment of any final dividend for the year ended 31 March 2022 (2021: nil).

## FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 156 of this annual report. This summary does not form part of the consolidated financial statements.

## PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the years ended 31 March 2022 and 2021 are set out in note 12 to the consolidated financial statements in this annual report.

## SHARE CAPITAL

Details of the movements in the share capital of the Company during the years ended 31 March 2022 and 2021 are set out in note 31 to the consolidated financial statements in this annual report.

# DIRECTORS' REPORT

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any securities of the Company during the years ended 31 March 2022 and 2021.

## DISTRIBUTABLE RESERVES

As at 31 March 2022, the Company's reserves available for distribution to the shareholders, calculated in accordance with the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to approximately HK\$346.0 million (2021: approximately HK\$315.8 million).

## MAJOR CUSTOMERS AND SUPPLIERS

For the years ended 31 March 2022 and 2021, sales to the Group's five largest customers accounted for approximately 32% and 47% respectively of the total sales for the year and sales to the largest customer included therein amounted to approximately 12% and 21% respectively. For the years ended 31 March 2022 and 2021, purchases from the Group's five largest suppliers accounted for approximately 49% and 42% respectively of the total cost of sales for the year and purchase from the largest supplier included therein amounted to approximately 13% and 10% respectively.

At no time during the years ended 31 March 2022 and 2021 have the Directors, chief executive, substantial shareholders of the Company or any of its subsidiaries or their associates (which to the knowledge of the Directors own more than 5% of the Company's issued shares) had any beneficial interest in these major customers and suppliers.

## RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group's success depends on the support from key stakeholders which comprise employees, customers and suppliers.

### Employees

Employees are regarded as the most important and valuable assets of the Group. The Group is committed to provide its employees with a safe and healthy workplace and encourage them to have a work-life balance. The Group also ensures all employees are reasonably remunerated and regular trainings are provided for its technical staff. During the years ended 31 March 2022 and 2021, the Group has not experienced any significant problems with its employees nor has experienced any difficulty in the recruitment and retention of experienced staff. The Group maintains good relationship with its employees.

### Customers

The Group has a diversified customer base with hundreds of customers across various industries, including government and statutory bodies, financial institutions and general business enterprises. The Group stays connected with its customers through various channels to obtain their feedback and suggestions. During the years ended 31 March 2022 and 2021, the Group does not have any significant disputes with its customers and maintained good relationship with them.

### Suppliers

The Group carefully selects its suppliers as the success of the Group depends on the quality of products and services obtained from them. During the years ended 31 March 2022 and 2021, the Group does not have any significant disputes with its suppliers and maintained good relationship with them.

## SHARE OPTION SCHEME

The Company adopted a share option scheme (the "**Scheme**") after the shareholders of the Company approved the Scheme at the annual general meeting of the Company held on 12 August 2016 (the "**Adoption Date**"). Summary of the Scheme as set out below:

### (1) Purpose of the Scheme

The purpose of the Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group, in particular, (i) to motivate and optimize their performance and efficiency of the Group; and (ii) to attract and retain or maintain ongoing business relationships with those have or will have contributions to the Group.

### (2) Participants

The Board may, subject to and in accordance with the provisions of the Scheme and the Listing Rules, at their absolute discretion, invite full-time or part-time employees of the Group and any Directors, advisers, consultants, suppliers, customers and agent of the Group, who have contributed or will contribute to the Group to take up options to subscribe for such number of shares at the subscription price determined by the Board.

### (3) Maximum number of shares available for subscription

- (i) The maximum number of shares which may be issued upon exercise of all options to be granted at any time under the Scheme and any other share option schemes of the Company must not in aggregate exceed 10% of the relevant class of the shares in issue as at the date when the Scheme was approved and adopted by the shareholders (the "**Scheme Mandate Limit**"). Options lapsed in accordance with the terms of the Scheme will not be counted for the purpose of calculating the Scheme Mandate Limit.
- (ii) The Company may seek approval by its shareholders in general meeting for "refreshing" the Scheme Mandate Limit under the Scheme. However, the total number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other schemes of the Company under the limit as "refreshed" must not exceed 10% of the relevant class of the shares in issue as at the date of passing the relevant resolution to refresh such limit. Options previously granted under the Scheme and any other schemes (including those outstanding, cancelled, lapsed in accordance with the Scheme or any other schemes or exercised options) will not be counted for the purpose of calculating the Scheme Mandate Limit as "refreshed".
- (iii) The Company may seek separate approval by its shareholders in general meeting for granting options beyond the Scheme Mandate Limit provided the options in excess of the Scheme Mandate Limit are granted only to participants specifically identified by the Company before such approval is sought. The Company must send a circular to the shareholders containing a generic description of the specified participants who may be granted such options, the number and terms of the options to be granted, the purpose of granting options to the specified participants with an explanation as to how the terms of the options serve such purpose, the information and the disclaimer required under the Listing Rules.
- (iv) The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes of the Company must not exceed 30% of the relevant class of the shares in issue from time to time. No options may be granted under the Scheme or any other schemes of the Company if this will result in this limit being exceeded.



# DIRECTORS' REPORT

## **(4) Maximum entitlement of each participant**

- (i) Unless approved by the shareholders, the total number of shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the relevant class of the shares in issue.
- (ii) The Company may grant further options in excess of such limit subject to the approval of the shareholders in general meeting with such participant and his associates abstaining from voting (or his associates if the participant is a core connected person abstaining from voting).
- (iii) The Company shall send a circular to the shareholders and the circular must disclose the identity of the participant, the numbers and terms of the options to be granted (and options previously granted to such participant), the information and the disclaimer required under the Listing Rules. The number and terms (including the subscription price) of options to be granted to such participant must be fixed before shareholders' approval and the date of Board meeting proposing such further grant will be taken as the offer date for the purpose of calculating the subscription price.

## **(5) Option Period**

An option may be exercised at any time during a period to be determined and notified by the Directors to each grantee and such period shall not exceed the period of ten years from the offer date.

## **(6) No performance target and minimum period to hold**

Unless otherwise specified by the Board, a grantee is not required to achieve any performance target or to hold an option for a minimum period from the date of grant before any option granted under the Scheme can be exercised.

## **(7) Amount payable on acceptance of the option and the period within which payments must be made**

- (i) An offer of the grant of an option shall be made to participants by letter in such form as the Board may from time to time determine and shall remain open for acceptance by the participant concerned for a period of 28 days from the date upon which it is made provided that no such offer shall be open for acceptance after the earlier of the 10th anniversary of the Adoption Date or the termination of the Scheme.
- (ii) A non-refundable nominal consideration of HK\$1.00 is payable by the grantee upon acceptance of an option. An option shall be deemed to have been accepted when the duplicate letter comprising acceptance of the option duly signed by the participant together with the said consideration of HK\$1.00 is received by the Company.

## **(8) Subscription price**

The subscription price shall be determined by the Board in its absolute discretion but in any event shall be not less than the higher of (i) the closing price of the shares on the Stock Exchange (as stated in the Stock Exchange's daily quotations sheet) on the offer date, which must be a business day; (ii) the average closing price of the shares on the Stock Exchange (as stated in the Stock Exchange's daily quotations sheets) for the five business days immediately preceding the offer date; and (iii) the nominal value of the shares.

## **(9) The remaining life of the Scheme**

The Scheme will remain in force for a period of ten years after the Adoption Date, i.e. 12 August 2016.

# DIRECTORS' REPORT

For further details of the Scheme, please refer to the Company's circular dated 27 June 2016.

On 9 July 2021 (the "**Date of Grant**"), pursuant to the Scheme, the Company has granted 40,000,000 share options to certain employees and advisers of the Group. The exercise price of the share options granted and the closing price of share on the Date of Grant were HK\$0.325 per Share, for the validity period of 2 years from the Date of Grant.

Movements relating to the share options granted during FY2022 were as follows:

Capacity	As at	Number of share options				As at
	1 April	Granted	Exercised	Lapsed	Cancelled	31 March
Employees	–	24,400,000	(21,984,000) <sup>(1)</sup>	–	–	2,416,000
Advisers	–	15,600,000	(7,880,000) <sup>(2)</sup>	–	–	7,720,000
Total	–	40,000,000	(29,864,000)	–	–	10,136,000

Notes:

- (1) The weighted average closing price of the Company's shares immediately before the dates of exercises of share options by the employees of the Company during the FY2022 was HK\$0.418 per share.
- (2) The weighted average closing price of the Company's shares immediately before the dates of exercises of share options by the advisers of the Company during the FY2022 was HK\$0.438 per share.

Out of these 40,000,000 share options, an aggregate of 29,864,000 share options were exercised. None of these shares options have lapsed nor have been cancelled. Further details of these share options are provided in the circular of the Company dated 26 August 2021.

At the annual general meeting of the Company held on 28 September 2021 ("**2021 AGM**"), an ordinary resolution was passed to approve the refreshment of the scheme mandate limit. Therefore, Company was allowed under the Scheme for subscription of up to a maximum of 87,754,231 shares, representing 10% of the shares in issue as at the date of the 2021 AGM.

## DIRECTORS

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

### Executive Directors

Mr. Lee Cheong Yuen (*Chairman of the Board*)

Mr. Leong Yeng Kit

Ms. Lee Pei Ling (*retired on 28 September 2021*)

### Non-Executive Director

Dr. Choi Chiu Fai Stanley (*Vice Chairman of the Board*) (*appointed on 17 August 2021*)

# DIRECTORS' REPORT

## Independent Non-Executive Directors

The Hon. Ip Kwok Him, *G.B.M., G.B.S., JP. (appointed on 17 August 2021)*

Ms. Yvonne Low Win Kum

Mr. Chiu King Yan

Mr. Gan Cheng Khuan *(retired on 28 September 2021)*

On 28 September 2021, each of Ms. Lee Pei Ling and Mr. Gan Cheng Khuan had retired as executive Director and independent non-executive Director upon conclusion of the 2021 AGM, due to her/his other business commitments. Ms. Lee Pei Ling and Mr. Gan Cheng Khuan had confirmed that they had no disagreement with the Board and there were no other matter in relation to their retirements or the abovementioned cessation those need to be brought to the attention of the shareholders.

Pursuant to Article 108(a) of the articles of association of the Company (the "Articles") at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director (including those appointed for a specific term), shall be subject to retirement by rotation at least once every three years.

Mr. Lee Cheong Yuen and Ms. Yvonne Low Win Kum are due to retire by rotation from the Board in accordance with Article 108(b) of the Articles at the forthcoming Annual General Meeting. The retiring Directors, being eligible, offer themselves for re-election. On the other hand, each of Mr. Leong Yeng Kit and Mr. Chiu King Yan would not offer himself for re-election and accordingly will retire as executive Director and independent non-executive Director respectively upon the conclusion of the forthcoming Annual General Meeting.

## BIOGRAPHICAL DETAILS OF DIRECTORS

Brief biographical details of the Directors of the Group are set out on pages from 17 to 19 of this annual report.

## DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors, non-executive Director and independent non-executive Directors has entered into a service agreement with the Company for an initial or renewed term of three years and will continue thereafter until terminated in accordance with the terms of the agreement.

Save as disclosed above, none of the Directors has entered into any service contracts with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment compensation other than the statutory compensation.

## DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

No other transactions, arrangements or contracts that is significant in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director of the Company or his or her connected entities had a material interest, whether directly or indirectly, subsisted at the end or at any time during the years ended 31 March 2022 and 2021.

## EMOLUMENTS OF THE DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the five highest paid individuals of the Group are set out in notes 9 and 10 to the consolidated financial statements in this annual report.

## MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the years ended 31 March 2022 and 2021.

## EMOLUMENT POLICY

The Remuneration Committee will review and determine the remuneration and compensation packages of the Directors with reference to their responsibilities, workload, time devoted to the Group and the performance of the Group.

## MANDATORY PROVIDENT FUND RETIREMENT BENEFIT SCHEME

The Group operates a defined contribution mandatory provident fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees in Hong Kong. Under the MPF Scheme, the employees are required to contribute 5% of their monthly salaries or up to a maximum of HK\$1,500 and they can choose to make additional contributions. The employer's monthly contributions are calculated at 5% of the employee's monthly salaries or up to a maximum of HK\$1,500. Contributions to the MPF Scheme vest immediately. The employees are entitled to 100% of the employer's mandatory contributions upon their retirement at the age of 65, death or total incapacity.

## DIRECTORS' INTERESTS IN COMPETING INTERESTS

During the years ended 31 March 2022 and 2021, to the best knowledge of the Directors, none of the Directors and their respective associates was considered to have any interest in any businesses that competes with or is likely to compete with the businesses of the Group.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 31 March 2022, the interests or short positions of the Directors and chief executives of the Company in the shares of the Company (the "Shares"), underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO")), which are required (a) to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) have to be notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Name	Capacity and nature of interests	Number of Shares held	Approximate percentage to the issued capital of the Company
Mr. Lee Cheong Yuen ("Mr. Lee") (Notes 2 and 3)	Beneficial owner; interest of a controlled corporation; interests in concert party agreement	173,094,800 (L) (Note 1)	19.72%
Mr. Leong Yeng Kit ("Mr. Leong") (Note 4)	Interest of a controlled corporation	39,093,796 (L) (Note 1)	4.45%
Dr. Choi Chiu Fai Stanley	Beneficial owner	143,072,000 (L) (Note 1)	16.30%

# DIRECTORS' REPORT

## Notes:

1. The letter "L" denotes a long position in the shareholder's interest in the share capital of the Company.
2. On 27 February 2015, Mr. Lee, Mr. Chan Kwok Pui ("**Mr. Chan**") and Mr. Tam Kwok Wah ("**Mr. Tam**"), entered into a confirmation deed to acknowledge and confirm, among other things, that they are parties acting in concert in respect of each of the members of the Group. As such, Mr. Lee, Mr. Chan and Mr. Tam and their respective wholly-owned companies, namely BIZ Cloud Limited, Cloud Gear Limited, Friends True Limited and Imagine Cloud Limited, held in aggregate of 173,094,800 Shares (representing approximately 19.72% interest in the issued share capital of the Company) and they together were considered as the substantial shareholders of the Company as defined under the Listing Rules.
3. Shares in which Mr. Lee is interested consist of (i) 179,200 Shares beneficially held by him; (ii) 117,000,000 Shares held by BIZ Cloud Limited, a company directly wholly-owned by him; and (iii) 54,715,600 Shares in which Mr. Lee is deemed or taken to have been interested as a result of being a party acting-in-concert with Mr. Chan and Mr. Tam.
4. Shares in which Mr. Leong is interested are held by Titan Wise Group Limited, a company directly wholly-owned by Mr. Leong.
5. As at 31 March 2022, the Company's issued ordinary share capital was HK\$21,939,758 divided into 877,590,312 of HK\$0.025 each.

Save as disclosed above, as at 31 March 2022, none of the Directors and chief executive of the Company had any other interests or short positions in any Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed above, at no time during the years ended 31 March 2022 and 2021 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 March 2022, the following parties, not being a director or the chief executives of the Company, held interests or short positions (directly or indirectly) in the Company's Shares or underlying Shares were recorded in the register kept by the Company pursuant to Section 336 of the SFO:

Name	Capacity and nature of interests	Number of Shares held	Approximate percentage to the issued capital of the Company
Biz Cloud Limited (Notes 2 and 3)	Beneficial owner; interests in concert party agreement	171,715,600 (L) (Note 1)	19.57%
Ms. Saetia Ladda (Note 4)	Interests of spouse	173,094,800 (L) (Note 1)	19.72%
Cloud Gear Limited (Notes 2 and 5)	Beneficial owner; interests in concert party agreement	171,715,600 (L) (Note 1)	19.57%

# DIRECTORS' REPORT

Name	Capacity and nature of interests	Number of Shares held	Approximate percentage to the issued capital of the Company
Friends True Limited (Notes 2 and 6)	Beneficial owner; interests in concert party agreement	171,715,600 (L) (Note 1)	19.57%
Mr. Chan (Notes 2 and 7)	Beneficial owner; interests of a controlled corporation; interests in concert party agreement	173,094,800 (L) (Note 1)	19.72%
Imagine Cloud Limited (Notes 2 and 8)	Beneficial owner; interests in concert party agreement	171,715,600 (L) (Note 1)	19.57%
Mr. Tam (Notes 2 and 9)	Interests of a controlled corporation; interests in concert party agreement	173,094,800 (L) (Note 1)	19.72%

## Notes:

- The letter "L" denotes a long position in the shareholder's interest in the share capital of the Company.
- On 27 February 2015, Mr. Lee, Mr. Chan and Mr. Tam, entered into a confirmation deed to acknowledge and confirm, among other things, that they are parties acting in concert in respect of each of the members of the Group. As such, Mr. Lee, Mr. Chan and Mr. Tam and their respective wholly-owned companies, namely BIZ Cloud Limited, Cloud Gear Limited, Friends True Limited and Imagine Cloud Limited, held in aggregate of 173,094,800 Shares (representing approximately 19.72% interest in the issued share capital of the Company) and they together were considered as the substantial shareholders of the Company as defined under the Listing Rules.
- Shares in which Biz Cloud Limited is interested consists of (i) 117,000,000 Shares beneficially held by it; and (ii) 54,715,600 Shares in which it is deemed or taken to have been interested as a result of being a party acting-in-concert with Cloud Gear Limited, Friends True Limited and Imagine Cloud Limited. Biz Cloud Limited is a company directly wholly-owned by Mr. Lee.
- Ms. Saetia Ladda is the spouse of Mr. Lee. Ms. Saetia Ladda is deemed to be interested in the same number of Shares in which Mr. Lee is interested.
- Shares in which Cloud Gear Limited is interested consists of (i) 11,000,000 Shares beneficially held by it; and (ii) 160,715,600 Shares in which it is deemed or taken to have been interested as a result of being a party acting-in-concert with Biz Cloud Limited, Friends True Limited and Imagine Cloud Limited. Cloud Gear Limited is a company directly wholly-owned by Mr. Chan.
- Shares in which Friends True Limited is interested consists of (i) 31,215,600 Shares beneficially held by it; and (ii) 140,500,000 Shares in which it is deemed or taken to have been interested as a result of being a party acting-in-concert with Biz Cloud Limited, Cloud Gear Limited and Imagine Cloud Limited. Friends True Limited is a company directly wholly-owned by Mr. Chan.
- Shares in which Mr. Chan is interested consist of (i) 1,200,000 Shares beneficially held by him; (ii) 42,215,600 Shares held by Cloud Gear Limited and Friends True Limited, companies directly wholly-owned by him; and (iii) 129,679,200 Shares in which Mr. Chan is deemed or taken to have been interested as a result of being a party acting-in-concert with Mr. Lee and Mr. Tam.
- Shares in which Imagine Cloud Limited is interested consists of (i) 12,500,000 Shares beneficially held by it; and (ii) 159,215,600 Shares in which it is deemed or taken to have been interested as a result of being a party acting-in-concert with Biz Cloud Limited, Cloud Gear Limited and Friends True Limited. Imagine Cloud Limited is a company directly wholly-owned by Mr. Tam.

# DIRECTORS' REPORT

9. Shares in which Mr. Tam is interested consist of (i) 12,500,000 Shares held by Imagine Cloud Limited, a company directly wholly-owned by him; and (iii) 160,594,800 Shares in which Mr. Tam is deemed or taken to have been interested as a result of being a party acting-in-concert with Mr. Lee and Mr. Chan.
10. As at 31 March 2022, the Company's issued ordinary share capital was HK\$21,939,758 divided into 877,590,312 of HK\$0.025 each.

Save as disclosed above, the Directors were not aware of any other persons, other than the Directors or the chief executive of the Company who held an interest or short positions in the Shares and underlying Shares of the Company as at 31 March 2022 which required to be recorded pursuant to Section 336 of SFO.

## RELATED PARTY TRANSACTIONS

Details of related party transactions of the Group during the years ended 31 March 2022 and 2021 are set out in note 37 to the consolidated financial statements. None of these related party transactions constitute connected transactions or continuing connected transactions as defined under the Listing Rules.

## SUFFICIENCY OF PUBLIC FLOAT

As at the date of this annual report, based on the information that is publicly available to the Company and to the best knowledge of the Directors, the Company maintained a sufficient public float as required under the Listing Rules.

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

## TAX RELIEF

The Company is not aware of any relief from taxation available to shareholders by reason of their holding of the Company's listed securities.

## EQUITY-LINKED AGREEMENTS

Save as disclosed in this annual report relating to the share option scheme, no equity-linked agreements were entered into during the year ended 31 March 2022 or subsisted as at 31 March 2022.

## PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the Directors and officers of the Company is currently in force and was in force throughout the reporting period. The Company has maintained appropriate insurance to provide cover in respect of potential legal actions against its Directors and officers.

## EVENT AFTER THE REPORTING PERIOD

There is no significant event after the reporting period of the Group and up to the date of this annual report.

## AUDITOR

At 2021 AGM, Crowe (HK) CPA Limited retired as auditors of the Company at the conclusion of the 2021 AGM. BDO Limited was appointed as the auditors of the Company by way of an ordinary resolution approved by the shareholders of the Company at the 2021 AGM and to hold office until conclusion of the next annual general meeting.

The consolidated financial statements for the year ended 31 March 2022 have been audited by BDO Limited.

BDO Limited will retire, and being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company. A resolution for their re-appointment as auditor of the Company will be proposed at the forthcoming annual general meeting.

The Audit Committee currently consists of two independent non-executive Directors namely Mr. Chiu King Yan (Chairman) and Ms. Yvonne Low Win Kum and one non-executive Director namely Dr. Choi Chiu Fai Stanley. The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed the auditing, internal control and financial reporting matters, including review of the audited consolidated financial statements of the Group for the year ended 31 March 2022.

By order of the Board

**Lee Cheong Yuen**

*Chairman and Executive Director*

Hong Kong, 29 June 2022



# CORPORATE GOVERNANCE REPORT

## CORPORATE GOVERNANCE PRACTICES

The board (the "**Board**") of directors (the "**Directors**") of ICO Group Limited (the "**Company**") recognised that transparency and accountability is important to a listed company. Therefore, the Company is committed to establish and maintain good corporate governance practices and procedures. The Directors believe that good corporate governance provides a framework that is essential for effective management, successful business growth and a healthy corporate culture which would benefit the Company's stakeholders as a whole.

The Board has adopted and complied with the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The Board will continue to review its corporate governance practices in order to enhance its corporate governance standard, to comply with the regulatory requirements from time to time, and meet the expectation of shareholders and other stakeholders of the Company.

The Board is pleased to report compliance with the code provisions of the CG Code for the year ended 31 March 2022, except where otherwise stated.

Pursuant to code provision A.6.7 of the CG Code, the independent non-executive Directors and other non-executive Directors, as equal board members, should give the board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. They should also attend general meetings and to gain and develop a balanced understanding of the views of shareholders. In the annual general meeting of the Company held on 28 September 2021, one non-executive Director and one retired independent non-executive Director were unable to attend due to their other business engagements.

However, there were three independent non-executive Directors presented at the annual general meeting to enable the Board to gain and develop a balanced understanding of the views of shareholders of the Company.

The Company will apply and comply with the applicable code provisions as set out in the new CG Code (came into effect on 1 January 2022), the requirements under which shall apply to the Corporate Governance Report of the Company in the forthcoming financial year ending 31 March 2022.

## DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by Directors. In response to a specific enquiry by the Company, all Directors confirmed that they have complied with the required standard set out in Model Code throughout the year ended 31 March 2022.

# CORPORATE GOVERNANCE REPORT

## BOARD OF DIRECTORS

As at the date of this annual report, the Board comprised two executive Directors, one non-executive Director and three independent non-executive Directors. The composition of the Board during the year ended 31 March 2022 and up to the date of this report was as follows:

### *Executive Directors:*

Mr. Lee Cheong Yuen (*Chairman of the Board*)

Mr. Leong Yeng Kit

Ms. Lee Pei Ling (*Retired on 28 September 2021*)

### *Non-executive Director:*

Dr. Choi Chiu Fai Stanley (*Vice Chairman of the Board*) (*Appointed on 17 August 2021*)

### *Independent non-executive Directors:*

The Hon, Ip Kwok Him, *G.B.M., G.B.S., JP.* (*Appointed on 17 August 2021*)

Ms. Yvonne Low Win Kum

Mr. Chiu King Yan

Mr. Gan Cheng Khuan (*Retired on 28 September 2021*)

## RESPONSIBILITIES OF THE BOARD

The overall management of the Company's business is vested in the Board which is responsible for the leadership and control of the Company and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. All Directors should make decisions objectively in the interests of the Company. The Board has the full support from the executive Directors and the senior management of the Company to discharge its responsibilities.

The day-to-day management, administration and operation of the Group are delegated to the executive Directors of the Company and the senior management of the Group. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the executive Directors and senior management. The Board also assumes the responsibilities of maintaining high standard of corporate governance, including, among others, developing and reviewing the Company's policies and practices on corporate governance, reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements, and reviewing the Company's compliance with the CG Code. All Directors, including non-executive Director and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective delivery of the Board functions. Non-executive Director and independent non-executive Directors are invited to serve on the audit committee, the remuneration committee and the nomination committee of the Company.

Apart from the regular Board meetings and pursuant to code provision A.2.7 of the CG Code, the chairman has also met with the independent non-executive Directors without the presence of other executive Directors during the year ended 31 March 2022. The independent non-executive Directors are encouraged to provide their independent views to the Board.

The biographical details of the Directors and other senior management are set out in the section headed "Biographical Details of Directors and Senior Management" on pages from 17 to 19 of this annual report.

Save as disclosed above, the Board members have no financial, business, family or other material or relevant relationships with each other.

# CORPORATE GOVERNANCE REPORT

## THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual.

Mr. Leong Yeng Kit, who has acted as the Chairman and an Executive Director of the Company since 23 April 2020 and 22 April 2020 respectively. And then Mr. Leong has stepped down from the position of the Chairman but remains as an Executive Director with effect from 17 August 2021. Mr. Lee Cheong Yuen acts as the Chairman with effect from 17 August 2021. The Chairman is responsible for overseeing the general operations of the Group. The Board will meet regularly to consider major matters affecting the operations of the Group. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Group. The roles of the respective executive Directors and senior management, who are in charge of different functions, complement the role of the chairman and chief executive officer. The Board believes that this structure is conducive to strong and consistent leadership enabling the Group to operate efficiently.

The Company understands the importance to comply with the code provision A.2.1 of the CG Code and will continue to consider the feasibility to nominate appropriate person for the role of chief executive officer.

## BOARD DIVERSITY POLICY

The Company adopted the board diversity policy (the "**Board Diversity Policy**") for the year ended 31 March 2022 and up to the date of this report. A summary of this Board Diversity Policy, together with the measurable objectives set for implementing this Board Diversity Policy, and the progress made towards achieving those objectives are disclosed as below.

### Summary of the Board Diversity Policy

The Company recognised and embraced the benefits of having a diverse board to the quality of its performance. The Board Diversity Policy aimed to set out the approach to achieve diversity on the Board. In designing the Board's composition, board diversity has been considered from a number of measurable aspects including gender, age, ethnicity, knowledge and length of services. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regards for the benefits of diversity on the Board.

### Measurable Objectives

Selection of candidates will be based on a range of diversified perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of services. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

### Implementation and Monitoring

The nomination committee of the Company reviewed the Board's composition under diversified perspectives, and monitored the implementation of the Board Diversity Policy annually.

The nomination committee of the Company has reviewed the Board Diversity Policy to ensure its effectiveness and considered that the Group complied the Board Diversity Policy for the year ended 31 March 2022 and up to the date of this report.

# CORPORATE GOVERNANCE REPORT

## BOARD MEETING, GENERAL MEETING AND PROCEDURES

The Board meets regularly and at least four times a year for the reviewing and approval of the Company's financial and operating performance, as well as the consideration and approval of the overall strategies and policies of the Company. Apart from the regular board meetings, the Board met on other occasions where necessary. Board meetings involve the active participation, either in person or through other electronic means of communication. During the year ended 31 March 2022, Directors also participate in the consideration and approval of routine and operational matters of the Company by way of circulating resolutions.

The company secretary of the Company (the "Company Secretary") assists in preparing the meeting agenda, and each Director may request the inclusion of items in the agenda. During the year ended 31 March 2022, at least 14 days' notice of regular Board meetings is given to all Directors and they can include matters for discussion in the agenda as they think fit. The agenda accompanying Board papers (the appropriate, relevant and complete information) are sent to all the Directors at least three days before the date of every Board meeting in order to allow sufficient time for the Directors to review the documents.

All minutes/resolutions of the Board meetings are recorded in detail and are properly kept by the Company Secretary, which are available for inspection at any reasonable time on reasonable notice by any Director.

Participation of individual Directors at Board meetings and general meetings for the year ended 31 March 2022 is as follows:

Name of Directors	Number of meetings attended/held	
	Board Meetings	Annual General Meeting
Number of meetings	6	1
<i>Executive Directors:</i>		
Mr. Lee Cheong Yuen ( <i>Chairman</i> )	6/6	1/1
Mr. Leong Yeng Kit	6/6	1/1
Ms. Lee Pei Ling ( <i>Retired on 28 September 2021</i> )	4/4	1/1
<i>Non-executive Director:</i>		
Dr. Choi Chiu Fai Stanley ( <i>Vice Chairman of the Board</i> ) ( <i>Appointed on 17 August 2021</i> )	2/3	0/1
<i>Independent non-executive Directors:</i>		
The Hon, Ip Kwok Him, <i>G.B.M., G.B.S., JP.</i> ( <i>Appointed on 17 August 2021</i> )	2/3	1/1
Ms. Yvonne Low Win Kum	6/6	1/1
Mr. Chiu King Yan	6/6	1/1
Mr. Gan Cheng Khuan ( <i>Retired on 28 September 2021</i> )	0/4	0/1

# CORPORATE GOVERNANCE REPORT

## CORPORATE GOVERNANCE FUNCTIONS

No corporate governance committee has been established and the Board is responsible for performing the corporate governance functions such as developing, reviewing and monitoring the Company's policies and practices on corporate governance, training and continuous professional development of the Directors, the Company's policies and practices on compliance with legal and regulatory requirements, the code of conduct applicable to employees and Directors and the Company's compliance with the CG Code and disclosure in this report. The Board held meetings from time to time whenever necessary. At least 14 days' notice of regular Board meetings is given to all Directors and they can include matters for discussion in the agenda as they think fit. The agenda accompanying Board papers are sent to all Directors at least three days before the date of every Board meeting in order to allow sufficient time for the Directors to review the documents.

Minutes of every Board meeting are circulated to all Directors for their perusal and comments prior to confirmation of the minutes. The Board also ensures that it is supplied in a timely manner with all necessary information in a form and of a quality appropriate to enable it to discharge its duties.

Every Board member has full access to the advices and services of the Company Secretary with a view to ensuring that Board procedures, and all applicable rules and regulations are followed and they are also entitled to have full access to Board papers and related materials so that they are able to make an informed decision and to discharge their duties and responsibilities.

## APPOINTMENT AND RE-ELECTION OF DIRECTORS

The current articles of association of the Company (the "**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 subjected to retirement by rotation at least once every three years.

Non-executive Director and independent non-executive Directors are appointed for a specific term subject to retirement by rotation and re-election in accordance with the Articles. Each independent non-executive Director is required to inform the Company as soon as practicable if there are any changes that may affect his/her independence. Pursuant to Rule 3.13 of the Listing Rules, the Company has received from each of the independent non-executive Director an annual confirmation of his/her independency, the Company considers the independent non-executive Directors to be independent.

# CORPORATE GOVERNANCE REPORT

## CONTINUOUS PROFESSIONAL DEVELOPMENT

To assist Directors' continuous professional development, the Company recommends Directors to participate in continuous professional development programmes such as external seminars organised by qualified professionals, to develop and refresh their knowledge and skills in relation to their contribution to the Board. All newly appointed Directors will receive an induction package covering the summary of the responsibilities and liabilities of a director of a Hong Kong listed company, the Group's business and the statutory regulatory obligations of a director of a Hong Kong listed company to ensure that the newly appointed Directors are sufficiently aware of their responsibilities and obligations under the Listing Rules and other regulatory requirements.

All Directors understand the importance of continuous professional development and are committed to participate in any suitable training to develop and refresh their knowledge and skills.

Pursuant to the code provision A.6.5 of the CG Code, all Directors participated in continuous professional development for the year ended 31 March 2022 and the details are set out below:

Name of Directors	Training on corporate governance, regulatory development and other relevant topics by attending seminars or reading articles and publications
<i>Executive Directors:</i>	
Mr. Lee Cheong Yuen ( <i>Chairman</i> )	✓
Mr. Leong Yeng Kit	✓
<i>Non-executive Director:</i>	
Dr. Choi Chiu Fai Stanley ( <i>Vice Chairman of the Board</i> ) ( <i>Appointed on 17 August 2021</i> )	✓
<i>Independent non-executive Directors:</i>	
The Hon, Ip Kwok Him, <i>G.B.M., G.B.S., JP.</i> ( <i>Appointed on 17 August 2021</i> )	✓
Ms. Yvonne Low Win Kum	✓
Mr. Chiu King Yan	✓

# CORPORATE GOVERNANCE REPORT

## BOARD COMMITTEES

The Company has established three board committees, namely the audit committee (the "Audit Committee"), the remuneration committee (the "Remuneration Committee") and the nomination committee (the "Nomination Committee"), to assist the Board to discharge its function. Each committee has specific written terms of reference which sets out clearly the committee's duties and authority. The terms of reference and the list of members of each committee are published on the Company's website and the website of the Stock Exchange.

The attendance record of each member of the Audit Committee, the Remuneration Committee and the Nomination Committee for the year ended 31 March 2022 is as follows:

Name of Directors	Number of meetings attended/held		
	Audit Committee	Remuneration Committee	Nomination Committee
Number of meetings	3	2	2
<i>Executive Directors:</i>			
Mr. Lee Cheong Yuen ( <i>Chairman of the Board</i> )	N/A	N/A	N/A
Mr. Leong Yeng Kit	N/A	2/2	2/2
Ms. Lee Pei Ling ( <i>Retired on 28 September 2021</i> )	N/A	N/A	N/A
<i>Non-executive Director:</i>			
Dr. Choi Chiu Fai Stanley ( <i>Vice Chairman of the Board</i> ) ( <i>Appointed on 17 August 2021</i> )	2/2	N/A	N/A
<i>Independent non-executive Directors:</i>			
The Hon, Ip Kwok Him, <i>G.B.M., G.B.S., JP.</i> ( <i>Appointed on 17 August 2021</i> )	N/A	N/A	N/A
Ms. Yvonne Low Win Kum	3/3	2/2	2/2
Mr. Chiu King Yan	3/3	N/A	N/A
Mr. Gan Cheng Khuan ( <i>Retired on 28 September 2021</i> )	0/2	0/2	0/2

## AUDIT COMMITTEE

The Company has established the Audit Committee with written terms of reference in compliance with the Listing Rules and provisions set out in the CG Code which are available on the Company's website and the Stock Exchange's website.

The Audit Committee currently comprises one non-executive Director, namely Dr. Choi Chiu Fai Stanley and two independent non-executive Directors namely Ms. Yvonne Low Win Kum and Mr. Chiu King Yan. The chairman of the Audit Committee is Mr. Chiu King Yan, who has appropriate professional qualifications and experience in accounting matters.

# CORPORATE GOVERNANCE REPORT

The main roles and functions of the Audit Committee include the followings:

- (a) to consider the appointment of the external auditors, to review the scope of the external audit, including the engagement letter prior to annual audit commencement. The Audit Committee should understand the factors considered by the external auditors in determining their audit scope;
- (b) to review and approve the external audit fees and appropriateness of non-audit services;
- (c) to review the adequacy and effectiveness of the Group's policies and procedures regarding internal controls (including financial, operational and compliance controls), risk management system and any statement by the Directors to be included in the annual report prior to endorsement by the Board;
- (d) to have familiarity with the financial reporting principles and practices applied by the Group in preparing its consolidated financial statements; and
- (e) to review the annual and interim financial reports prior to approval by the Board, with particular focus on:
  - (i) any changes in accounting policies and practices;
  - (ii) major judgmental areas;
  - (iii) significant adjustments resulting from the audit;
  - (iv) the going concern assumption and any qualifications;
  - (v) compliance with accounting and auditing standards; and
  - (vi) compliance with the listing requirements of the Stock Exchange and legal requirements.

For the year ended 31 March 2022, the Audit Committee held three meetings to consider and approve the following:

- (a) to review the scope of the external audit prior to the commencement of annual audit;
- (b) to review the interim and annual financial statements before submission to the Board, with a focus on compliance with accounting standards, the Listing Rules and other requirements in relation to financial reporting of the Group;
- (c) to discuss the effectiveness of the internal control systems throughout the Group, including financial, operational and compliance controls, and risk management;
- (d) to review the accounting principles and practices adopted by the Group and other financial reporting matters; and
- (e) to address the audit issues raised by the internal and external auditors of the Group.



# CORPORATE GOVERNANCE REPORT

The audited consolidated financial statements of the Group for the year ended 31 March 2022 have been reviewed by the Audit Committee, which was of the opinion that the consolidated financial statements have been prepared in compliance with the applicable accounting standards and Listing Rules.

There was no disagreement between the Board and the Audit Committee on the selection and appointment of the external auditors during the year ended 31 March 2022.

## REMUNERATION COMMITTEE

The Company has established the Remuneration Committee with written terms of reference in compliance with the Listing Rules and provisions set out in the CG Code which are available on the Company's website and the Stock Exchange's website.

The Remuneration Committee currently comprises one executive Director, namely Mr. Leong Yeng Kit, and two independent non-executive Directors, namely The Hon. Ip Kwok Him, *G.B.M., G.B.S., JP.* and Ms. Yvonne Low Win Kum. The Chairlady of the Remuneration Committee is Ms. Yvonne Low Win Kum.

The main roles and functions of the Remuneration Committee include the followings:

- (a) to establish guidelines for the remuneration of the Directors and senior management;
- (b) to recommend to the Board the policy and structure for the remuneration of Directors and senior management whilst ensuring no Director or any of his/her associates are involved in deciding his/her own remuneration;
- (c) to determine the remuneration of Directors and senior management, including benefits in kind, pension right, compensation payment (including compensation for loss of office or appointment etc). The Director and/or senior management shall be consulted respectively about their proposals relating to the remuneration of the Director and/or senior management, as the case may be;
- (d) to review and approve the compensation arrangements in connection with any loss or termination of their office or appointment, or dismissal or removal for misconduct to executive Directors and senior management which shall be fair and not excessive;
- (e) to determine the criteria for assessing employee performance, which should reflect the Company's business objectives and targets; and
- (f) to consider the annual performance bonus for executive Directors, senior management, and the general staff, having regard to the achievements against the performance criteria by reference to market norms, and make recommendation to the Board.

The emolument payable to Directors depends on their respective contractual terms under the service contracts and the appointment letters, and as recommended by the Remuneration Committee. Details of the Directors' emolument are set out in note 9 to the consolidated financial statements.

# CORPORATE GOVERNANCE REPORT

## NOMINATION COMMITTEE

The Company has established the Nomination Committee with written terms of reference in compliance with the Listing Rules and provisions set out in the CG Code which are available on the Company's website and the Stock Exchange's website.

The Nomination Committee currently comprises one executive Director, namely Mr. Lee Cheong Yuen and two independent non-executive Directors, namely The Hon. Ip Kwok Him, *G.B.M., G.B.S., JP.* and Ms. Yvonne Low Win Kum. The chairman of the Nomination Committee is Mr. Lee Cheong Yuen.

The main roles and functions of the Nomination Committee include the followings:

- (a) to review and monitor the structure, size and composition (including the skills, knowledge and experience) of the Board to complement the Company's corporate strategy;
- (b) to develop and formulate relevant procedures for nomination and appointment of Directors;
- (c) to identify and nominate qualified individuals by making reference to that person's skills, qualification and expected contribution to the Company before recommending for appointment as additional Directors or to fill Board vacancies as and when they arise;
- (d) to make recommendations to the Board on matters relating to the appointment or reappointment of Directors and succession planning for Directors;
- (e) to review the Board Diversity Policy and relevant implementation of the policy; and
- (f) to report to the Board on decisions or recommendations made, unless there are legal or regulatory restrictions not to do so.

## NOMINATION POLICY

The Board has adopted a nomination policy (the "**Nomination Policy**") which sets out the selection criteria and nomination procedures to identify, select and recommend candidates for Directors.

### Selection Criteria

When evaluating and selecting candidates for directorships, the members of the Nomination Committee or the Board shall consider the following criteria:

- (a) Character and integrity;
- (b) Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategies;
- (c) The Board Diversity Policy and any measurable objectives adopted by the Nomination Committee for achieving diversity on the Board;
- (d) Willingness to devote adequate time to discharge duties as a Board member, other directorships and significant commitments;

# CORPORATE GOVERNANCE REPORT

- (e) In case of independent non-executive Directors, whether the candidates would be considered as independent in accordance with the Listing Rules;
- (f) In case of re-election, the overall contribution and service to the Company of the Director to be re-elected, the level of participation and performance on the Board and other criteria set out in this section; and
- (g) Such other perspectives appropriate to the Company's business.

These factors are for reference only, not meant to be exhaustive and decisive. The Nomination Committee has the discretion to nominate any person, as it considers appropriate.

## Nomination Procedures

- (a) The Nomination Committee and/or the Board identifies potential candidates including but not limited to internal promotion, re-designation, referral by other member of the management and external recruitment agencies and/or advisors. The Nomination Committee then develops a short list of candidates and agrees on proposed candidate(s);
- (b) Proposed candidate(s) will be asked to submit the necessary personal information, biographical details, together with their written consent to be appointed as a Director. The Nomination Committee may request candidates to provide additional information and documents, if considered necessary;
- (c) The Nomination Committee shall, upon receipt of the proposal on appointment of new Director and the personal information (or relevant details) of the proposed candidate(s), evaluate such candidate(s) based on the criteria as set out above to determine whether such candidate(s) is qualified for directorship;
- (d) For any person that is nominated by a shareholder for election as a Director at the general meeting of the Company, the Nomination Committee shall evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship;
- (e) If the process yields one or more desirable candidates, the Nomination Committee shall rank them by order of preference based on the needs of the Company and reference check of each candidate (where applicable);
- (f) For filling a casual vacancy, the secretary of the Nomination Committee shall convene a meeting of the Nomination Committee. The Nomination Committee shall make recommendations for the Board's consideration and approval. For proposing candidates to stand for election or re-election at a general meeting, the Nomination Committee shall make nominations or recommendations for the Board's consideration, and the Board shall make recommendations to shareholders in respect of the proposed election or re-election of Director(s) at the general meeting;
- (g) In order to provide information of the candidates nominated by the Board to stand for election or re-election at a general meeting, a circular will be sent to shareholders. The circular will set out the names, brief biographies (including qualifications and relevant experience), independence, proposed remuneration and any other information, as required pursuant to the applicable laws, rules and regulations including the Listing Rules, of the proposed candidates; and
- (h) The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election or re-election at any general meeting.

# CORPORATE GOVERNANCE REPORT

## ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibilities for preparing the consolidated financial statements of the Group that gives a true and fair view of the Group. The Board is responsible for presenting a balanced and understandable assessment of the Group's financial position and prospects with timely publication of the annual and interim reports of the Group. As at 31 March 2022, the Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue as a going concern.

The responsibility of the external auditors is to form an independent opinion, based on their audit, on those consolidated financial statements prepared by the Board and to report their opinion to the shareholders of the Company. The statements by external auditors, BDO Limited, about their reporting responsibility on the consolidated financial statements are set out in the independent auditor's report from pages 65 to 68 of this annual report.

## INTERNAL CONTROL AND RISK MANAGEMENT

The Board oversees the risk management and internal control framework and it has overall responsibility for the establishment, maintenance and review of the Group's risk management and internal control system, to manage the risks, in order to safeguard shareholder investments and the assets of the Group. The internal control system of the Group aims to facilitate effective and efficient operation which in turn minimises the risks to which the Group is exposed. The system can only provide reasonable but not absolute assurance against misstatement or losses.

The objective of the Group's risk management framework is to provide a clear governance structure and procedures in managing risks across business operations. The Board has evaluated the risks that the Group may expose to when achieving the Group's strategic objectives and has overseen the management in the design, implementation and monitoring of the risk management procedures.

The Group has adopted risk management procedures to identify, evaluate and manage significant risks. At least on an annual basis, the Board conducts a risk assessment and continuous review to determine the status of monitoring and effectiveness of risk management of the Company. The Board also conducts annual review of the implemented system and procedures, covering financial, operational and legal compliance controls and risk management functions. The Directors consider that the Group has implemented effective and adequate procedures to safeguard the Group's assets against unauthorised use or misappropriation, maintain proper accounting records, and executed with appropriate authority and compliance of the relevant laws and regulations.

The Board and the senior management of the Group adopted the following main procedures to monitor the effectiveness of the Group's risk management and internal control functions:

- Organise work meetings to determine the Group's risk appetite and the overall risk management and internal control framework;
- Establish internal control and risk management procedures to define the responsibilities of monitoring levels within the Group;
- Conduct risk identification and evaluation based on various factors and review the operational process to ensure appropriate operation workflows and controls are in place to mitigate significant risks;
- Review and monitor internal control deficiencies, if any, and ensure the delegated risk owners have taken remediation actions promptly by tracking the status of actions completion; and

# CORPORATE GOVERNANCE REPORT

- Promote the norms of internal control amongst staff and enhance staff awareness of the importance and necessity of internal control system.

The Group also has internal guidelines in place to ensure inside information is disseminated to the public in accordance with the applicable laws and regulations. Executive Directors and financial function of the Group are delegated with responsibilities to control and monitor the proper procedures regarding inside information disclosures. To prevent possible mishandling of inside information within the Group, access to inside information is restricted only to relevant senior personnel and other professional parties involved and they are constantly reminded to preserve confidentiality of the inside information until it is publicly disclosed.

In addition to the above policies and procedures, for the year ended 31 March 2022, the Group has engaged an independent advisory firm, to conduct independent risk assessment and internal control review to assess the Group's internal control systems in order to assist the Board in reviewing its effectiveness. The reviews, normally performed once a year, covered the effectiveness of the financial, operational and compliance controls and risk management functions of the Group, with a focus on the core business of the Group (i.e. the IT business in Hong Kong). The relevant reports from the independent advisory firm was presented to and reviewed by the Audit Committee and the Board. With reference to the reports, no material inadequacies or deficiencies in the risk management and internal control systems were drawn to the attention of the Audit Committee, but appropriate recommendations for enhancement of the internal control systems have been taken. The Board concluded that the internal control systems were effective, adequate and no irregularities, fraud or other deficiencies were identified for the year ended 31 March 2022.

## DIVIDEND POLICY

The Company adopts a dividend policy which intends to balance the return to the shareholders of the Company and the need for long-term sustainable development of the Group. In recommending or declaring dividends, the Company shall maintain adequate cash reserves for meeting its working capital requirements and needs for future growth as well as its shareholder value in the long-run. The amount of dividends (if any) that may be declared and distributed to the shareholders of the Company is subject to the discretion of the Board, the constitution of the Company and all applicable laws and regulations and other factors. The Board shall also take into account various factors of the Group when considering the declaration and payment of dividends. The Board will review the dividend policy as appropriate from time to time. For the year ended 31 March 2022, no dividend is recommended by the Board as the Group needs to reserve working capital for its business development.

## AUDITOR'S REMUNERATION

The amount of fees charged by the external auditors generally depends on the scope and volume of the external auditors' work performed.

For the year ended 31 March 2022, a summary of the remuneration paid or payable to BDO Limited, the external auditors of the Company in respect of audit services and non-audit services for the Group is as follows:

	Fees paid/payable for the services rendered HK\$'000
Audit services	950
Non-audit services	150

# CORPORATE GOVERNANCE REPORT

## COMPANY SECRETARY

The Company Secretary, Mr. Pun Shing Cheung directly reports to the Board. The Company Secretary is responsible for supporting and advising the Board on governance matters. All Directors have access to the advices and services of the Company Secretary to ensure that Board procedures, all applicable rules and regulations, are followed.

The Company Secretary confirmed that he has taken no less than 15 hours of relevant professional training during the year ended 31 March 2022.

## SHAREHOLDERS' RIGHTS

As one of the measures to safeguard shareholders' interest and rights, separate resolutions can be proposed at shareholders' meetings on each substantial issue, including the election of individual Directors, for shareholders' consideration and voting. All resolutions put forward at shareholders' meeting will be voted by poll pursuant to the Listing Rules and the poll voting results will be posted on the Stock Exchange's website and the Company's website after the relevant shareholders' meeting.

## PROCEDURES FOR SHAREHOLDERS TO CONVENE EXTRAORDINARY GENERAL MEETING

The following procedures for shareholders to convene an extraordinary general meeting are subject to the Articles (as amended from time to time), and the applicable legislation and regulation, in particular the Listing Rules (as amended from time to time):

- (a) any 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 (the "**Eligible Shareholder(s)**") carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary to require an extraordinary general meeting ("**EGM**") to be called by the Board for the transaction of any business specified in such requisition;
- (b) Eligible Shareholders who wish to convene an EGM must deposit a written requisition signed by the Eligible Shareholder(s) concerned to the head office and principal place of business of the Company in Hong Kong at Unit A, 25/F, TG Place, 10 Shing Yip Street, Kwun Tong, Kowloon, Hong Kong, or Hong Kong branch share registrar and transfer office of the Company, Union Registrars Limited, Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for the attention of the Board and/or the Company Secretary;
- (c) the written requisition must state clearly the name of the Eligible Shareholder(s) concerned, his/her/their shareholding, the reason(s) to convene an EGM and the details of the business(es) proposed to be transacted in the EGM, and must be signed by the Eligible Shareholder(s) concerned;
- (d) the written requisition will be verified with Hong Kong branch share registrar and transfer office of the Company and upon their confirmation that the written requisition is proper and in order, the Board will convene an EGM by serving sufficient notice in accordance with the requirements under the Articles to all the registered Shareholders. On the contrary, if the written requisition has been verified as not in order or the Shareholders concerned have failed to deposit sufficient money to meet the Company's expenses for the said purposes, the Eligible Shareholder(s) concerned will be advised of this outcome and accordingly, the Board will not call for an EGM; and
- (e) if within 21 days of the deposit of the written requisition, the Board fails to proceed to convene such EGM, the Eligible Shareholder(s) himself/herself/themselves may do so, and all reasonable expenses incurred by the Eligible Shareholder(s) concerned as a result of the failure of the Board shall be reimbursed to the Eligible Shareholder(s) concerned by the Company.

# CORPORATE GOVERNANCE REPORT

## PROCEDURES FOR SHAREHOLDERS TO PUT FORWARD PROPOSALS AT SHAREHOLDERS' MEETINGS

There are no provisions allowing shareholders to move new resolutions at the general meetings under the Companies Law (Revised) of Cayman Islands. However, pursuant to the Articles, shareholders who wish to move a resolution may by means of written requisition convene an EGM following the procedures set out above.

## PROCEDURES FOR RAISING ENQUIRIES

Shareholders should direct the questions about their shareholdings, share transfer, registration and payment of dividend to the Company's Hong Kong share registrar (details of which are set out in the section headed "Corporate Information" of this annual report).

Should there are any enquiries and concerns from shareholders, they may send in written enquiries addressed to the head office and principal place of business of the Company in Hong Kong at Unit A, 25/F, TG Place, 10 Shing Yip Street, Kwun Tong, Kowloon, Hong Kong, by post for the attention of the Board and/or the Company Secretary.

Shareholders are reminded to lodge their questions together with their detailed contact information for the response from the Company in due course.

## INVESTORS RELATIONS

The Company has established and maintained different communication channels with its shareholders and investors. Through the timely announcement of its interim, annual reports and other announcements, including but not limited to notices of meetings, circulars and other relevant Company's information, are published on the websites of the Company and the Stock Exchange, in order to kept the public aware of the Company's latest developments.

## CONSTITUTIONAL DOCUMENTS

For the year ended 31 March 2022, there had been no significant change in the Company's constitutional documents.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## INTRODUCTION

ICO Group Limited (the "**Company**", together with its subsidiaries, the "**Group**" or "**We**") is principally engaged in the provision of IT services in Hong Kong. The Group is principally engaged in the following businesses: (i) provision of IT application and solution development services; (ii) provision of IT infrastructure solutions services; (iii) provision of IT secondment services; (iv) provision of IT maintenance and support services and (v) property leasing and e-commerce business.

This Environmental, Social and Governance Report (the "**ESG Report**") summarises the environmental, social and governance ("**ESG**") initiatives, plans and performances of the Group and demonstrates its commitment to sustainable development.

## THE ESG GOVERNANCE STRUCTURE

The Group adopts a top-down approach for the following sustainability strategies:

1. To achieve environmental sustainability
2. To respect human rights and social culture
3. To engage with stakeholders
4. To support our employees
5. To sustain local communities

The board of directors (the "**Board**") oversees and sets out ESG strategies for the Group. The Board is also responsible for ensuring the effectiveness of the Group's risk management and internal controls.

The Group has assigned personnel to systematically identify and cater to ESG issues. The management of functional departments are responsible for collecting and analysing relevant ESG data and identifying the Group's ESG issues. Through conducting materiality assessment, the management evaluate, prioritise and manage material ESG-related issues and periodically report to the Board for the evaluation and subsequent implementation or revision of the Group's ESG strategies. In addition, they assist the Board to develop ESG-related targets and review progress against established goals and key performance indicators ("**KPIs**").

## REPORTING SCOPE

Unless otherwise specified, the reporting scope includes all areas of business over which the Group has financial significance and operational influence, as well as those of ESG significance to the Group and its stakeholders. The content of the ESG report mainly focuses on the core businesses of the Group, and overall performance of the fulfilment of sustainability and corporate social responsibility for the financial year ended 31 March 2022 (the "**Reporting Period**").



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## REPORTING FRAMEWORK

The ESG Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "**ESG Reporting Guide**") as set out in Appendix 27 of the Rules governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited. The ESG Report adhered to the reporting principles set out in the ESG Reporting Guide as follows:

Materiality	Key ESG issues are identified through materiality assessment, the processes and results of which are disclosed in the sections of "Stakeholder Engagement" and "Materiality Assessment" in the ESG Report.
Quantitative	Supplementary notes have been added to the data disclosed in the ESG Report to explain the standards, methods and sources of conversion factors used in the calculation of emissions and energy consumption.
Consistency	Consistent methodologies adopted to allow meaningful comparisons of ESG data.

Information relating to the Group's corporate governance practices can be found in the section headed "Corporate Governance Report" of this annual report.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## STAKEHOLDER ENGAGEMENT

The Group values its stakeholders and their feedback regarding the Group's businesses and ESG aspects. The Group maintains close communication with its key stakeholders, including but not limited to investors and shareholders, employees, customers, suppliers, government and regulatory authorities, and the community.

Stakeholders' expectations have been taken into consideration by utilising diversified engagement methods as shown below:

Stakeholders	Engagement Methods	Expectations
Investors and shareholders	<ul style="list-style-type: none"> <li>• Company website</li> <li>• Financial reports</li> <li>• Announcements and circulars</li> <li>• General meetings</li> </ul>	<ul style="list-style-type: none"> <li>• Sustainable profitability</li> <li>• Shareholders' return</li> <li>• Corporate governance</li> <li>• Business compliance</li> </ul>
Employees	<ul style="list-style-type: none"> <li>• Training and orientation</li> <li>• Regular meetings</li> <li>• Employee performance evaluation</li> </ul>	<ul style="list-style-type: none"> <li>• Remuneration, compensation and benefits</li> <li>• Fair and competitive employment</li> <li>• Safe working environment</li> <li>• Career development</li> </ul>
Customers	<ul style="list-style-type: none"> <li>• Daily operation and communication</li> <li>• Meetings and visits</li> <li>• Customers' feedback</li> </ul>	<ul style="list-style-type: none"> <li>• Rapid response and customer satisfaction</li> <li>• High-quality services</li> <li>• Labour protection and work safety</li> </ul>
Suppliers	<ul style="list-style-type: none"> <li>• Daily operation and communication</li> <li>• Regular review and evaluation</li> </ul>	<ul style="list-style-type: none"> <li>• Fair and open procurement</li> <li>• Sustainable relationship</li> </ul>
Government and regulating authorities	<ul style="list-style-type: none"> <li>• Compliance with regulatory legislative framework</li> <li>• Occasional face-to-face meetings and visits</li> <li>• Correspondence</li> </ul>	<ul style="list-style-type: none"> <li>• Compliance with local laws and regulations</li> <li>• Stability in business operations</li> <li>• Support for local economic growth</li> </ul>
Community	<ul style="list-style-type: none"> <li>• Public welfare and community activities</li> <li>• Company's website</li> <li>• Charitable donations</li> </ul>	<ul style="list-style-type: none"> <li>• Active participation to worthy causes</li> <li>• Community development</li> </ul>

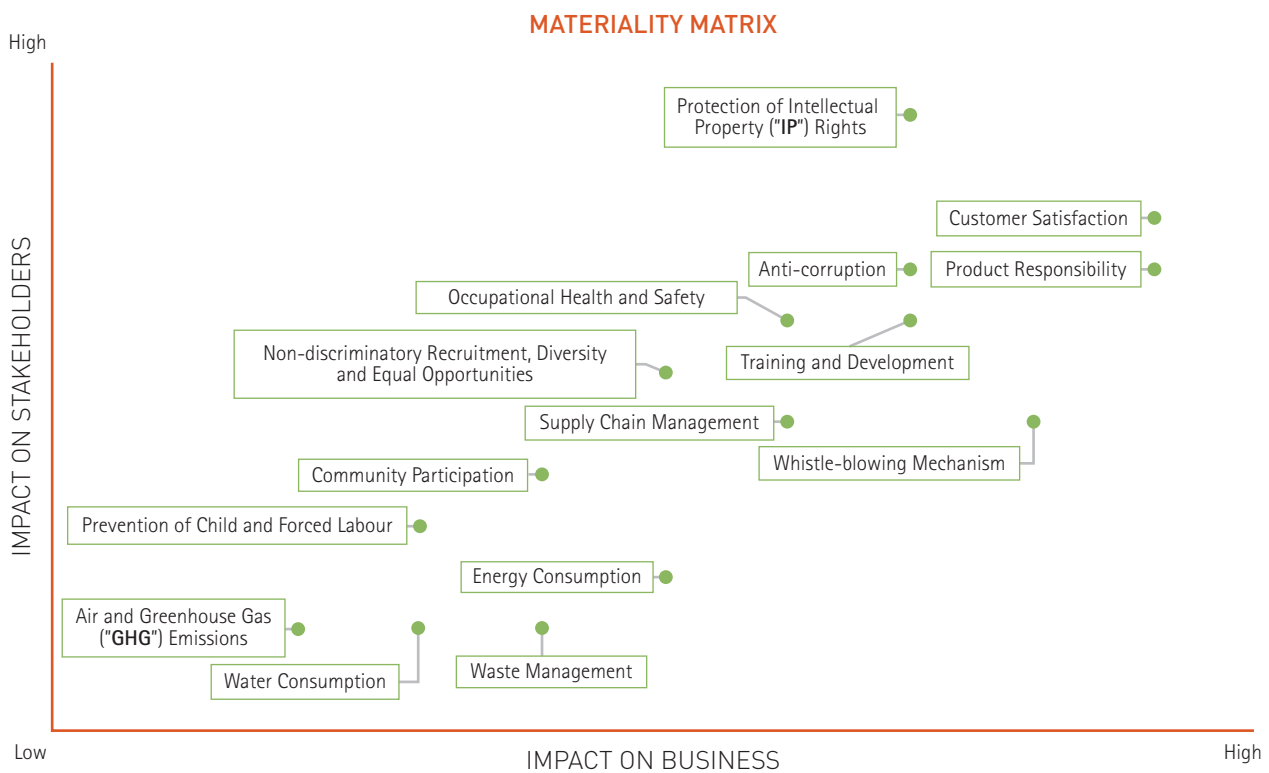
The Group endeavours to actively listen to and collaborate with its stakeholders to ensure that their opinions can be voiced out through a proper communication channel. In the long run, the stakeholders' contribution will aid the Group in improving ESG performances and sustaining the success of the Group's business in the challenging market.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## MATERIALITY ASSESSMENT

To ensure that the disclosures in this ESG Report reflect the Group's effort on sustainability issues, a materiality assessment has been conducted to identify ESG issues that are deemed to be material to different stakeholders. The Board and management responsible for key functions of the Group have participated in the preparation of the ESG Report. They have assisted the Group in reviewing its operations, identifying key ESG issues and assessing its importance to its businesses and stakeholders.

The Group compiled a questionnaire according to the identified material ESG aspects and asked various groups of stakeholders to complete the said questionnaire in order to fully reflect different stakeholders' opinions. The outcome of the materiality assessment is presented in the form of a materiality matrix and is shown below:



For the Reporting Period, the Group confirmed that it has established appropriate and effective management policies and internal control systems for ESG issues and confirmed that the disclosed contents are in compliance with the requirements of the ESG Reporting Guide.

## CONTACT US

We value your feedback and suggestion to help us improve our ESG performance. You are welcome to contact us by:

Email: [info@ico.com.hk](mailto:info@ico.com.hk)

Post: Unit A, 25/F, TG Place, 10 Shing Yip Street, Kwun Tong, Kowloon, Hong Kong

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## A. ENVIRONMENTAL

### A1. Emissions

The Group is conscious of the environmental impact associated with its operations. It is committed to protecting the environment and supporting sustainable development by managing its environmental footprint across its network of operating markets.

Due to the Group's office-based business nature, the Group does not involve direct emission of large amounts of polluted air, discharge of pollutants into water and land, and generation of hazardous waste. The Group's daily operations mainly involve indirect GHG emissions, which is mainly due to the use of electricity, paper consumptions in our office setting. The Group does not generate material hazardous wastes and the direct impact to the environment is immaterial. The Group nevertheless continuously improves existing policies and incorporates new policies to mitigate potential direct and indirect negative environmental impacts arising from its business operations.

To achieve efficient processes across its operations and manage its environmental impact, the Group has implemented Environmental Policy and encourages its suppliers, business partners, and customers, to respect the practices outlined in this policy, with a goal of furthering their own efforts at environmental stewardship.

During the Reporting Period, the Group strictly complied with local environmental laws and regulations and was not aware of any material non-compliance with laws and regulations that would have a significant impact on the Group including but not limited to the Waste Disposal Ordinance of Hong Kong.

#### *Air Emissions*

As the Group's core business activity is the provision of IT-related services, the Group considers that air emissions generated were of an insignificant level during the Reporting Period.

#### *GHG Emissions*

The principal GHG emissions of the Group were generated from purchased electricity (Scope 2). The Group has adopted the following measures to reduce our GHG emissions from different sources.

##### Scope 1 – Direct GHG Emissions

The Group has adopted various measures to mitigate direct GHG emissions from petrol consumption by vehicles, which include but are not limited to:

- Plan routes ahead of time to avoid route repetition and optimise fuel consumption; and
- Switch off engines whenever the vehicle is idling.

##### Scope 2 – Energy Indirect GHG Emissions

Electricity consumption accounted for the largest percentage of GHG emissions within the Group. The Group has promoted our staff on reducing energy consumption. For further details, please refer to the section headed "Energy Consumption".

##### Scope 3 – Other Indirect GHG Emissions

Paper waste disposal accounted for the other indirect GHG emissions. The Group has promoted our staff on reducing paper consumption. For further details, please refer to the section headed "Paper Consumption".

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Paper Consumption

The Group will continue to promote reduction of paper printing and encourage the use of electronic communication. Single-sided papers are reused as scrap papers or used for printing internal documents. Electronic leave application system is used instead of leave approval records in paper form. Notices are posted in office premises to remind staff to use paper wisely so as to reduce damages to the environment.

The Group sets a target to reduce the total GHG emissions intensity per square meter in five years (i.e. 2027) and expects to achieve this target through continuous review of the above energy saving measures.

Summary of GHG emissions performances and its intensity:

Indicator <sup>1</sup>	Unit <sup>2</sup>	2022	2021
Scope 1 – Direct GHG Emissions	tCO <sub>2</sub> e	0.2	2
• Petrol consumption			
Scope 2 – Energy Indirect GHG Emissions	tCO <sub>2</sub> e	98	81
• Purchased electricity			
Scope 3 – Other Indirect GHG Emissions	tCO <sub>2</sub> e	3	4
• Paper consumption			
Total GHG Emissions	tCO <sub>2</sub> e	101	87
Intensity (per floor area)	tCO <sub>2</sub> e/m <sup>2</sup>	0.08	0.07

Notes:

1. GHG emissions data is presented in terms of carbon dioxide equivalent and is based on, but not limited to, "The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standards" issued by the World Resources Institute and the World Business Council for Sustainable Development, "How to prepare an ESG Report – Appendix 2: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange, and the 2021 Sustainability Report published by CLP.
2. tCO<sub>2</sub>e is defined as tonnes of carbon dioxide equivalent.
3. As at 31 March 2022, the Group had an office area of 1,216.8 m<sup>2</sup>. This data has also been used for calculating other intensity data.

## Waste Management

### Hazardous Waste Management

Due to the Group's business nature, no material hazardous waste was generated by the Group during the Reporting Period.

### Non-hazardous Waste Management

Non-hazardous waste generated by an office-based operation would mainly be office paper. During the Reporting Period, the Group continues to place great effort into educating its employees on the importance of reducing waste disposal. With the growing awareness of waste reduction, we regularly monitor the consumption volume of paper.

The Group sets a target to reduce the total waste disposal intensity per square meter in five years (i.e. 2027). To achieve this target, the Group will continue to explore green office measures.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Summary of major non-hazardous waste disposal performance and its intensity:

Category of waste	Unit	2022	2021
Total non-hazardous waste	Tonnes	<b>0.66</b>	0.72
• Office paper			
Intensity (per floor area)	Tonnes/m <sup>2</sup>	<b>0.0005</b>	0.0006

## A2. Use of Resources

To promote employees' awareness of the need for resources conservation and achieving efficient utilization of resources, the Group has introduced measures to reduce environmental impact arising from its business operations.

### Energy Consumption

The Group recognized the effect of electricity consumption on GHG emissions. In order to reduce GHG emissions, we have imposed measures to reduce use of electricity. Nevertheless, the Group strives to further reduce energy consumption by adopting the following energy-saving measures:

- Staff are required to turn on power saving mode for computers, printers and monitors when idle; and
- Switch off air conditioners and power of computers by the end of the working day.

Abnormality in electricity consumption will be investigated to find out the root cause and preventive measures will be taken.

The Group sets a target to reduce the total energy consumption intensity per square meter in five years (i.e. 2027) and expects to achieve this target through continuous review of the above energy saving measures.

Summary of energy consumption performances and its intensity:

Types of energy	Unit	2022	2021
Total Energy Consumption	kWh	<b>252,276</b>	226,488
Direct Energy Consumption – Petrol		<b>735</b>	6,784
Indirect Energy Consumption – Electricity		<b>251,541</b>	219,704
Intensity (per floor area)	kWh/m <sup>2</sup>	<b>207</b>	186

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## *Water Consumption*

The Group has imposed measures to reduce the use of water during the Reporting Period. We used water purifiers to process tap water on one of the office premises. Although the other office premises are still using ordered distilled water, we plan to install water purifiers to substitute the use of distilled water for that office premises as well in the near future. Apart from actively promoting the importance of water conservation to its employees, the Group also regularly inspects water taps and promptly reports leakage.

Due to the Group's business nature, the Group did not encounter any problem in sourcing water that is fit for purpose.

As water consumption is essential for cleaning and sanitization purposes, the Group would consider a conservative target to reduce water consumption intensity per square meter in five years (i.e. 2027) by raising the employees' awareness of water saving.

Summary of water consumption performances and its intensity:

	Unit	2022	2021
Water consumption	m <sup>3</sup>	75	85
Intensity (per floor area)	m <sup>3</sup> /m <sup>2</sup>	0.06	0.07

## *Use of Packaging Material*

Due to the Group's business nature, the use of packaging material is not considered as a material ESG issue to the Group.

### **A3. The Environment and Natural Resources**

Although the business of the Group has a limited impact on the environment and natural resources, as an ongoing commitment to good corporate social responsibility, the Group realizes its responsibility in minimizing the negative environmental impacts in its business operations. We strive to enhance the awareness among employees to participate in different kinds of recycling activities and minimize the use of natural resources.

The Group regularly assesses the environmental risks of its business and adopts preventive measures to reduce the risks and ensures compliance with relevant laws and regulations.

As mentioned in sections headed "Waste Management" and "Use of Resources", we strive to minimize the impacts of our business development on the environment and natural resources.

### **A4. Climate Change**

The awareness of the public about climate change is increasing in the recent decades. The Group recognises the importance of identifying and mitigating significant climate-related issues and pays close attention to the potential impact of climate change on the Group's business and operations and is committed to managing potential climate-related risks that may affect the Group's business activities. According to the reporting framework developed by Task Force on Climate-related Financial, climate-related risks are categorised into two main groups, namely physical and transitional risks. The Group has incorporated climate change-related risks into its enterprise risk management to identify and mitigate potential risks.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## *Physical Risks*

An increase in the frequency and severity of extreme weather events, such as typhoons, storms, heavy rainfall, extreme cold or extreme heat, would create immediate and long-term physical risks to the Group's business. Extreme weather events could threaten the personal safety of our employees and damage the operational sites or power grid, resulting in reduced capacity and productivity or exposing the Group to the risk of non-performance and delay in performance, which could have a direct negative impact on the Group's revenue.

To minimise potential risks and hazards, the Group has put in place countermeasures, including flexible working arrangements and precautions in the event of severe or extreme weather conditions, as well as purchasing insurance against property loss. We will explore contingency plans to further avoid damage to our facilities due to extreme weather events in order to enhance business stability.

## *Transition Risks*

In line with the global carbon neutrality vision, the Group anticipates regulatory, technological, and market changes resulting from climate change, including amendments to national policies and listing rules and the introduction of environmental-related taxes. More stringent environmental laws and regulations may expose companies to higher claims and litigation risks, potentially incurring additional compliance costs and affecting the Group's reputation.

To address policy and legal risks as well as reputational risks, the Group continuously monitors any changes in laws or regulations and global trends in climate change to avoid increased costs, fines for non-compliance or reputational risks due to delayed response. In addition, the Group has been taking comprehensive measures to protect the environment, including measures aimed at reducing greenhouse gas emissions, and has set targets to gradually reduce our energy consumption and greenhouse gas emissions in the future.

## **B. SOCIAL**

### **B1. Employment**

Employees are important assets to the Group. The Group recognizes that employees' contribution and dedication are of paramount importance to the Group's sustainable business development. Therefore, the Group strives to protect its employees by establishing comprehensive employment policies.

Relevant employment policies are formally documented in the staff handbook, covering recruitment and remuneration, compensations, working hours and rest periods, diversity and equal opportunities, etc. The Group periodically reviews these policies and employment practices to ensure continuous improvement of its employment standards and competitiveness against companies in the industry. The Group also established the Human Right Policy to safeguard and promote human rights.

During the Reporting Period, the Group was not aware of any material non-compliance with employment-related laws and regulations that would have a significant impact on the Group, including but not limited to the Employment Ordinance, the Sex Discrimination Ordinance, the Employees' Compensation Ordinance of Hong Kong and Employment Act 1955 of Malaysia.



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

As at 31 March 2022, the Group had a total of 265 (2021: 276) employees, which breakdown as follows:

	2022	2021
<b>By Gender</b>		
Male	210	210
Female	55	66
<b>By Age Group</b>		
Aged under 30	88	80
Aged 30 to 40	79	87
Aged 41 to 50	62	70
Aged above 50	36	39
<b>By Geographical Region</b>		
Hong Kong	264	272
Malaysia	1	4
<b>By Employment Type</b>		
Full-time	264	275
Part-time	1	1

During the Reporting Period, the Group recorded a turnover rate of approximately 30%. The table below shows the employee turnover rate by gender, age group, and geographical region:

	2022 Turnover rate
<b>By Gender</b>	
Male	30%
Female	30%
<b>By Age Group</b>	
Aged under 30	44%
Aged 30 to 40	32%
Aged 41 to 50	20%
Aged above 50	13%
<b>By Geographical Region</b>	
Hong Kong	29%
Malaysia	50%

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## B2. Health and Safety

During the Reporting Period, the Group was not aware of any material non-compliance with health and safety-related laws and regulations that would have a significant impact on the Group, including but not limited to the Occupational Safety and Health Ordinance for Hong Kong or Occupational Safety and Health Act 1994 of Malaysia. The Group did not record any lost days due work injury and has achieved three consecutive years of zero work-related fatalities. The Group shall continue to provide a safe and healthy work environment for the employees.

The Group places a high priority on providing employees with a safe and healthy working environment. Although health and safety measures applicable to an office-based business operation are limited, the Group is nevertheless committed to safeguarding the wellbeing of all employees. Relevant policies are included in the staff handbook as well as the health and safety policy. Working arrangement during typhoon and rainstorm has been clearly specified by the Group to avoid any confusion which might lead to safety issue. Fire extinguishers are strategically placed and fire exits are free from obstruction. First aid kits are available on every office premises. The Group also provided medical insurance for permanent employees and adopted policies and procedures regarding work safety and occupational health issues.

### *Response to the Outbreak of COVID-19 Pandemic*

Being under the threat of COVID-19, to ensure the employees are working and the customers are enjoying cuisine under a safe environment, the Group has set up a COVID-19 Policy and delegated responsibilities to designated personnel. Apart from strengthening sanitation at the Group's office premises, the Group has also adopted precautionary measures such as temperature screening before entering the office premises and providing employees with sufficient epidemic prevention supplies, including face masks and hand sanitisers.

## B3. Development and Training

Training and continuous development are indispensable to our staff to keep abreast of the ever-changing trend in the industry. Therefore, the Group takes a proactive approach to provide employees with opportunities to advance their careers. The Group encourages its employees to apply for internal and external training courses to refresh prior knowledge. Moreover, study leave is provided for permanent employees who partake in job-related courses.

Due to COVID-19 pandemic, limited external and internal training programmes were arranged for employees for the sake of public health.

## B4. Labour Standards

The Group guarantees that no employee will be made to work against his/her will or be coerced to work. Recruitment of child labour is strictly prohibited. Personal data are collected during the process to assist in the selection of suitable candidates and to verify candidates' personal data. The human resources department also ensures that their identity documents are carefully checked. If the violation is involved, it will be dealt with in light of the circumstances promptly.

During the Reporting Period, the Group was not aware of any material non-compliance with child and forced labour-related laws and regulations that would have a significant impact on the Group, including but not limited to the Employment Ordinance of Hong Kong (Chapter 57 of the Laws of Hong Kong) or Children and Young Persons (Employment) Act 196 of Malaysia.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## B5. Supply Chain Management

To incorporate sustainability values into the Group's supply chain, the Group has stepped up efforts to ensure all supply chain management practices have been implemented strictly in compliance with local laws and regulations.

During the Reporting Period, the Group engaged 334 suppliers, 315 of which were located in Hong Kong while the remaining were located in other countries including but not limited to the United States, Taiwan, and Australia. To promote green procurement and environmentally friendly practices in supply chain, the Group encourages engagement with local suppliers.

The Group has well-regulated, fair, and open tendering and evaluation procedures to select prospective suppliers, so as to manage environmental and social risks in the supply chain. Apart from considering the offered price, the Group also takes into account the supplier's background, qualification, management model, the provision of quality service, financial health status, past experience in similar services, fulfilment of contracts, social and environmental compliance and follow-up services. The Group has developed the Supplier Code of Conduct as a guide to its business partners and suppliers and to bring broader improvements in sustainability practices and performance for its business partners and suppliers and the communities the Group serves. The Group periodically evaluates and monitors the performance of its suppliers to ensure their compliance with service standards, contract conditions, and quality provisions. Should services fall below the agreed standard, the cooperation will be terminated. The Group endeavours to maintain a long-term relationship with local economies and prioritises the selection of local over international suppliers with the intention of lowering the carbon footprint generated through transportation. During the Reporting Period, the Group was not aware that any major suppliers' actions or practices that had a significant negative impact on business ethics, environmental protection, human rights and labour practices.

## B6. Product Responsibility

The Group has in place an extensive quality assurance process to ensure that the products and services are in compliance with relevant local laws and regulations.

During the Reporting Period, the Group was not aware of any non-compliance with laws and regulations concerning health and safety, advertising, labelling and privacy matters relating to products and services and methods of redress that would have a significant impact on the Group, including but not limited to the Trade Descriptions Ordinance, the Copyright Ordinance, the Personal Data (Privacy) Ordinance, the Prevention of Child Pornography Ordinance of Hong Kong and Personal Data Protection Act 2010 of Malaysia. During the Reporting Period, the Group did not receive any cases of product or service-related complaints, nor was it subjected to any product recalls. Due to the Group's business nature, product recall procedure is not applicable.

### *Data Privacy Protection*

The Group has a comprehensive Policy on Personal Data Governance in place to safeguard its assets and information. The policy stated the Group guidelines on data accuracy, data retention, information security, international transfers of personal data, etc. The Group's security and confidentiality guideline requires its staff to comply with regulations in relation to physical security, access control security, data security, application security, network and communication, and password management.

### *Protection of IP Rights*

It is the Group's policy to respect IP rights and prohibit the use of infringing articles in its business. All staff are required to strictly follow the relevant laws such as Copyright Ordinance. During the Reporting Period, the Group had no material non-compliance with relevant laws and regulations.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Additionally, the Group respects IP rights and therefore is committed to purchasing genuine copyrighted products such as computer software and firewalls. Fundamental guidelines are also provided to the employees to ensure they do not infringe upon any IP rights such as trademark and copyrights. Disciplinary or legal actions may be taken against the employee should he/she be found to be in breach of such rights.

## *Customer Satisfaction*

Feedbacks from customers are welcome as it is the key to enhancing our service. Procedures for handling feedbacks have been set up. Should the Group receive any complaints, the Group will strive to act immediately to resolve the issue with effective corrective actions. In addition, any complaints received are discussed and reviewed by the management during regular meetings to prevent re-occurrence.

Due to the Group's business nature, the Group is not involved in material advertising, labelling and health and safety-related risks.

## **B7. Anti-corruption**

The Group strives to achieve high standards of conduct and integrity in our business operations and stand against any form of bribery, extortion, fraud and all other misconduct behaviours. We strictly abide by relevant laws and regulations regarding anti-corruption, bribery, extortion, fraud and anti-money laundering. Each of our employees had an obligation and was encouraged to report concerns about any misconduct they had noticed, including but not limited to, violations of legal or regulatory requirements, misconduct or fraud that might adversely affect the Group's reputation and image, as well as violations of the Code of Conduct of the Group. During the Reporting Period, the Group had not noted any cases of non-compliance in relation to relevant laws and regulations including but not limited to Prevention of Bribery Ordinance of Hong Kong and the Anti-Corruption Commission Act 2009 of Malaysia. No concluded legal cases regarding corrupt practices brought against the Group or its employees.

The Group encourages its employees to report alleged malpractices or misconduct through various channels. The management will take immediate action to investigate the issue. The Group endeavours to protect the whistle-blower from common concerns such as potential retaliation and is assured that their identity as a whistle-blower will be kept confidential.

Due to COVID-19 pandemic, limited anti-corruption training were arranged for directors and employees.

## **B8. Community Investment**

Over the years, the Group believes in the importance of developing young talents in society. The Group had been working closely with different educational organizations to provide scholarships and internship opportunities to their students to support the education of young generation and for them to learn real-life working skills.

During the Reporting Period, the Group donated HK\$10,000 to Tung Wah Group of Hospitals to support the Educational Equipment Donation Scheme. The Group would continue to support and encourage all employees to participate their own initiatives in volunteer works or charity activities for building a harmonious and prosperous society.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## THE ESG REPORTING GUIDE CONTENT INDEX OF THE STOCK EXCHANGE OF HONG KONG LIMITED

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
<b>Aspect A1: Emissions</b>		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Emissions
KPI A1.1	The types of emissions and respective emissions data.	Emissions – Air Emissions, GHG Emissions, Waste Management
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emissions – GHG Emissions
KPI A1.3	Total hazardous waste produced (in tonnes) and intensity.	Emissions – Waste Management
KPI A1.4	Total non-hazardous waste produced (in tonnes) and intensity.	Emissions – Waste Management
KPI A1.5	Description of emission target(s) set and steps taken to achieve them.	Emissions – GHG Emissions, Waste Management
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Emissions – Waste Management
<b>Aspect A2: Use of Resources</b>		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Use of Resources
KPI A2.1	Direct and/or indirect energy consumption by type in total and intensity.	Use of Resources – Energy Consumption
KPI A2.2	Water consumption in total and intensity.	Use of Resources – Water Consumption
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Use of Resources – Energy Consumption
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Use of Resources – Water Consumption
KPI A2.5	Total packaging material used for finished products (in tonnes) and with reference to per unit produced.	Use of Resources – Use of Packaging Material

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
<b>Aspect A3: The Environment and Natural Resources</b>		
General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	The Environment and Natural Resources
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	The Environment and Natural Resources
<b>Aspect A4: Climate Change</b>		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Climate Change
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Climate Change
<b>Aspect B1: Employment</b>		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Employment
KPI B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	Employment
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Employment

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Subject Areas, Aspects,

### General Disclosures and KPIs

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
<b>Aspect B2: Health and Safety</b>		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Health and Safety
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Health and Safety
KPI B2.2	Lost days due to work injury.	Health and Safety
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Health and Safety
<b>Aspect B3: Development and Training</b>		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Development and Training
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Development and Training
KPI B3.2	The average training hours completed per employee by gender and employee category.	Development and Training
<b>Aspect B4: Labour Standards</b>		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Labour Standards
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Labour Standards
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Labour Standards

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
<b>Aspect B5: Supply Chain Management</b>		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management
KPI B5.1	Number of suppliers by geographical region.	Supply Chain Management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Supply Chain Management
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Supply Chain Management
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Supply Chain Management
<b>Aspect B6: Product Responsibility</b>		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Product Responsibility
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product Responsibility
KPI B6.2	Number of products and service-related complaints received and how they are dealt with.	Product Responsibility
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Product Responsibility – Protection of IP Rights
KPI B6.4	Description of quality assurance process and recall procedures.	Product Responsibility
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Product Responsibility – Data Privacy Protection



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Subject Areas, Aspects,

### General Disclosures and KPIs

### Description

### Section/Declaration

#### Aspect B7: Anti-corruption

General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anti-corruption
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting Period and the outcomes of the cases.	Anti-corruption
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Anti-corruption
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Anti-corruption

#### Aspect B8: Community Investment

General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Investment
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Community Investment
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Community Investment

# INDEPENDENT AUDITOR'S REPORT



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## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ICO GROUP LIMITED

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

### OPINION

We have audited the consolidated financial statements of ICO Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 69 to 155, which comprise the consolidated statement of financial position as at 31 March 2022, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HSAs") 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.

# INDEPENDENT AUDITOR'S REPORT

## Valuation of investment property

Refer to notes 2(h), 3(a) and 13 to the consolidated financial statements for the accounting policies, accounting judgement and estimates, and disclosures, respectively.

### The Key Audit Matter

We identified the valuation of investment property as a key audit matter, in the context of the Group's consolidated financial statements, the Group had significant balance of investment property. Significant judgement and estimates are involved to assess the fair value of investment property.

The fair value of the Group's investment property was assessed by management based on independent valuation prepared by an independent valuation firm.

### How the matter was addressed in our audit

Our procedures in relation to valuation of investment property included:

- evaluating the independent valuation firm's competence, expertise and objectivity;
- assessing the appropriateness of the valuation methodology used by management and the independent valuation firm;
- reviewing and challenging the reasonableness of key assumptions and critical judgement areas which underpin the fair value estimation;
- engaging an auditor's expert to assist us to assess the appropriateness of the valuation methodology and the reasonableness of the inputs, assumptions and estimation used by management and the independent valuation firm which underpin the fair value estimation; and
- checking the accuracy and the relevance of the input data used.

## OTHER INFORMATION IN THE ANNUAL REPORT

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

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

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

# INDEPENDENT AUDITOR'S REPORT

## DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

# INDEPENDENT AUDITOR'S REPORT

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

## **BDO Limited**

*Certified Public Accountants*

## **Lam Hung Yun, Andrew**

Practising Certificate Number P04092

Hong Kong, 29 June 2022

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2022

	Notes	2022 HK\$'000	2021 HK\$'000
Revenue	4	712,450	637,340
Cost of sales		(581,422)	(527,064)
<b>Gross profit</b>		<b>131,028</b>	110,276
Other revenue	5	1,334	9,478
Other net gain/(loss)	6	2,385	(5,974)
General and administrative expenses		(96,370)	(76,424)
Reversal of impairment loss on trade receivables and contract assets	33(a)	16	120
Gain on disposal of interests in joint ventures	17	4,539	-
Change in fair value of investment property	13	(10,261)	(14,123)
Change in fair value of contingent consideration payables	27	(215)	(990)
Equity-settled share-based payment expenses	32	(3,986)	-
Share of (loss)/profit of associates	16	(2,177)	801
Share of profit of joint ventures	17	509	227
Finance costs	7(a)	(954)	(754)
<b>Profit before taxation</b>	7	<b>25,848</b>	22,637
Income tax	8	(6,934)	(6,612)
<b>Profit for the year</b>		<b>18,914</b>	16,025
<b>Attributable to:</b>			
Equity shareholders of the Company		8,122	8,099
Non-controlling interests		10,792	7,926
<b>Profit for the year</b>		<b>18,914</b>	16,025
<b>Earnings per share</b>	11		
Basic (HK cents per share)		0.9	1.2
Diluted (HK cents per share)		0.9	1.2

The accompanying notes form an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2022

	Note	2022 HK\$'000	2021 HK\$'000
<b>Profit for the year</b>		<b>18,914</b>	16,025
<b>Other comprehensive income for the year</b>			
Item that will not be reclassified to profit or loss:			
Change in fair value of financial asset at fair value through other comprehensive income (non-recycling)	18	(3,200)	800
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of overseas subsidiaries		(2,037)	9,204
<b>Total comprehensive income for the year</b>		<b>13,677</b>	26,029
<b>Attributable to:</b>			
Equity shareholders of the Company		2,885	18,103
Non-controlling interests		10,792	7,926
<b>Total comprehensive income for the year</b>		<b>13,677</b>	26,029

The accompanying notes form an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2022

	Notes	2022 HK\$'000	2021 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	12	42,871	46,756
Investment property	13	220,108	231,067
Goodwill	14	49,473	49,473
Intangible assets	15	17,034	21,965
Interests in associates	16	–	2,177
Interests in joint ventures	17	–	1,452
Other financial asset	18	–	7,700
		<b>329,486</b>	<b>360,590</b>
<b>Current assets</b>			
Inventories	20	902	851
Trade and other receivables	22	216,576	150,895
Contract assets	21(a)	119,660	79,720
Tax recoverable	30(a)	1,404	405
Pledged bank deposit	23	1,999	1,999
Cash and cash equivalents	24(a)	107,423	106,810
		<b>447,964</b>	<b>340,680</b>
<b>Current liabilities</b>			
Trade and other payables	25	(106,549)	(103,013)
Contract liabilities	21(b)	(52,282)	(28,178)
Lease liabilities	28	(1,271)	(1,360)
Contingent consideration payables	27	–	(37,457)
Promissory note payables	29	(20,172)	–
Tax payable	30(a)	(1,641)	(1,261)
		<b>(181,915)</b>	<b>(171,269)</b>
<b>Net current assets</b>		<b>266,049</b>	<b>169,411</b>
<b>Total assets less current liabilities</b>		<b>595,535</b>	<b>530,001</b>
<b>Non-current liabilities</b>			
Lease liabilities	28	(220)	(1,491)
Promissory note payables	29	(37,901)	(19,591)
Deferred tax liabilities	30(b)	(2,694)	(3,754)
		<b>(40,815)</b>	<b>(24,836)</b>
<b>Net assets</b>		<b>554,720</b>	<b>505,165</b>



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2022

	Note	2022 HK\$'000	2021 HK\$'000
<b>Capital and reserves</b>			
Share capital	31(b)	21,940	17,661
Reserves		509,037	465,967
<b>Total equity attributable to equity shareholders of the Company</b>		<b>530,977</b>	483,628
Non-controlling interests		23,743	21,537
<b>Total equity</b>		<b>554,720</b>	505,165

Approved and authorised for issue by the board of directors on 29 June 2022 and were signed on its behalf by:

**Lee Cheong Yuen**  
*Chairman and Executive Director*

**Leong Yeng Kit**  
*Executive Director*

The accompanying notes form an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2022

	Attributable to equity shareholders of the Company								
	Share capital HK\$'000	Share premium HK\$'000	Share option reserve HK\$'000	Exchange reserve HK\$'000	Fair value	Retained profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
					reserve (non-recycling) HK\$'000				
<b>At 1 April 2020</b>	15,562	257,768	-	(117)	(64,809)	233,629	442,033	7,695	449,728
Profit for the year	-	-	-	-	-	8,099	8,099	7,926	16,025
Other comprehensive income for the year									
– Change in fair value of financial asset at fair value through other comprehensive income (non-recycling)	-	-	-	-	800	-	800	-	800
– Exchange differences on translation of financial statements of overseas subsidiaries	-	-	-	9,204	-	-	9,204	-	9,204
Total comprehensive income for the year	-	-	-	9,204	800	8,099	18,103	7,926	26,029
Issue of new shares upon placing of shares	2,099	21,393	-	-	-	-	23,492	-	23,492
Step acquisition of subsidiaries	-	-	-	-	-	-	-	9,493	9,493
Interim dividend declared to non-controlling interests	-	-	-	-	-	-	-	(3,577)	(3,577)
<b>At 31 March 2021 and 1 April 2021</b>	<b>17,661</b>	<b>279,161</b>	<b>-</b>	<b>9,087</b>	<b>(64,009)</b>	<b>241,728</b>	<b>483,628</b>	<b>21,537</b>	<b>505,165</b>
Profit for the year	-	-	-	-	-	8,122	8,122	10,792	18,914
Other comprehensive income for the year									
– Change in fair value of financial asset at fair value through other comprehensive income (non-recycling)	-	-	-	-	(3,200)	-	(3,200)	-	(3,200)
– Exchange differences on translation of financial statements of overseas subsidiaries	-	-	-	(2,037)	-	-	(2,037)	-	(2,037)
Total comprehensive income for the year	-	-	-	(2,037)	(3,200)	8,122	2,885	10,792	13,677
Issue of new shares upon placing of shares	3,532	27,551	-	-	-	-	31,083	-	31,083
Issue of new shares upon exercise of share options under the share option scheme	747	8,648	(2,976)	-	-	2,976	9,395	-	9,395
Recognition of equity-settled share-based payment expenses	-	-	3,986	-	-	-	3,986	-	3,986
Interim dividend declared to non-controlling interests	-	-	-	-	-	-	-	(8,586)	(8,586)
Transfer of fair value reserve	-	-	-	-	67,209	(67,209)	-	-	-
<b>At 31 March 2022</b>	<b>21,940</b>	<b>315,360</b>	<b>1,010</b>	<b>7,050</b>	<b>-</b>	<b>185,617</b>	<b>530,977</b>	<b>23,743</b>	<b>554,720</b>

The accompanying notes form an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2022

	Notes	2022 HK\$'000	2021 HK\$'000
<b>Operating activities</b>			
Profit before taxation		25,848	22,637
Adjustments for:			
Depreciation and amortisation		8,987	6,638
Lease modification		–	(35)
Loss on remeasurement of existing interests in associates upon business combination	6	–	5,615
Gain on disposal of interests in joint ventures	17	(4,539)	–
Change in fair value of investment property	13	10,261	14,123
Change in fair value of contingent consideration payables	27	215	990
Bank interest income	5	(144)	(59)
Equity-settled share-based payment expenses	32	3,986	–
Share of loss/(profit) of associates	16	2,177	(801)
Share of profit of joint ventures	17	(509)	(227)
Reversal of impairment loss on trade receivables and contract assets	33(a)	(16)	(120)
Finance costs	7(a)	954	754
		<b>47,220</b>	<b>49,515</b>
Changes in working capital:			
Increase in inventories		(51)	(249)
(Increase)/decrease in trade and other receivables		(65,703)	27,148
Increase in contract assets		(39,902)	(51,710)
Increase in trade and other payables		3,034	13,511
Increase in contract liabilities		24,104	17,053
<b>Cash (used in)/generated from operations</b>		<b>(31,298)</b>	<b>55,268</b>
Income tax paid	30(a)	(8,613)	(6,605)
Income tax refunded	30(a)	–	304
<b>Net cash (used in)/generated from operating activities</b>		<b>(39,911)</b>	<b>48,967</b>

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2022

	Notes	2022 HK\$'000	2021 HK\$'000
<b>Investing activities</b>			
Payment for acquisition of property, plant and equipment		(169)	(848)
Withdrawal of time deposit		-	1,198
Acquisition of subsidiaries	36(a)	-	288
Step acquisition from associates to subsidiaries	36(b)	-	(6,499)
Proceeds from disposal of financial asset at fair value through other comprehensive income	18	4,500	-
Proceeds from disposal of interests in joint ventures	17	6,500	-
Interest received		144	59
<b>Net cash generated from/(used in) investing activities</b>		<b>10,975</b>	<b>(5,802)</b>
<b>Financing activities</b>			
Proceeds from issue of shares upon placing of shares		31,083	23,492
Proceeds from issue of new shares upon exercise of shares options		9,395	-
Dividend paid to non-controlling interests		(8,084)	(5,577)
Principal paid on lease liabilities		(1,360)	(865)
Interest paid on lease liabilities		(144)	(188)
Bank overdraft interest paid		(1)	(2)
<b>Net cash generated from financing activities</b>		<b>30,889</b>	<b>16,860</b>
<b>Net increase in cash and cash equivalents</b>		<b>1,953</b>	<b>60,025</b>
Effect of foreign exchange rate changes		(1,340)	1,419
Cash and cash equivalents at the beginning of the year		106,810	45,366
<b>Cash and cash equivalents at the end of the year</b>	24(a)	<b>107,423</b>	<b>106,810</b>

The accompanying notes form an integral part of these consolidated financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

## 1. GENERAL INFORMATION

ICO Group Limited (the "Company") was incorporated in the Cayman Islands on 26 April 2013 as an exempted company with limited liability under the Companies Law (2011 Revision) (as consolidated and revised) of the Cayman Islands. The Company's registered office address is Windward 3, Regatta Office Park, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands. The principal place of business of the Company is Unit A, 25/F, TG Place, No. 10 Shing Yip Street, Kwun Tong, Kowloon, Hong Kong. The Company is an investment holding company and its subsidiaries are principally engaged in the businesses of IT application and solution development services, IT infrastructure solutions services, IT secondment services, IT maintenance and support services and property leasing and e-commerce business.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### (a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). Significant accounting policies adopted by the Company and its subsidiaries (collectively referred to as the "Group") are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from the initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

### (b) Basis of preparation of the consolidated financial statements

The consolidated financial statements for the year ended 31 March 2022 comprise the Group and its interests in associates and joint ventures.

Items included in the consolidated financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). These financial statements are presented in Hong Kong dollars ("HK\$"), which is the Company's functional and the Group's presentation currency.

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis except that the following asset and liabilities are stated at their fair value as explained in the accounting policies set out below:

- Investment property (see note 2(h))
- Financial asset at fair value through other comprehensive income ("FVOCI") (non-recycling) (see note 2(k))
- Contingent consideration payables (see note 2(q)(ii))

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (b) Basis of preparation of the consolidated financial statements (Continued)

The preparation of consolidated financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. 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.

Judgements made by management in the application of HKFRSs that have a significant effect on the consolidated financial statements and major sources of estimation uncertainty are discussed in note 3.

### (c) Application of Amendments to HKFRSs

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group:

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

The application of these amendments to HKFRS in the current year has had no material effect on the amounts reported and/or disclosures set out in the consolidated financial statements.

### (d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Company has power, only substantive rights (held by the Company and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Company has not agreed any additional terms with the holders of those interests which would result in the Company as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (d) Subsidiaries and non-controlling interests (Continued)

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with note 2(q) depending on the nature of the liability.

Changes in the Company's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no gain or loss is recognised.

When the Company loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

### (e) Associates and joint ventures

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group or the Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 2(l)(ii)). At each reporting date, the Group assesses whether there is any objective evidence that the investment is impaired. Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

On the acquisition of an interest in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (e) Associates and joint ventures (Continued)

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method, together with any other long-term interests that in substance form part of the Group's net investment in the associate or the joint venture.

Unrealised profits and losses resulting from transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate or a joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(k)).

### (f)(i) Business combinations or asset acquisitions

#### *Optional concentration test*

Effective from 1 January 2020, the Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

#### *Asset acquisitions*

When the Group acquired a group of assets and liabilities that did not constitute a business during the year ended 31 March 2021 as detailed in note 36(a), the Group identified and recognised the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to investment property which is subsequently measured under fair value model and financial assets/financial liabilities at their respective fair values, the remaining balance of the purchase price was then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction did not give rise to goodwill or bargain purchase gain.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (f)(i) Business combinations or asset acquisitions (Continued)

#### *Business combinations*

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

The identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the *Conceptual Framework for Financial Reporting* at the acquisition date.

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (f)(i) Business combinations or asset acquisitions (Continued)

#### *Business combinations (Continued)*

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

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

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under HKFRS 9 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

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

### (f)(ii) Goodwill

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (f)(ii) Goodwill (Continued)

On the disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

### (g) Property, plant and equipment

The following items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2(l)(ii)):

- right-of-use assets arising from leases over freehold or leasehold properties where the Group is not the registered owner of the property; and
- Other items of plant and equipment

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

- Leasehold land	Over the unexpired term of lease
- Buildings situated on leasehold land or buildings leased for own use	Over the shorter of the unexpired term of lease and their estimated useful lives
- Leasehold improvements	5–10 years
- Computer equipment	4 years
- Furniture and other office equipment	4–5 years
- Motor vehicles	4 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

### (h) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 2(j)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably measured at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 2(u)(vii).

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (i) Intangible assets

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour, and an appropriate proportion of overheads and borrowing costs, where applicable (see note 2(w)). Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see note 2(l)(ii)). Other development expenditure is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The acquired computer software with finite useful lives is amortised from the date they are available for use and their estimated useful lives of 4 years.

Other intangible assets that are acquired by the Group are stated in the consolidated statement of financial position at fair value at the acquisition date less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 2(l)(ii)). Amortisation is recognised on a straight-line basis over their estimated useful lives of 5 years. Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Both the period and method of amortisation are reviewed annually.

### (j) Leased assets

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the entity has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

#### *As a lessee*

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Group are primarily laptops and office furniture. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where a lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (j) Leased assets (Continued)

#### *As a lessee (Continued)*

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use asset also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 2(g) and 2(l)(ii)), except for the following types of right-of-use asset:

- right-of-use assets related to leasehold land and buildings where the Group is the registered owner of the leasehold interest are carried at fair value in accordance with note 2(h).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are any rent concessions which arose as a direct consequence of novel coronavirus disease 2019 ("COVID-19") pandemic and which satisfied the conditions set out in paragraph 46B of HKFRS 16 *Leases*. In such cases, the Group took advantage of the practical expedient set out in paragraph 46A of HKFRS 16 and recognised the change in consideration as if it were not a lease modification.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

The Group presents right-of-use assets that do not meet the definition of investment property in "property, plant and equipment" and presents lease liabilities separately in the consolidated statement of financial position.

#### *As a lessor*

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with note 2(u)(vii).

When the Group is an intermediate lessor, the sub-leases are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the exemption, then the Group classifies the sub-lease as an operating lease.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (k) Other investment in equity security

The Group's policies for investment in equity security, other than investments in associates and joint ventures, are set out below.

Investment in equity security is recognised/derecognised on the date the Group commits to purchase/sell the investment. The investment is initially stated at fair value plus directly attributable transaction costs, except for that investment measured at fair value recognised in profit and loss ("FVPL") for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 33(e). This investment is subsequently accounted for as follows, depending on its classification.

#### *Equity investment*

An investment in equity security is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained profits. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other revenue.

### (l) Credit losses and impairment of assets

#### (i) Credit losses from financial instruments

The Group recognises a loss allowance for expected credit losses ("ECLs") on the following items:

- financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables, contract assets and pledged bank deposit)

#### Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (that is, the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

For undrawn loan commitments, expected cash shortfalls are measured as the difference between (i) the contractual cash flows that would be due to the Group if the holder of the loan commitment draws down on the loan; and (ii) the cash flows that the Group expects to receive if the loan is drawn down.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (l) Credit losses and impairment of assets (Continued)

#### (i) Credit losses from financial instruments (Continued)

##### Measurement of ECLs (Continued)

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

- fixed-rate financial assets: effective interest rate determined at initial recognition or an approximation thereof; and
- variable-rate financial assets: current effective interest rate.

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

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments (including loan commitments issued), the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (l) Credit losses and impairment of assets (Continued)

#### (i) Credit losses from financial instruments (Continued)

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. 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.

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

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in equity security that is measured at FVOCI (non-recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (non-recycling).



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (l) Credit losses and impairment of assets (Continued)

#### (i) Credit losses from financial instruments (Continued)

Basis of calculation of interest income

Interest income recognised in accordance with note 2(u)(v) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (that is, the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (l) Credit losses and impairment of assets (Continued)

#### (ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired:

- property, plant and equipment including right-of-use assets;
- intangible assets;
- interests in associates; and
- interests in joint venture.

If any such indication exists, the assets' recoverable amount is estimated.

#### - Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal 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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (that is, a cash-generating unit).

#### - Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (l) Credit losses and impairment of assets (Continued)

#### (ii) Impairment of other non-current assets (Continued)

- Reversal of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

### (m) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see note 2(u)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECLs in accordance with the policy set out in note 2(l)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see note 2(n)).

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see note 2(u)). 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 (see note 2(n)).

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.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (n) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at amortised cost and are stated at amortised cost using the effective interest method less allowance for credit losses (see note 2(l)(i)).

### (o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for ECLs in accordance with the policy set out in note 2(l)(i).

### (p) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the first in, first out basis. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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.

### (q) Other financial liabilities

#### (i) Trade and other payables

Trade and other payables are initially recognised at fair value and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

#### (ii) Contingent consideration payables

Contingent consideration payables are recognised initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (q) Other financial liabilities (Continued)

#### (iii) Promissory note payables

Promissory note payables are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, promissory note payables are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the term, together with any interest and fees payable, using the effective interest method.

### (r) Employee benefits

#### (i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

#### (ii) Termination benefits

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

### (s) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the reporting period, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary differences or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (s) Income tax (Continued)

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the asset and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (t) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

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

### (u) Revenue and other revenue

Income is classified by the Group as revenue when it arises from the sale of goods or the provision of services in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (u) Revenue and other revenue (Continued)

Further details of the Group's revenue and other revenue recognition policies are as follows:

#### (i) Revenue from IT application and solution development services

For stand-alone sale of IT application and solution development services or when goods are sold together with significant IT application and solution development services, the goods and services represent a single combined performance obligation over which control is considered to be transferred over time. This is because the combined product is unique to each customer (has no alternative use) and the Group has an enforceable right to payment for work completed to date if the contract is terminated by the customer or another party for reasons other than the Group's failure to perform as promised. Revenue for these performance obligations is recognised over time as the IT application and solution development work is performed, using the cost-to-cost method to estimate progress towards completion. As costs are generally incurred uniformly as work progresses and are considered to be proportionate to the Group's performance, the cost-to-cost method provides a faithful depiction of the transfer of goods and services to the customer.

#### (ii) Revenue from IT infrastructure solution services

For stand-alone sale of goods that are neither customised by the Group nor subject to IT services performed by the Group, revenue is recognised when the Group transfers control of the goods at the point in time when the customer takes undisputed delivery of the goods.

For stand-alone sales of IT infrastructure solution services or for sale of goods together with IT infrastructure solution services which are simple and could be performed by another party, such IT infrastructure solution service is accounted for as a separate performance obligation. Transaction price will be allocated to each performance obligation based on their stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin. For sale of goods, revenue is recognised when the Group transfers control of the goods at the point in time when the customer takes undisputed delivery of the goods. For IT infrastructure solution services, revenue is recognised when customer acknowledged undisputed completion of milestones.

#### (iii) Revenue from IT secondment services

The Group enters into secondment contracts with its customers to second its staff or subcontractors at a contracted rate. Revenue is recognised over time based on the manpower utilised by customers.

#### (iv) Revenue from IT maintenance and support services

Revenue for IT maintenance and support services in respect of IT infrastructure solution services carried out by the Group together with IT maintenance and support service performed by third party suppliers is recognised gross when the Group delivered the IT infrastructure solution services to the customers together with the maintenance licenses issued by third party suppliers.

The Group also performs IT maintenance and support services itself or together with its subcontractors and enters into fixed price maintenance contracts with its customers. Customers are required to pay the service fee according to the due dates specified in each contract. Revenue is recognised over time based on the maintenance service period.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (u) Revenue and other revenue (Continued)

#### (v) *Interest income*

Interest income is recognised as it accrues using the effective interest method.

#### (vi) *Marketing income*

Revenue from such services are recognised when related services are rendered.

#### (vii) *Rental income from operating leases*

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are earned.

### (v) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. The statement of financial position items are translated into Hong Kong dollars at the closing foreign exchange rates at the reporting date. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

### (w) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (x) Related parties

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

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (y) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management (that is, the chief operating decision maker ("CODM")), the board of directors, for the purpose of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

### (z) Government grant

Government grants are recognised in the consolidated statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

## 3. ACCOUNTING JUDGEMENT AND ESTIMATES

Key sources of estimation uncertainty are as follows:

### (a) Fair value of investment property

Investment property is carried in the consolidated statement of financial position at its fair value, details of which are disclosed in note 13. The fair value of the investment property was determined by reference to valuations conducted on the property by an independent and professionally qualified valuation firm not related to the Group using property valuation techniques which involve certain assumptions of prevailing market conditions. Favourable or unfavourable changes to these assumptions may result in changes in the fair value of the Group's investment property included in the consolidated statement of financial position and corresponding adjustments to the changes in fair value reported in the consolidated statement of profit or loss and other comprehensive income.

As at 31 March 2022, the carrying amount of investment property was HK\$220,108,000 (2021: HK\$231,067,000).

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

## 3. ACCOUNTING JUDGEMENT AND ESTIMATES (CONTINUED)

### (b) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

As at 31 March 2022, the carrying amount of goodwill was HK\$49,473,000 (2021: HK\$49,473,000).

### (c) Measurement of the ECLs for trade receivables and contract assets

The measurement of the ECLs for trade receivables and contract assets is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (the likelihood of debtors defaulting and the resulting losses). Further details are set out in note 33(a).

As at 31 March 2022, the carrying amounts of trade receivables and contract assets are approximately HK\$189,808,000, net of impairment loss of approximately HK\$307,000 (2021: approximately HK\$130,562,000, net of impairment loss of approximately HK\$484,000) and approximately HK\$119,660,000, net of impairment loss of approximately HK\$48,000 (2021: approximately HK\$79,720,000, net of impairment loss of approximately HK\$86,000), respectively.

### (d) Revenue recognition

As explained in notes 2(m) and 2(u), revenue recognition on an incomplete project is dependent on management's estimation of the total outcome of the service contract, as well as the work done to date. Based on the Group's recent experience and the nature of the services activity undertaken by the Group, the Group makes estimates of the point at which it considers the work is sufficiently advanced such that the costs to complete and revenue can be reliably estimated. As a result, until this point is reached the contract assets and contract liabilities as disclosed in note 21 will not include profit which the Group may eventually realise from the work done to date. In addition, actual outcomes in terms of total costs or revenue may be higher or lower than estimated at the end of the reporting period, which would affect the revenue and profit recognised in the future periods as an adjustment to the amounts recorded to date.

The Group reviews and revises the estimates of contract revenue and contract costs prepared for each service contract as the contract progresses. Budgeted contract costs are prepared by the management based on their experiences. In order to keep the budget accurate and up-to-date, management conducts periodic reviews of the budgeted contract costs by comparing the budgeted amounts to the actual costs incurred.

Significant judgement is required in estimating the contract revenue and contract costs which may have an impact on the percentage of completion of the service contracts and the corresponding profit taken.

Management base their judgements of contract costs and revenues on the latest available information. In some cases the results reflect the expected outcome of long-term contractual obligations which span more than one reporting period. Contract costs and revenues are affected by a variety of uncertainties that depend on the outcome of future events and often need to be revised as events unfold and uncertainties are resolved. The estimates of contract costs and revenues are updated regularly and significant changes are highlighted through established internal review procedures. The impact of the changes in accounting estimates is then reflected in the ongoing results.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

## 4. REVENUE AND SEGMENT REPORTING

### (a) Revenue

The principal activities of the Group are provision of IT application and solution development services, IT infrastructure solutions services, IT secondment services, IT maintenance and support services, and property leasing and e-commerce business. The amount of each significant category of revenue is as follows:

	2022 HK\$'000	2021 HK\$'000
Revenue from contracts with customers within the scope of HKFRS 15:		
IT application and solution development services	128,574	129,081
IT infrastructure solutions services	413,603	352,851
IT secondment services	22,911	21,981
IT maintenance and support services	147,362	133,427
E-commerce business (note)	–	–
	712,450	637,340
Property leasing (note)	–	–
	712,450	637,340

Revenue from major customers who have individually contributed 10% or more of the total revenue of the Group during the year are disclosed as follows:

	2022 HK\$'000	2021 HK\$'000
Customer 1	87,645	133,569
Customer 2	–	76,804

For the years ended 31 March 2022 and 2021, the customers above are from IT application and solution development services segment, IT infrastructure solutions services segment, and IT maintenance and support services segment.

Note: Since the outbreak of COVID-19 has adversely impacted the worldwide economy, the e-commerce business and property leasing business have yet to commence.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

## 4. REVENUE AND SEGMENT REPORTING (CONTINUED)

### (b) Segment reporting

The Group manages its businesses by business lines. In a manner consistent with the way in which information is reported internally to the Group's CODM for the purposes of resources allocation and performance assessment, the Group has presented the following five reportable segments. No operating segments have been aggregated to form the following reportable segments.

- IT application and solution development services: this segment provides design and implementation of IT application solution services and procurement of third party hardware and software.
- IT infrastructure solutions services: this segment provides IT infrastructure solutions services and sale of IT infrastructure solution related hardware and software.
- IT secondment services: this segment provides IT secondment services for a fixed period of time pursuant to the secondment service agreements.
- IT maintenance and support services: this segment provides IT maintenance and support services.
- Property leasing and e-commerce business: this segment provides property leasing services and online trading platform services.

### (i) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's CODM monitors the results attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments. The measure used for reporting segment profit is gross profit. No inter-segment sales have occurred during the year. The Group's other revenue and expense items, such as general and administrative expenses, and assets and liabilities are not measured under individual segments. Accordingly, neither information on segment assets and liabilities nor information concerning capital expenditure, depreciation and amortisation, interest income and interest expense is presented.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

## 4. REVENUE AND SEGMENT REPORTING (CONTINUED)

### (b) Segment reporting (Continued)

#### (i) Segment results, assets and liabilities (Continued)

Disaggregate of revenue from contracts with customers by the timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's CODM for the purposes of resources allocation and assessment of segment performance for the years ended 31 March 2022 and 2021 is set out below.

	Year ended 31 March 2022					
	IT application and solution development services HK\$'000	IT infrastructure solutions services HK\$'000	IT secondment services HK\$'000	IT maintenance and support services HK\$'000	Property leasing and e-commerce business HK\$'000	Total HK\$'000
Disaggregated by timing of revenue recognition						
- Point in time	-	413,603	-	72,573	-	486,176
- Over time	128,574	-	22,911	74,789	-	226,274
Revenue from external customers and reportable segment revenue	128,574	413,603	22,911	147,362	-	712,450
Reportable segment gross profit	22,142	55,978	7,663	45,245	-	131,028
	Year ended 31 March 2021					
	IT application and solution development services HK\$'000	IT infrastructure solutions services HK\$'000	IT secondment services HK\$'000	IT maintenance and support services HK\$'000	Property leasing and e-commerce business HK\$'000	Total HK\$'000
Disaggregated by timing of revenue recognition						
- Point in time	-	352,851	-	50,345	-	403,196
- Over time	129,081	-	21,981	83,082	-	234,144
Revenue from external customers and reportable segment revenue	129,081	352,851	21,981	133,427	-	637,340
Reportable segment gross profit	22,999	48,665	7,234	31,378	-	110,276

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

## 4. REVENUE AND SEGMENT REPORTING (CONTINUED)

### (b) Segment reporting (Continued)

#### (ii) Geographic information

All of the Group's revenue from external customers are derived in Hong Kong.

Non-current assets

	2022 HK\$'000	2021 HK\$'000
Hong Kong (place of domicile)	109,336	121,782
The PRC, excluding Hong Kong	42	41
Malaysia	220,108	231,067
	<b>329,486</b>	<b>352,890</b>

The above information is about the geographical location of the Group's property, plant and equipment, investment property, goodwill, intangible assets, interests in associates and joint ventures ("Specified non-current assets"). The geographical location of the Specified non-current assets is based on the physical location of the asset in the case of property, plant and equipment and investment property, and on the location of the operation to which they are allocated in the case of goodwill, intangible assets, interests in associates and joint ventures.

## 5. OTHER REVENUE

	2022 HK\$'000	2021 HK\$'000
Bank interest income*	144	59
Income from government subsidies	–	9,198
Marketing income	330	122
Others	860	99
	<b>1,334</b>	<b>9,478</b>

\* interest income on financial assets not at fair value through profit or loss



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

## 6. OTHER NET GAIN/(LOSS)

	2022 HK\$'000	2021 HK\$'000
Loss on remeasurement of existing interests in associates upon business combination	–	(5,615)
Net foreign exchange gain/(loss)	2,385	(359)
	<u>2,385</u>	<u>(5,974)</u>

## 7. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

### (a) Finance costs

	2022 HK\$'000	2021 HK\$'000
Total interest expense on financial liabilities not at fair value through profit or loss:		
– Interest on bank overdraft	1	2
– Interest on lease liabilities (note 12(b))	144	188
Effective interest expense of promissory note payables (note 29)	809	564
	<u>954</u>	<u>754</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

## 7. PROFIT BEFORE TAXATION (CONTINUED)

### (b) Staff costs (including directors' emoluments)

	2022 HK\$'000	2021 HK\$'000
Salaries, wages and other benefits	131,936	109,182
Contributions to defined contribution retirement plan	4,085	3,451
	<b>136,021</b>	112,633

The Group operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK\$30,000. Contributions to the plan vest immediately.

The Group contributes to defined contribution retirement plans which are available for eligible employees in Malaysia. As required by the Employees Provident Fund Act 1991 of Malaysia, the Group makes contributions to the federal statutory body, Employees Provident Fund ("EPF"), which manages the compulsory savings plan and retirement planning for employees in Malaysia. Contributions to each of EPF by the Group and employees are calculated at certain percentages of employees' monthly salaries stipulated by the relevant government authorities. The obligation of the Group with respect to EPF is to make the specified contributions which are recognised as an expense in profit or loss when the services are rendered by the employees.

The assets of the MPF scheme are held separately from those of the Group in an independently administered fund while EPF is state-managed.

There are no forfeited contributions for EPF and the MPF scheme as the contributions are fully vested with the employees upon payment to the plans.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

## 7. PROFIT BEFORE TAXATION (CONTINUED)

### (c) Other items

	2022 HK\$'000	2021 HK\$'000
Cost of hardware and software sold	513,648	466,995
Amortisation of intangible assets (note 15)	4,931	2,542
Depreciation charge (note 12)		
– owned property, plant and equipment	1,121	1,089
– right-of-use assets	2,935	3,007
Auditors' remuneration		
– audit services	950	880
– other services	150	88

## 8. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

### (a) Income tax in the consolidated statement of profit or loss represents:

	2022 HK\$'000	2021 HK\$'000
<b>Current tax – Hong Kong Profits Tax (note 30(a))</b>		
Provision for the year	8,075	7,011
Over-provision from prior year	(81)	-
	7,994	7,011
<b>Deferred tax (note 30(b))</b>	(1,060)	(399)
	6,934	6,612

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

## 8. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONTINUED)

### (a) Income tax in the consolidated statement of profit or loss represents: (Continued)

- (i) The provision for Hong Kong Profits Tax is calculated at 16.5% (2021: 16.5%) of the estimated assessable profits for the years ended 31 March 2022 and 2021, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime in Hong Kong.

For this subsidiary, the first HK\$2 million of assessable profits is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated on the same basis in 2021.

The provision for Hong Kong Profits Tax for the year ended 31 March 2022 has taken into account a reduction granted by the Hong Kong SAR Government of 100% of the tax payable for the year of assessment 2021–22 subject to a maximum reduction of HK\$10,000 for each business (2021: a maximum reduction of HK\$10,000 was granted for the year of assessment 2020–21 and was taken into account in calculating the provision for the year ended 31 March 2021).

- (ii) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands ("BVI"), the Group is not subject to any income tax in the Cayman Islands and the BVI.
- (iii) A PRC subsidiary of the Group was qualified as "Small Low-profit Enterprise" in Guangdong and subjected to a concessionary PRC Enterprise Income Tax rate. A Malaysia subsidiary of the Group is subjected to Malaysia Corporate Tax standard rate is 24%.

No provision for PRC Enterprise Income Tax and Malaysia Corporate Tax have been made as the subsidiaries established in the PRC and Malaysia did not have assessable profits subject to PRC Enterprise Income Tax and Malaysia Corporate Tax respectively during the years ended 31 March 2022 and 2021.

### (b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2022 HK\$'000	2021 HK\$'000
Profit before taxation	25,848	22,637
Notional tax on profit before taxation, calculated at the statutory tax rates applicable to the respective tax jurisdictions	4,049	3,735
Effect of non-deductible expenses	3,484	4,408
Effect of non-taxable income	(1,131)	(2,133)
Effect of unused tax losses not recognised	552	612
Effect of temporary differences not recognised	91	215
Effect of change in tax rates	–	(165)
Over-provision from prior year	(81)	–
Statutory tax concession	(30)	(60)
Actual tax expense	6,934	6,612

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

## 9. DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

### For the year ended 31 March 2022

	Directors' fees HK\$'000	Salaries and allowances HK\$'000	Retirement scheme contributions HK\$'000	Total HK\$'000
<b>Executive directors</b>				
Lee Cheong Yuen ( <i>Chairman</i> ) (note (i))	600	2,770	18	3,388
Leong Yeng Kit (note (ii))	850	–	–	850
Lee Pei Ling (note (iii))	237	–	–	237
<b>Non-executive director</b>				
Choi Chiu Fai Stanley (note (iv))	225	–	–	225
<b>Independent non-executive directors</b>				
Ip Kwok Him (note (v))	225	–	–	225
Yvonne Low Win Kum (note (vii))	120	–	–	120
Chiu King Yan (note (vii))	120	–	–	120
Gan Cheng Khuan (note (vi))	59	–	–	59
	2,436	2,770	18	5,224

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

## 9. DIRECTORS' EMOLUMENTS (CONTINUED)

For the year ended 31 March 2021

	Directors' fees HK\$'000	Salaries and allowances HK\$'000	Retirement scheme contributions HK\$'000	Total HK\$'000
<b>Executive directors</b>				
Leong Yeng Kit ( <i>Chairman</i> ) (note (ii))	1,130	-	-	1,130
Lee Pei Ling (note (iii))	452	-	-	452
Lee Cheong Yuen (note (i))	250	2,536	18	2,804
Chan Kwok Pui (note (viii))	-	425	15	440
Tam Wing Yuen (note (viii))	37	-	2	39
<b>Non-executive directors</b>				
Leong Yeng Kong (note (ix))	51	-	-	51
Leong Poh Chih (note (ix))	51	-	-	51
Leong Yeng Weng (note (ix))	51	-	-	51
Walaiporn Orakij (note (ix))	51	-	-	51
Durgadewi Yoganathan (note (ix))	51	-	-	51
Tam Kwok Wah (note (viii))	-	295	-	295
Tuon Wai Man (note (viii))	12	-	1	13
Tso Hon Sai Bosco (note (viii))	15	-	-	15
<b>Independent non-executive directors</b>				
Tan Eng Wah (note (ix))	51	-	-	51
Gan Cheng Khuan (note (vi))	113	-	-	113
Yvonne Low Win Kum (note (vii))	113	-	-	113
Chiu King Yan (note (vii))	113	-	-	113
Kam Man Yi Margaret (note (viii))	10	-	1	11
Cheung Siu Nang Bruce (note (viii))	10	-	1	11
Ko Sebastian Yat Fung (note (viii))	10	-	1	11
	2,571	3,256	39	5,866

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

## 9. DIRECTORS' EMOLUMENTS (CONTINUED)

Notes:

- (i) Lee Cheong Yuen was removed on 22 April 2020 and also ceased to be Chairman and Chief Executive Officer of the Company. Lee Cheong Yuen was re-appointed as an executive director and Chairman of the Company on 1 November 2020 and 17 August 2021. The amount for the relevant years represented the remuneration of this director for the capacity as the director.
- (ii) Leong Yeng Kit was appointed as an executive director of the Company on 22 April 2020 and as Chairman of the Company on 23 April 2020. Leong Yeng Kit ceased to be Chairman of the Company on 17 August 2021. The amount for the relevant years represented the remuneration of this director from the date of appointment.
- (iii) Lee Pei Ling was appointed as an executive director of the Company on 22 April 2020 and retired on 28 September 2021. The amount for the relevant years represented the remuneration of this director for the capacity as the director.
- (iv) Choi Chiu Fai Stanley was appointed as a non-executive director of the Company on 17 August 2021. The amount for the relevant year represented the remuneration of this director for the capacity as the director.
- (v) Ip Kwok Him was appointed as an independent non-executive director of the Company on 17 August 2021. The amount for the relevant year represented the remuneration of this director for the capacity as the director.
- (vi) Gan Cheng Khuan was appointed as an independent non-executive director of the Company on 22 April 2020 and retired on 28 September 2021. The amount for the relevant years represented the remuneration of this director for the capacity as the director.
- (vii) These directors were appointed on 22 April 2020. The amount for the relevant year represented the remuneration of these directors from the date of appointment.
- (viii) These directors were removed on 22 April 2020. The amount for the relevant year represented the remuneration of these directors from 1 April 2020 to the date of removal.
- (ix) These directors were appointed on 22 April 2020 and retired on 25 September 2020. The amounts for the relevant year represented the remuneration of these directors for the capacity as the directors.
- (x) No director received any emoluments from the Group as an inducement to join or upon joining the Group or as compensation for loss of office during the years ended 31 March 2022 and 2021. No director waived or agreed to waive any emoluments during the years ended 31 March 2022 and 2021.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

## 10. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, one (2021: one) is a director whose emoluments are disclosed in note 9. The aggregate of the emoluments in respect of the remaining four (2021: four) individuals are as follows:

	2022 HK\$'000	2021 HK\$'000
Salaries and other emoluments	8,650	6,952
Retirement scheme contributions	72	72
	<b>8,722</b>	<b>7,024</b>

The emoluments of these four (2021: four) individuals with the highest emoluments are within the following bands:

	2022 Number of individuals	2021 Number of individuals
HK\$1,000,001 to HK\$1,500,000	-	1
HK\$1,500,001 to HK\$2,000,000	-	3
HK\$2,000,001 to HK\$2,500,000	4	-

No emoluments were paid or payable by the Group to these employees as an inducement to join or upon joining the Group or as compensation for loss of office during the years ended 31 March 2022 and 2021.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

## 11. EARNINGS PER SHARE

### (a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity shareholders of the Company by the weighted average numbers of ordinary shares in issue during the year.

	2022	2021
Profit attributable to equity shareholders of the Company (HK\$)	8,122,000	8,099,000
Weighted average number of ordinary shares in issue (Note)	861,032,139	672,419,587
Basic earnings per share (HK cents per share)	0.9	1.2

### (b) Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all potentially dilutive ordinary shares. The Company's potentially dilutive ordinary shares comprised of share options.

	2022	2021
Profit attributable to equity shareholders of the Company (HK\$)	8,122,000	8,099,000
Weighted average number of ordinary shares in issue (Note)	861,032,139	672,419,587
Adjustments for share options	2,668,913	-
Weighted average number of ordinary shares for diluted earnings per share	863,701,052	672,419,587
Diluted earnings per share (HK cents per share)	0.9	1.2

Note: The weighted average number of ordinary shares for the purpose of basic and diluted earnings per share has been adjusted for consolidation of every ten existing shares into one consolidated share during the year ended 31 March 2021 as if effective since 1 April 2020. Details are set out in note 31(b)(ii).

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

## 12. PROPERTY, PLANT AND EQUIPMENT

### (a) Reconciliation of carrying amount

	Leasehold land and buildings held for own use carried at cost HK\$'000	Other properties leased for owned use carried at cost HK\$'000	Leasehold improvements HK\$'000	Computer equipment HK\$'000	Furniture and other office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>Cost</b>							
At 1 April 2020	48,524	5,147	4,446	3,692	686	1,108	63,603
Additions	-	-	130	718	-	-	848
Disposals	-	(1,421)	-	-	-	-	(1,421)
Addition arising from step acquisition from associates to subsidiaries (note 36(b))	-	374	-	-	-	51	425
Lease modification	-	(127)	-	-	-	-	(127)
Exchange adjustments	-	-	-	27	-	-	27
At 31 March 2021 and 1 April 2021	48,524	3,973	4,576	4,437	686	1,159	63,355
Additions	-	-	-	169	-	-	169
Disposals	-	-	-	-	-	(480)	(480)
At 31 March 2022	48,524	3,973	4,576	4,606	686	679	63,044
<b>Accumulated depreciation</b>							
At 1 April 2020	7,043	1,218	1,335	3,114	444	794	13,948
Depreciation for the year	1,565	1,442	463	327	125	174	4,096
Written back on disposals	-	(1,421)	-	-	-	-	(1,421)
Lease modification	-	(35)	-	-	-	-	(35)
Exchange adjustments	-	-	-	11	-	-	11
At 31 March 2021 and 1 April 2021	8,608	1,204	1,798	3,452	569	968	16,599
Depreciation for the year	1,565	1,370	477	339	114	191	4,056
Written back on disposals	-	-	-	-	-	(480)	(480)
Exchange adjustments	-	-	-	(2)	-	-	(2)
At 31 March 2022	10,173	2,574	2,275	3,789	683	679	20,173
<b>Carrying amount</b>							
At 31 March 2022	38,351	1,399	2,301	817	3	-	42,871
At 31 March 2021	39,916	2,769	2,778	985	117	191	46,756

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

## 12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

### (a) Reconciliation of carrying amount (Continued)

The leasehold land and building held by the Group are situated in Hong Kong. As the leasehold interest in land cannot be allocated reliably between land and building elements, the leasehold interest in land continues to be accounted for as property, plant and equipment.

### (b) Right-of-use assets

The analysis of the carrying amount of right-of-use assets by class of underlying asset is as follows:

	31 March 2022 HK\$'000	31 March 2021 HK\$'000
Ownership interests in leasehold land and buildings held for own use, carried at cost in Hong Kong, with remaining lease term of between 10 and 50 years	38,351	39,916
Other properties leased for own use, carried at depreciated cost	1,399	2,769

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2022 HK\$'000	2021 HK\$'000
Depreciation charge of right-of-use assets by class of underlying asset:		
Ownership interests in leasehold land and buildings	1,565	1,565
Other properties leased for own use	1,370	1,442
	2,935	3,007
Interest on lease liabilities (note 7(a))	144	188

During the years ended 31 March 2022 and 2021, there was no addition to right-of-use asset.

Details of total cash outflow for leases, the maturity analysis of lease liabilities and the future cash outflows arising from leases that have not yet commenced are set out in notes 24(c) and 28, respectively.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

## 12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

### (c) Other properties leased for own use

The Group has obtained the right to use other properties as its offices through tenancy agreements. The leases typically run for an initial period of 3 years. Lease payments are usually revised every 3 years to reflect market conditions. None of the leases includes variable lease payments.

Some leases include an option to renew the lease for an additional period after the end of the contract term. Where practicable, the Group seeks to include such extension options exercisable by the Group to provide operational flexibility. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. If the Group is not reasonably certain to exercise the extension options, the future lease payments during the extension periods are not included in the measurement of lease liabilities. The potential exposure to these future lease payments is summarised below:

	Lease liabilities recognised (discounted) HK\$'000	Potential future lease payments under extension options not included in lease liabilities (undiscounted) HK\$'000
<b>For the year ended 31 March 2022</b>		
Office – Hong Kong	1,491	–
<b>For the year ended 31 March 2021</b>		
Office – Hong Kong	2,851	–

### (d) Leasehold land and buildings held for own use

The Group holds the building for its business, where its office is primarily located. The Group is the registered owner of these property interests, including part of undivided share in the underlying land.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

## 13. INVESTMENT PROPERTY

	2022 HK\$'000	2021 HK\$'000
<b>At fair value</b>		
At 1 April	231,067	–
Addition arising from acquisition of subsidiaries (note 36(a))	–	237,566
Fair value change	(10,261)	(14,123)
Exchange adjustments	(698)	7,624
At 31 March	220,108	231,067

On 2 June 2020 (the completion date of the acquisition), 31 March 2021 and 31 March 2022, independent valuations were undertaken by B.I. Appraisals Limited. This firm is an independent qualified external valuation firm not related to the Group and has professional qualifications and recent experience in the valuation of similar properties in the relevant location. The valuations of the property were principally arrived at using income capitalisation approach by taking into account the current rents and the reversionary income potential of the property which is a method of valuation whereby vacant units are assumed to be let at their respective market rents as at the valuation date. In the valuation, which falls under Level 3 of fair value hierarchy, the market rentals of all lettable units of the property are assessed and capitalised at market yield expected by investors for this type of the property. There were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 during the year. The Group's policy is to recognise transfers between levels of the fair value hierarchy as at the end of the reporting period in which they occur. The market rentals are assessed by reference to the rentals achieved in the lettable units of the property as well as other lettings of similar properties in the neighbourhood. The market yield which is the capitalisation rate adopted is made by reference to the yields derived from analysing the sales transactions of similar properties in Malaysia and adjusted to take account of the valuation firm's knowledge of the market expectation from property investors to reflect factors specific to the property.

For the year ended 31 March 2022, the adopted capitalisation rates in the valuation range from 4.6%–5.2% (2021: 4.0%–5.5%) and the monthly market rent per square foot ranged from Malaysian Ringgit ("RM") 19.5 (equivalent to approximately HK\$35.8) to RM24.0 (equivalent to approximately HK\$44.8) (2021: RM19.3 (equivalent to approximately HK\$36.2) to RM21.8 (equivalent to approximately HK\$40.9)).

The capitalisation rate and the monthly market rent per square foot are the key parameters in the valuation method of income capitalisation and they involve professional judgement in relation to the adjustments made by the external valuation firm. The fair value measurement is positively correlated to the monthly market rent per square foot and negatively correlated to the capitalisation rate.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

## 14. GOODWILL

	HK\$'000
<b>Cost</b>	
At 1 April 2020	-
Arising from acquisition of subsidiaries (note 36(b))	49,473
<hr/>	
At 31 March 2021, 1 April 2021 and 31 March 2022	<b>49,473</b>
<b>Impairment</b>	
At 1 April 2020, 31 March 2021 and 1 April 2021	-
Impairment loss during the year	-
<hr/>	
At 31 March 2022	-
<b>Carrying amount</b>	
At 31 March 2022	<b>49,473</b>
<hr/>	
At 31 March 2021	49,473

Goodwill is allocated to the Group's cash-generating unit ("CGU") of the business in IT infrastructure solutions services income and IT maintenance and support services income.

The recoverable amount of the CGU at 31 March 2022 was based on its value in use and was determined by Integrated Professional Appraisals Limited (2021: Peak Vision Appraisals Limited), an independent qualified external valuation firm not related to the Group and has professional qualifications and recent experience for similar valuation. The valuation used cash flow projections based on financial budgets approved by the management covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated growth rate stated below which does not exceed the forecasts included in industry reports. The growth rates used do not exceed the long-term average growth rates for the business in which the CGU operates. The cash flows are discounted using a discount rate stated below. The discount rates used are pre-tax and reflect specific risks relating to the relevant CGU.

Key assumptions used for the value in use calculation are as follows:

	2022	2021
Terminal growth rate	3%	3%
Pre-tax discount rate	13.6%	13.4%

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

## 15. INTANGIBLE ASSETS

	Acquired computer software HK\$'000	Customer relationship HK\$'000	Software and knowhow HK\$'000	Total HK\$'000
<b>Cost</b>				
At 1 April 2020	1,103	–	–	1,103
Additions	–	18,750	5,441	24,191
At 31 March 2021 and 1 April 2021	1,103	18,750	5,441	25,294
Additions	–	–	–	–
At 31 March 2022	1,103	18,750	5,441	25,294
<b>Accumulated amortisation</b>				
At 1 April 2020	787	–	–	787
Charge for the year	124	1,875	543	2,542
At 31 March 2021 and 1 April 2021	911	1,875	543	3,329
Charge for the year	92	3,750	1,089	4,931
At 31 March 2022	1,003	5,625	1,632	8,260
<b>Carrying amount</b>				
At 31 March 2022	100	13,125	3,809	17,034
At 31 March 2021	192	16,875	4,898	21,965

The amortisation charge for the year is included in "general and administrative expenses" in the consolidated statement of profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

## 16. INTERESTS IN ASSOCIATES

	2022 HK\$'000	2021 HK\$'000
At 1 April	2,177	60,472
Share of (loss)/profit of associates	(2,177)	801
Disposal upon business combination	-	(59,241)
Exchange adjustments	-	145
At 31 March	-	2,177

Note: The Group has discontinued the recognition of its share of losses of associates because the share of losses of the associates exceeded the Group's interest in the associates and the Group has no obligation to take up further losses. The amounts of the Group's unrecognised share of losses of associates for the current year and cumulatively were HK\$431,000 (2021: nil) and HK\$431,000 (2021: nil), respectively

The following list contains the particulars of associates, which are unlisted corporate entities whose quoted market price is not available:

Name of associate	Place of incorporation and operations	Particulars of issued and paid-up capital	Proportion of ownership interest		Principal activity
			Group's effective interest 2022	2021	
Bao Cheng Holdings (HK) Limited ("Bao Cheng HK")	Hong Kong	2,000 ordinary shares	25%	25%	Investment holding
深圳市寶誠生物發展有限公司 ("Bao Cheng PRC")	The PRC	Registered capital RMB30,000,000	20%	20%	Not yet commenced business

### Summarised financial information of Bao Cheng HK & Bao Cheng PRC (the "Bao Cheng Group")

Financial information about the Group's interest in the Bao Cheng Group, that is not material, is disclosed below:

	Bao Cheng Group 2022 HK\$'000	2021 HK\$'000
Net loss for the year	(10,430)	(823)
Other comprehensive income for the year	(214)	(720)
Total comprehensive income for the year	(10,644)	(1,543)
Carrying amount of the associates in the consolidated financial statements	-	2,177

During the year ended 31 March 2022, Bao Cheng PRC faced uncertainty on the commercial roll out of its new products and turnaround of its business in view of the COVID-19 together with the change in the Group's strategy.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

## 17. INTERESTS IN JOINT VENTURES

	2022 HK\$'000	2021 HK\$'000
At 1 April	1,452	1,225
Share of profit of joint ventures	509	227
Disposal	(1,961)	-
At 31 March	-	1,452

Details of the Group's interests in joint ventures, which are accounted for using the equity method in the consolidated financial statements, are as follows:

Name of joint venture	Form of business structure	Place of incorporation and operations	Particulars of issued and paid-up capital	Proportion of ownership interest				Principal activity
				Group's effective interest		Held by the Company		
				2022	2021	2022	2021	
DeepSolutions Limited ("DeepSolutions")	Corporate	Hong Kong	300 ordinary shares	-	33.33%	-	-	Investment holding
DeepTranslate Limited ("DeepTranslate")	Corporate	Hong Kong	300 ordinary shares	-	33.33%	-	-	Provision of translation services for documents

DeepSolutions holds 100% interest in DeepTranslate. DeepSolutions and DeepTranslate are collectively referred to as the "DeepSolutions Group". DeepSolutions Group was incorporated by the Company with other joint venture partners to engage in the provision of translation services for documents through the application of an artificial intelligence translation system to be developed by DeepSolutions Group. DeepSolutions and DeepTranslate are unlisted corporate entities.

During the year ended 31 March 2022, the Group disposed of its entire equity interests in the joint ventures for a consideration of HK\$6,500,000 in cash and the disposal was completed on 28 February 2022. The carrying amount of the Group's interests in joint ventures at disposal date was HK\$1,961,000 and hence a gain on disposal of HK\$4,539,000 was recognised in profit or loss in current year.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

## 17. INTERESTS IN JOINT VENTURES (CONTINUED)

Summarised financial information of the DeepSolutions Group, adjusted for any difference in accounting policies, and a reconciliation to the carrying amount in the consolidated financial statements, are disclosed below:

	DeepSolutions Group	
	2022	2021
	HK\$'000	HK\$'000
	(Note)	
Non-current assets	N/A	481
Current assets	N/A	4,216
Non-current liabilities	N/A	-
Current liabilities	N/A	(6,024)
Equity	N/A	(1,327)
Included in the above assets and liabilities:		
Cash and cash equivalents	N/A	3,057
Revenue	5,780	3,764
Profit for the period/year	1,527	680
Other comprehensive income for the period/year	-	-
Total comprehensive income for the period/year	1,527	680

Note: DeepSolutions Limited and its subsidiary, DeepTranslate Limited, have been disposed of on 28 February 2022 during the year ended 31 March 2022. Accordingly, the financial performance disclosed is for the period from 1 April 2021 to 28 February 2022.

### Reconciliation of the financial information of the joint ventures to the carrying amount of the interests in joint ventures recognised in the consolidated financial statements

	DeepSolutions Group
	2021
	HK\$'000
Gross amounts of joint ventures' net liabilities	(1,327)
Group's effective interest	33.33%
Group's share of joint ventures' net liabilities	(442)
Group's share of shareholders' loan	1,894
Carrying amount of the Group's interest	1,452

In accordance with the terms of the joint ventures agreement, all parties to the joint ventures have provided loan capital to the joint ventures in proportion to their shareholdings and under equal terms. The loans were unsecured, interest-free and with no fixed term of repayment. Repayment of any amount of the loan requires all joint venturers' approval and is subject to the joint ventures having sufficient assets after taking into account the external financing and retained profits. During the financial year 2021, the shareholders' loan of approximately HK\$1,894,000 formed an integral part of the Group's equity investment in joint venture and was recognised as such.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

## 18. OTHER FINANCIAL ASSET

	2022 HK\$'000	2021 HK\$'000
<b>Financial asset measured at FVOCI (non-recycling)</b>		
– Unlisted shares in Hong Kong	–	7,700

On 28 February 2022, the Group entered into sale and purchase agreement with one of the shareholder of INAX Technology Limited ("INAX"), by which the Group agreed to sell, and the buyer agreed to buy entire equity interest in a subsidiary of the Company that holds 15% equity interest in INAX, for a consideration of HK\$4,500,000 in cash and the disposal was completed on 28 February 2022.

After reviewing the latest financial information of the investment, the management decided to dispose of the subsidiary holding the investment in order to improve financial performance of the Group. A decrease in fair value of other financial asset amounting to approximately HK\$3,200,000 (2021: an increase in fair value of HK\$800,000) was recognised in the other comprehensive income for disposal of INAX. A cumulative loss of approximately HK\$67,209,000 was transferred from fair value reserve to retained profits upon the disposal of INAX.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

## 19. SUBSIDIARIES

- (a) The following list contains the particulars of major subsidiaries as at 31 March 2022. The class of shares held is ordinary unless otherwise stated.

Name of company	Place of incorporation and business and kind of legal entity	Particulars of issued and paid up/registered capital	Proportion of ownership interest			Principal activity
			Group's effective interest	Held by the Company	Held by subsidiaries	
Great Talent Holdings Limited	BVI, limited liability company	100 shares of US\$1 each	100%	100%	-	Investment holding
Wide Ocean Technologies Limited	BVI, limited liability company	100 shares of US\$1 each	100%	100%	-	Investment holding
ICO Holdings Limited	Hong Kong, limited liability company	10,000 shares	100%	-	100%	Investment holding
Wide Faith Management Ltd.	BVI, limited liability company	100 shares of US\$1 each	100%	-	100%	Investment holding
ICO Limited	Hong Kong, limited liability company	1,000,000 shares	100%	-	100%	Provision of information technology service
ICO Technology Limited	Hong Kong, limited liability company	1,000,000 shares	51%	-	51%	Provision of information technology service
Value Digital Limited	BVI, limited liability company	1 share of US\$1 each	100%	-	100%	Investment holding
Catering Automation Limited	BVI, limited liability company	15,000 shares of US\$1 each	100%	-	100%	Investment holding
PS International Company Limited	BVI, limited liability company	10,000 shares of US\$1 each	70%	-	70%	Investment holding
PointSoft Limited	Hong Kong, limited liability company	10,000 shares	70%	-	70%	Development and sales of software

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

## 19. SUBSIDIARIES (CONTINUED)

(a) (Continued)

Name of company	Place of incorporation and business and kind of legal entity	Particulars of issued and paid up/registered capital	Proportion of ownership interest			Principal activity
			Group's effective interest	Held by the Company	Held by subsidiaries	
ICO Group Holdings Limited	Hong Kong, limited liability company	1 share	100%	-	100%	Property holding
Digital Faith International Limited	BVI, limited liability company	1 share of US\$1 each	100%	-	100%	Investment holding
ICO IT Properties Limited	BVI, limited liability company	1 share of US\$1 each	100%	100%	-	Investment holding
ICO IT Properties (Malaysia) Limited	BVI, limited liability company	1 share of US\$1 each	100%	-	100%	Investment holding
O2O Limited	BVI, limited liability company	1 share of US\$1 each	100%	-	100%	Investment holding
Nexus Primo Sdn. Bhd.	Malaysia, limited liability company	1,000,000 shares of RM1 each	100%	-	100%	Property holding

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

## 19. SUBSIDIARIES (CONTINUED)

- (b) The following table lists out the information relating to ICO Technology Limited ("ICOT"), PS International Company Limited and PointSoft Limited are collectively referred to as the ("PointSoft Group"), the subsidiaries of the Company which has material non-controlling interests ("NCI"). The summarised financial information presented below represents the amounts before any inter-company elimination.

	ICOT		PointSoft Group	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000 (note)
NCI percentage	49%	49%	30%	30%
Current assets	144,934	102,198	17,034	18,037
Non-current assets	513	701	17,591	21,981
Current liabilities	(114,397)	(79,042)	(3,327)	(3,588)
Non-current liabilities	(46)	(9)	(2,794)	(3,592)
Net assets attributable to owners	31,004	23,848	28,504	32,838
Carrying amount of NCI	15,192	11,686	8,551	9,851

	ICOT		PointSoft Group	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000 (note)
Revenue	452,519	359,389	25,688	10,912
Profit for the year	18,555	15,445	5,667	1,190
Total comprehensive income	18,555	15,445	5,667	1,190
Profit and total comprehensive income allocated to NCI	9,092	7,568	1,700	358
Dividend declared to NCI	5,586	3,577	3,000	-
Cash flows generated from operating activities	518	34,098	6,851	2,019
Cash flows (used in)/generated from investing activities	(60)	(446)	-	135
Cash flows (used in)/generated from financing activities	(10,377)	11,384	(10,000)	-

Note: The amounts represented the results calculated from the date these entities became subsidiaries and up to 31 March 2021.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

## 20. INVENTORIES

	2022 HK\$'000	2021 HK\$'000
Finished goods	902	851

## 21. CONTRACT ASSETS AND CONTRACT LIABILITIES

### (a) Contract assets

	2022 HK\$'000	2021 HK\$'000
Contract assets		
– Arising from performance under IT application and solution development services	119,708	79,806
Less: impairment loss	(48)	(86)
	119,660	79,720

Contract assets has increased as the Group has provided more services ahead of the agreed payment schedules for fixed-price contracts.

Typical payment terms which impact the amount of contract assets recognised are as follows:

#### *IT application and solution development services*

Contracts for the provision of IT application and solution development services include payment schedules which require stage payments over the development period once specified milestones are reached. Certain conditions have to be satisfied before the Group is entitled to the consideration under the payment terms set out in the contracts.

At 31 March 2022, no contract assets (2021: nil) was expected to be recovered after more than one year.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

## 21. CONTRACT ASSETS AND CONTRACT LIABILITIES (CONTINUED)

### (b) Contract liabilities

	2022 HK\$'000	2021 HK\$'000
Contract liabilities		
– Billings in advance of performance	52,282	28,178

Typical payment terms which impact the amount of contract liabilities recognised are as follows:

When the Group receives deposit before services rendered, this will give rise to contract liabilities at the start of the contract. The Group negotiated with customers and received deposit on acceptance of contracts on a case by case basis.

#### *Movement in contract liabilities*

	HK\$'000
At 1 April 2020	11,125
Decrease in contract liabilities as a result of recognising revenue during the year included in the contract liabilities at the beginning of the period	(10,830)
Increase in contract liabilities as a result of billings in advance	27,883
At 31 March 2021 and 1 April 2021	28,178
Decrease in contract liabilities as a result of recognising revenue during the year included in the contract liabilities at the beginning of the period	(19,263)
Increase in contract liabilities as a result of billings in advance	43,367
At 31 March 2022	52,282

The amount of billings in advance of performance expected to be recognised as income after more than one year is nil (2021: nil).



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

## 22. TRADE AND OTHER RECEIVABLES

	2022 HK\$'000	2021 HK\$'000
Trade receivables	190,115	131,046
Less: impairment loss	(307)	(484)
	189,808	130,562
Other receivables	164	4
Rental and other deposits	18,066	2,524
Prepayments	8,538	17,805
	216,576	150,895

### (a) Ageing analysis of trade receivables

As of the end of the reporting period, the ageing analysis of trade receivables, based on the date of billing, is as follows:

	2022 HK\$'000	2021 HK\$'000
Within 1 month	161,342	104,477
1 to 3 months	17,503	11,865
Over 3 months	10,963	14,220
	189,808	130,562

Trade receivables are due within 30 days from the date of billing. Further details on the Group's credit policy are set out in note 33(a).

### (b) Impairment losses of trade receivables

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly (see note 2(l)(i)). Details of impairment assessment of trade receivables for the years ended 31 March 2022 and 2021, are set out in note 33(a).

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

## 23. PLEDGED BANK DEPOSIT

As at 31 March 2022, bank deposit of HK\$1,999,000 (2021: HK\$1,999,000) was pledged to a bank for performance guarantee issued by the bank.

## 24. CASH AND CASH EQUIVALENTS

### (a) Cash and cash equivalents

	2022 HK\$'000	2021 HK\$'000
Cash and cash equivalents in the consolidated statements of financial position and cash flows:		
Cash at financial institutions and on hand	107,423	106,810

Notes:

- (i) At 31 March 2022, cash and cash equivalents in the amount of HK\$16,624,000 (2021: HK\$9,597,000) are denominated in Renminbi.
- (ii) Deposits with financial institutions carry interest at market rates ranging from 0.01% to 0.2% (2021: 0.01% to 0.2%) per annum.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

## 24. CASH AND CASH EQUIVALENTS (CONTINUED)

### (b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Dividend payable to non-controlling interests included in trade and other payables HK\$'000 (note 25)	Promissory note payables HK\$'000 (note 29)	Lease liabilities HK\$'000 (note 28)
<b>At 1 April 2021</b>	<b>894</b>	<b>19,591</b>	<b>2,851</b>
<b>Changes from financing cash flows</b>			
Principal paid on lease liabilities	-	-	(1,360)
Interest paid on lease liabilities	-	-	(144)
Dividend paid to non-controlling interests	(8,084)	-	-
<b>Total changes from financing cash flows</b>	<b>(8,084)</b>	<b>-</b>	<b>(1,504)</b>
<b>Other changes</b>			
Initial recognition on issuance of promissory note	-	37,672	-
Interest on promissory note payables	-	809	-
Interest on lease liabilities	-	-	144
Interim dividend declared to non-controlling interests	8,586	-	-
Others	-	1	-
<b>Total other changes</b>	<b>8,586</b>	<b>38,482</b>	<b>144</b>
<b>At 31 March 2022</b>	<b>1,396</b>	<b>58,073</b>	<b>1,491</b>
<b>At 1 April 2020</b>	<b>2,895</b>	<b>19,027</b>	<b>3,843</b>
<b>Changes from financing cash flows</b>			
Principal paid on lease liabilities	-	-	(865)
Interest paid on lease liabilities	-	-	(188)
Dividend paid to non-controlling interests	(5,577)	-	-
Others	(1)	-	-
<b>Total changes from financing cash flows</b>	<b>(5,578)</b>	<b>-</b>	<b>(1,053)</b>
<b>Other changes</b>			
Lease modification	-	-	(127)
Interest on promissory note payables	-	564	-
Interest on lease liabilities	-	-	188
Interim dividend declared to non-controlling interests	3,577	-	-
<b>Total other changes</b>	<b>3,577</b>	<b>564</b>	<b>61</b>
<b>At 31 March 2021</b>	<b>894</b>	<b>19,591</b>	<b>2,851</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

## 24. CASH AND CASH EQUIVALENTS (CONTINUED)

### (c) Total cash outflow for leases

Amounts included in the consolidated statement of cash flows for leases comprise the following:

	2022 HK\$'000	2021 HK\$'000
Within operating cash flows	-	-
Within investing cash flows	-	-
Within financing cash flows	1,504	1,053
	<u>1,504</u>	<u>1,053</u>

These amounts relate to the following:

	2022 HK\$'000	2021 HK\$'000
Lease rentals paid	1,504	1,053

### (d) Major non-cash transactions

During the year ended 31 March 2022, the Group entered into the following major non-cash transaction:

The Company issued promissory note measured at fair value at the date of issue of approximately HK\$37,672,000 as part of the payment for acquisition of subsidiaries (see note 27(b)).

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

## 25. TRADE AND OTHER PAYABLES

	2022 HK\$'000	2021 HK\$'000
Trade payables	77,217	83,411
Accrued expenses and other payables	27,936	18,708
Dividend payable to non-controlling interests (note 24(b))	1,396	894
	<b>106,549</b>	<b>103,013</b>

### Ageing analysis of trade payables

As of the end of the reporting period, the ageing analysis of trade payables, based on the invoice date, is as follows:

	2022 HK\$'000	2021 HK\$'000
Within 1 month	34,979	40,998
1 to 3 months	41,991	42,145
Over 3 months	247	268
	<b>77,217</b>	<b>83,411</b>

## 26. BANKING FACILITIES

The banking facilities (including bank loans and performance bonds) granted to the Group amounted to HK\$97,000,000 (2021: HK\$67,000,000). The banking facilities were utilised to the extent of HK\$10,221,000 (2021: HK\$10,221,000), comprising of performance bond given by a bank of HK\$10,221,000 (2021: HK\$10,221,000).

At 31 March 2022, the banking facilities of the Group were secured by mortgages over the Group's leasehold land and buildings with an aggregate carrying amount of HK\$38,351,000 (2021: HK\$39,916,000) and a corporate guarantee provided by the Company.

All of the Group's banking facilities are subjected to the fulfilment of covenants relating to certain of the Group's ratios, as are commonly found in lending arrangements with financial institutions. If the Group breach the covenants of the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 33(b). At 31 March 2022, none of the covenants relating to drawn down facilities had been breached.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

## 27. CONTINGENT CONSIDERATION PAYABLES

The movements of contingent consideration payables are as follows:

	2022 HK\$'000	2021 HK\$'000
<b>Fair value</b>		
At 1 April	37,457	-
Initial recognition in respect of acquisition of subsidiaries (note (a))	-	36,467
Change in fair value in respect of acquisition of subsidiaries	215	990
Derecognition upon settlement in respect of acquisition of subsidiaries (note (b))	(37,672)	-
At 31 March	-	37,457
Total loss for the year recognised in profit or loss	215	990

Notes:

- (a) During the year ended 31 March 2021, the fair value of contingent consideration payables at initial recognition was determined by the directors of the Company (the "Directors") with reference to the valuation report prepared by an independent professional external valuation firm by applying probabilistic approach on the estimated revenue for a period of eighteen months from the completion date and the probability of occurrence of expected scenario.

Pursuant to the acquisition agreement (the "Acquisition Agreement"), the Vendor guarantees to the Company that for a period of eighteen months from the completion date (the "Performance Guarantee Period"), the total gross rental net of taxes of Malaysia (including Goods and Services Tax) (the "Gross Rental") received in full by Nexus Primo Sdn. Bhd. ("Nexus Primo") generated by the leases entered into for the investment property shall reach the sum of not less than RM10.15 million (the "Performance Guarantee"). The Gross Rental shall be determined and certified by the auditors of Nexus Primo, whose determination shall be final and conclusive. In the event the Vendor fails to achieve the Performance Guarantee, the Company shall be entitled to deduct a sum of RM10.15 million from the consideration which would be effected by the non-issuance of the promissory note with principal amount of RM10.15 million in Hong Kong dollars under the payment schedule.

Due to the outbreak of COVID-19, the operational commencement and its related leasing activities of investment property had been delayed, and no rental income had been generated during the Performance Guarantee Period. Accordingly, the Performance Guarantee for the Performance Guarantee Period was not fulfilled by the Vendor. As such, the parties to the Acquisition Agreement agreed that the payment condition had been lapsed, and the final payment would be waived and the promissory note in the principal amount of RM10.15 million will not be issued to the Vendor.

Apart from the aforesaid promissory note, the amount included the promissory note of RM20 million to be issued once the electronic platform is completed and with satisfaction of the Company, in accordance with the supplementary agreement signed on 2 June 2020 (see note 27(b)).

- (b) In mid-October 2021, Rainbow Field Investment Limited (the "Vendor") delivered the Chow Kit Boy, being an e-commerce and payment platform in Malaysia. This is a condition, as stipulated in the acquisition agreement (the "Acquisition Agreement") entered into between the Vendor and ICO IT Properties (Malaysia) Limited (the "Purchaser"), an indirectly wholly-owned subsidiary of the Company, for the Company to issue a promissory note to the Vendor. The management of the Purchaser has inspected Chow Kit Boy and its functions, and were satisfied to the content, quality and functions of Chow Kit Boy. The above-mentioned condition was considered fulfilled on 1 November 2021. Accordingly, on 22 November 2021, the Company issued the promissory note in the principal amount of approximately HK\$37,400,000 (equivalent to RM20,000,000 calculated based on the mechanism agreed for the determination of the exchange rate as agreed in the Acquisition Agreement) to the Vendor in accordance to the terms and conditions of the Acquisition Agreement. The promissory note shall bear an interest of 2% per annum and shall mature on the date falling on the 36 months from the date of its issuance. Further details were set out in the Company's announcement dated 22 November 2021. As the result, the contingent consideration payables were derecognised.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

## 28. LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the current and previous reporting periods and at the date of transition to HKFRS 16:

	HK\$'000
As at 1 April 2020	3,843
Interest expense	188
COVID-19 related rent concession	(127)
Lease payment	(1,053)
As at 31 March 2021 and 1 April 2021	2,851
Interest expense	144
Lease payment	(1,504)
As at 31 March 2022	1,491

	31 March 2022		31 March 2021	
	Present value of the minimum lease payments HK\$'000	Total minimum lease payments HK\$'000	Present value of the minimum lease payments HK\$'000	Total minimum lease payments HK\$'000
Within 1 year	1,271	1,328	1,360	1,506
After 1 year but within 2 years	220	221	1,491	1,549
	<u>1,491</u>	<u>1,549</u>	<u>2,851</u>	<u>3,055</u>
Less: total future interest expenses		<u>(58)</u>		<u>(204)</u>
Present value of lease liabilities		<u>1,491</u>		<u>2,851</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

## 29. PROMISSORY NOTE PAYABLES

On 12 November 2019 and 22 November 2021, the Company issued promissory notes with fair value of approximately HK\$18,815,000 and approximately HK\$37,672,000, respectively, which will mature on the third anniversary from the respective dates of issuance carrying interest at 2% per annum. The respective fair value was determined by Integrated Professional Appraisals Limited and B.I. Appraisals Limited, independent and professionally qualified valuation firms not connected to the Group. Valuation was made on the basis of effective interest method which is a method of calculating the amortised cost of a financial liability and of allocating the interest expense over the relevant period. The effective interest rates used in the calculation of the fair value at 12 November 2019 and 22 November 2021 are 2.97% and 1.72%, respectively. The Directors considered that no derivatives were embedded in the promissory note payables and it is appropriate to use amortised cost to account for the promissory note payables in the consolidated statement of financial position. For the year ended 31 March 2022, effective interest expenses of approximately HK\$809,000 (2021: approximately HK\$564,000) on the promissory notes was recognised in the consolidated statement of profit or loss.

## 30. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

### (a) Current taxation in the consolidated statement of financial position represents

	2022	2021
Current taxation movement	HK\$'000	HK\$'000
At 1 April	(856)	162
Arising from step acquisition of subsidiaries	-	(308)
Charged to profit or loss (note 8(a))	(7,994)	(7,011)
Tax paid for the year	8,613	6,605
Tax refunded for the year	-	(304)
At 31 March	(237)	(856)
Analysed for reporting purpose as:		
Tax recoverable	1,404	405
Tax payable	(1,641)	(1,261)
	(237)	(856)



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

## 30. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

### (b) Deferred tax liabilities recognised

The components of deferred tax liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Depreciation allowance in excess of related depreciation HK\$'000	Intangible assets HK\$'000	Total HK\$'000
At 1 April 2020	161	–	161
Arising from step acquisition of subsidiaries	–	3,992	3,992
Credited to profit or loss (note 8(a))	–	(399)	(399)
At 31 March 2021 and 1 April 2021	161	3,593	3,754
Credited to profit or loss (note 8(a))	(261)	(799)	(1,060)
At 31 March 2022	(100)	2,794	2,694

### (c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 2(s), the Group has not recognised deferred tax assets in respect of cumulative tax losses of approximately HK\$9,076,000 (2021: approximately HK\$5,727,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and the entity. The tax losses do not expire under current legislation.

### (d) Deferred tax liabilities not recognised

There were no other material unrecognised deferred tax liabilities as at 31 March 2022 and 2021.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

## 31. CAPITAL, RESERVES AND DIVIDENDS

### (a) Movement in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Share premium HK\$'000	Share option reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000 (note 38)
<b>At 1 April 2020</b>	257,768	–	49,294	307,062
Loss and total comprehensive income for year	–	–	(12,703)	(12,703)
Issue of new shares upon placing of shares	21,393	–	–	21,393
<b>At 31 March 2021 and 1 April 2021</b>	<b>279,161</b>	<b>–</b>	<b>36,591</b>	<b>315,752</b>
Loss and total comprehensive income for the year	–	–	(9,965)	(9,965)
Issue of new shares upon placing of shares	27,551	–	–	27,551
Issue of new shares upon exercise of share options under the share option scheme	8,648	(2,976)	2,976	8,648
Recognition of equity-settled share-based payment expenses	–	3,986	–	3,986
<b>At 31 March 2022</b>	<b>315,360</b>	<b>1,010</b>	<b>29,602</b>	<b>345,972</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

## 31. CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

### (b) Share capital

*Authorised and issued share capital*

	Nominal Value		
	HK\$	Number of shares	HK\$'000
<b>Authorised</b>			
At 1 April 2020	0.0025	40,000,000,000	100,000
Share consolidation (note (ii))	-	(36,000,000,000)	-
<b>At 31 March 2021 and 31 March 2022</b>	<b>0.025</b>	<b>4,000,000,000</b>	<b>100,000</b>
<b>Issued and fully paid</b>			
At 1 April 2020	0.0025	6,225,393,129	15,562
Issue of new shares (note (iii))	0.0025	839,000,000	2,099
	0.0025	7,064,393,129	17,661
Share consolidation (note (ii))	-	(6,357,953,817)	-
<b>At 31 March 2021 and 1 April 2021</b>	<b>0.025</b>	<b>706,439,312</b>	<b>17,661</b>
Shares issued upon placing of shares (note (iv))	0.025	141,287,000	3,532
Shares issued upon exercise of share options under the share option scheme (note (v))	0.025	29,864,000	747
<b>At 31 March 2022</b>	<b>0.025</b>	<b>877,590,312</b>	<b>21,940</b>

Notes:

- (i) The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.
- (ii) Pursuant to an ordinary resolution passed by shareholders at the extraordinary general meeting held on 4 December 2020, the share consolidation of every 10 issued and unissued shares of HK\$0.0025 each into 1 consolidated share of HK\$0.025 each became effective on 8 December 2020.
- (iii) On 24 September 2020, the Company completed the placement of 839,000,000 shares in accordance with the terms and conditions of the placing agreement dated 27 August 2020 at the price of HK\$0.028 per share.
- (iv) On 20 April 2021, the Company completed the placement of 141,287,000 shares in accordance with the terms and conditions of the placing agreement dated 29 March 2021 at the price of HK\$0.22 per share.
- (v) For the year ended 31 March 2022, 29,864,000 share options were exercised at a subscription price of HK\$0.325 per share, resulting in the issue of 29,864,000 new shares at par value of HK\$0.025 each for a total cash consideration of approximately HK\$9,705,800. Approximately HK\$8,959,000 representing the difference between the subscription price and the par value was added to share premium. In addition, the fair value of the share options granted during the year was approximately HK\$3,986,000, which was recognised as equity-settled share-based payment expenses. During the year, the share options with fair value of approximately HK\$2,976,000 was exercised and transferred from the share option reserve to retained profits. Details of the equity settled share-based payment for the year ended 31 March 2022 are set out in note 32.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

## 31. CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

### (c) Nature and purpose of reserves

#### (i) *Share premium*

Share premium arose from the issue of shares at a price greater than the par value of the shares.

The share premium account is governed by the Companies Law of the Cayman Islands and may be applied by the Company subject to the provisions, if any, of its memorandum and articles of association in paying distributions or dividends to equity shareholders.

No distribution or dividend may be paid to the equity shareholders out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the Company will be able to pay its debts as they fall due in the ordinary course of business.

#### (ii) *Share option reserve*

The share option reserve represents cumulative expenses recognised on the granting of unexercised share options over the exercisable period.

#### (iii) *Exchange reserve*

The exchange reserve represents foreign exchange differences arising from the translation of the financial statements of companies outside Hong Kong. The reserve is dealt with in accordance with the accounting policy set out in note 2(v).

#### (iv) *Fair value reserve*

The fair value reserve comprises the cumulative net change in the fair value of financial assets measured at FVOCI (non-recycling)/available-for-sale investments held at the end of the reporting period and is dealt with in accordance with the accounting policies set out in notes 2(k) and 2(l)(i).

### (d) Dividends

The Directors do not recommend the payment of any dividend for the year ended 31 March 2022 (2021: nil).

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

## 31. CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

### (e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for equity owners and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by sound capital position, and makes adjustments to capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of an adjusted debt-to-capital ratio. For this purpose, the Group defines adjusted debt as total debt (which includes lease liabilities, promissory note payables and trade and other payables) plus unaccrued proposed dividends, less cash and cash equivalents and pledged bank deposits. Adjusted capital comprises all components of equity less unaccrued proposed dividends.

During the year, the Group's strategy was to maintain an adjusted debt-to-capital ratio of no more than 100%. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to equity owners of the Company, issue new shares, raise new debt financing or sell assets to reduce debt. At 31 March 2022, the adjusted debt-to-capital ratio of the Group was 10.2% (2021: 3.3%).

Neither the Company nor any of its subsidiaries are subject to any externally imposed capital requirements.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

## 32. EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS

On 9 July 2021, the Company has granted share options to certain employees and advisers to subscribe for an aggregate of 40,000,000 ordinary shares of nominal value of HK\$0.025 each in the share capital of the Company, for HK\$1 consideration per holder, pursuant to the share option scheme adopted by the Company on 12 August 2016. These share options will be exercisable with validity period commencing from 9 July 2021 to 8 July 2023. The exercise price of these share options is HK\$0.325 per share, being the closing price of the shares on the date of grant.

Share options granted to advisers for the efforts of the business projects. The fair value of such benefit could not be estimated reliably and as a result, the fair value is measured by reference to the fair value of share options granted.

	Exercisable period	Exercise price per share HK\$	Outstanding at 1 April 2021	Granted during the period	Exercised during the period	Outstanding at 31 March 2022
Employees	9 July 2021 to 8 July 2023	0.325	–	24,400,000	(21,984,000)	2,416,000
Advisers	9 July 2021 to 8 July 2023	0.325	–	15,600,000	(7,880,000)	7,720,000
			–	40,000,000	(29,864,000)	10,136,000

No share options were granted during the year ended 31 March 2021.

No share options were forfeited nor expired during the years ended 31 March 2022 and 31 March 2021.

The fair value of share options granted was measured based on binomial option pricing model. The inputs into the model are as follows:

Grant date	9 July 2021
Share price at grant date	HK\$0.325
Exercise price	HK\$0.325
Expected volatility	62.45%
Risk-free interest rate	0.095%
Life of share options	2 years

Expected volatility was determined by using historical volatility of the Company's share price and adjusted for any expected changes to future volatility based on publicly available information. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. Changes in the subjective input assumptions could materially affect the fair value estimate.

For the year ended 31 March 2022, the Group recognised a total expense of approximately HK\$3,986,000 (for the year ended 31 March 2021: nil) in relation to share options granted by the Company and the equity-settled share-based payment expenses were shown as a separate line item on the consolidated statement of profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

## 33. FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, interest rate, currency risks arise in the normal course of the Group's business. The Group is also exposed to equity price risk arising from movements in its own equity share price. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

### (a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables, contract assets, pledged bank deposits, cash at banks and other financial assets. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

#### (i) Trade receivable and contract assets

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At 31 March 2022, 24% (2021: 22%) of the trade receivables was due from the Group's largest debtor; and 46% (2021: 33%) of the trade receivables was due from the Group's five largest debtors.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the past history of making payments of the customers when due and current ability to pay, and take into account information specific to the customers as well as pertaining to the economic environment in which the customers operate. For project contracts, the Group generally requires customers to settle billings in accordance with the contracted terms, whereas for sales of goods and provision of services, the Group generally requires customers to settle billings (a) immediately after the completion of related transactions or (b) in accordance with the contracted terms. Normally, the Group does not obtain collateral from customers.

The Group applies the HKFRS 9 simplified approach to measuring ECL and uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the ECL, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. Contract assets have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for contract assets.

The Group measures loss allowances for trade receivables and contract assets individually or at an amount equal to lifetime ECLs. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

Trade receivables of approximately HK\$190,115,000 (2021: approximately HK\$131,046,000) and contract assets of approximately HK\$119,708,000 (2021: approximately HK\$79,806,000), totalling of approximately HK\$309,823,000 (2021: approximately HK\$210,852,000), are assessed within lifetime ECLs.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

## 33. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

### (a) Credit risk (Continued)

#### (i) Trade receivable and contract assets (Continued)

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables and contract assets:

	Expected loss rate %	Gross carrying amount HK\$'000	Loss allowance HK\$'000	Net carrying amount HK\$'000
<b>At 31 March 2022</b>				
- Current (not past due)	0.04%	281,116	113	281,003
- 1-30 days past due	0.08%	7,571	6	7,565
- 31-90 days past due	0.20%	12,213	24	12,189
- 91-360 days past due	1.26%	7,944	100	7,844
- Over 360 days past due	11.44%	979	112	867
		<b>309,823</b>	<b>355</b>	<b>309,468</b>
<b>At 31 March 2021</b>				
- Current (not past due)	0.14%	182,669	251	182,418
- 1-30 days past due	0.57%	7,657	44	7,613
- 31-90 days past due	0.80%	14,292	114	14,178
- 91-360 days past due	2.30%	5,863	135	5,728
- Over 360 days past due	7.00%	371	26	345
		<b>210,852</b>	<b>570</b>	<b>210,282</b>

Expected loss rates are based on actual loss experience over the past 3 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

## 33. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

### (a) Credit risk (Continued)

#### (i) Trade receivable and contract assets (Continued)

Movement in the loss allowance account in respect of trade receivables and contract assets during the year is as follows:

	2022 HK\$'000	2021 HK\$'000
At 1 April	570	690
Amounts written off during the year	(199)	-
Reversal of impairment loss during the year	(16)	(120)
At 31 March	355	570

Trade receivables and contract assets of amount HK\$199,000 (2021: nil) have been written off during the year.

#### (ii) Other receivables

Management considers that its credit risk has not increased significantly since initial recognition with reference to the counterparty historical default rate and current financial position. The impairment provision is determined based on the 12-month expected credit losses which was immaterial.

#### (iii) Pledged bank deposits and cash at banks

Cash is deposited with financial institutions with sound credit ratings and the Group has an exposure limit to any single financial institution. Given their high credit ratings, management does not expect any of these financial institutions will fail to meet their obligations.

The Group does not provide any guarantees which would expose the Group to credit risk excepted of contingent liabilities disclosed set out in note 35.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from contract assets and trade and other receivables are set out in notes 21 and 22 respectively.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

## 33. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

### (b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at 31 March 2022 and 2021 of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

	Contractual undiscounted cash flow				Carrying amount at 31 March HK\$'000
	Within 1 year or on demand HK\$'000	More than 1 year but less than 2 years HK\$'000	More than 2 years but less than 5 years HK\$'000	Total contractual undiscounted cash flow HK\$'000	
<b>At 31 March 2022</b>					
<b>Non-derivative financial liabilities</b>					
Trade and other payables	106,549	–	–	106,549	106,549
Lease liabilities	1,328	221	–	1,549	1,491
Promissory note payables	21,191	663	38,331	60,185	58,073
	129,068	884	38,331	168,283	166,113
<b>At 31 March 2021</b>					
<b>Non-derivative financial liabilities</b>					
Trade and other payables	103,013	–	–	103,013	103,013
Lease liabilities	1,506	1,549	–	3,055	2,851
Promissory note payable	–	20,541	–	20,541	19,591
Contingent consideration payables	37,457	–	–	37,457	37,457
	141,976	22,090	–	164,066	162,912

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

## 33. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

### (c) Interest rate risk

The Group's interest rate risk arises primarily from cash at banks.

The Group does not anticipate significant interest rate risk to cash at banks because the interest rates of bank deposits are not expected to change significantly.

However, the interest expenses derived therefrom are relatively insignificant to the Group's operations. Therefore, the Group's income and operating cash flows are less dependent on changes in market interest rates. Accordingly, the Directors are of the opinion that the Group does not have significant cash flow and fair value interest rate risk and no sensitivity analysis is performed.

### (d) Foreign currency exchange risk

For presentation purposes, the Group's financial statements are shown in Hong Kong dollars, which is also the functional currency of the Company. The companies within the Group, whose functional currencies are different from Hong Kong dollars, have translated their financial statements into Hong Kong dollars for consolidation purpose.

The management considers that the Group is not exposed to significant foreign currency risk as majority of the Group's transactions are denominated in Hong Kong dollars. For the monetary assets and monetary liabilities denominated in other currencies, since the amounts are not material, the management considers the exposure of exchange rate fluctuation is not significant for the year. Accordingly, no foreign currency sensitivity analysis is presented.

The Group currently does not have a foreign currency hedging policy but the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

## 33. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

### (e) Fair values measurement

#### (i) Financial assets and liabilities measured at fair value

##### Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13 "Fair Value Measurement". The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs, that is, unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs, that is, observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

The Group engages an independent professional valuation firm to perform valuation for its other financial asset and contingent consideration payables, which are categorised into Level 3 of the fair value hierarchy. Valuation report with analysis of changes in fair value measurement is prepared by independent valuation firm at each interim and annual reporting date, and is reviewed by management and approved by the Directors. Discussion of the valuation process and results with management and the audit committee is held twice a year, to coincide with the reporting dates.

Description	Fair value at	Fair value measurements as at			Fair value at	Fair value measurements as at		
	31 March	31 March 2022 categorised into			31 March	31 March 2021 categorised into		
	2022	Level 1	Level 2	Level 3	2021	Level 1	Level 2	Level 3
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Recurring fair value measurements</b>								
Assets:								
Other financial asset	-	-	-	-	7,700	-	-	7,700
Liabilities:								
Contingent consideration payables	-	-	-	-	37,457	-	-	37,457

During the years ended 31 March 2022 and 2021, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

The movements of contingent consideration payables during the year of this Level 3 fair value measurement are set out in note 27.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

## 33. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

### (e) Fair values measurement (Continued)

#### (i) Financial assets and liabilities measured at fair value (Continued)

Fair value hierarchy (Continued)

Information about Level 3 fair value measurements

Description	Fair value at 31 March		Valuation technique	Significant inputs	Range of inputs	Change in the relevant significant inputs	Favourable/ (unfavourable) change in profit or loss	
	2022 HK\$'000	2021 HK\$'000					2022 HK\$'000	2021 HK\$'000
<b>Financial asset at fair value</b>								
Other financial asset	-	7,700	Market-based approach	Marketability discount (note)	20.6%	+5% -5%	-	390

Note: The fair value measurement of other financial asset is negatively correlated to the marketability discount.

At 31 March 2021, the management considers that the probability-weighted profit would have insignificant effect to the fair value of contingent consideration payables and therefore no sensitivity analysis has been prepared.

The movement of other financial asset during the year of this Level 3 fair value measurement is set out below:

	2022 HK\$'000	2021 HK\$'000
At 1 April	7,700	6,900
Fair value change recognised in other comprehensive income	(3,200)	800
Disposal of financial asset at fair value	(4,500)	-
At 31 March	-	7,700

#### (ii) Fair value of financial instruments carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 March 2022 and 2021.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

## 34. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

### Financial assets

	Year ended 31 March 2022			Year ended 31 March 2021		
	Financial assets measured at fair value through profit or loss HK\$'000	Financial assets at amortised cost HK\$'000	Total HK\$'000	Financial assets measured at fair value through profit or loss HK\$'000	Financial assets at amortised cost HK\$'000	Total HK\$'000
Other financial asset	-	-	-	7,700	-	7,700
Trade and other receivables	-	208,038	208,038	-	133,090	133,090
Contract assets	-	119,660	119,660	-	79,720	79,720
Pledged bank deposit	-	1,999	1,999	-	1,999	1,999
Cash and cash equivalents	-	107,423	107,423	-	106,810	106,810
	-	437,120	437,120	7,700	321,619	329,319

### Financial liabilities

	Year ended 31 March 2022			Year ended 31 March 2021		
	Financial liabilities measured at fair value through profit or loss HK\$'000	Financial liabilities at amortised cost HK\$'000	Total HK\$'000	Financial liabilities measured at fair value through profit or loss HK\$'000	Financial liabilities at amortised cost HK\$'000	Total HK\$'000
Trade and other payables	-	106,549	106,549	-	103,013	103,013
Lease liabilities	-	1,491	1,491	-	2,851	2,851
Contingent consideration payables	-	-	-	37,457	-	37,457
Promissory notes payables	-	58,073	58,073	-	19,591	19,591
	-	166,113	166,113	37,457	125,455	162,912

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

## 35. CONTINGENT LIABILITIES

At 31 March 2022, performance bonds of approximately HK\$10,221,000 (2021: approximately HK\$10,221,000) were given by a bank in favour of customers of the Group to protect the customers from the Group's default on its obligation under the contracts. At 31 March 2022 and 2021, the Directors do not consider it probable that a claim will be made against the Group.

## 36. ACQUISITIONS OF SUBSIDIARIES

### (a) O2O Group

On 2 June 2020, the Group completed its acquisition of O2O Limited and its subsidiary (together "O2O Group"). After the acquisition, the Group can enter into the property investment and e-commerce business in Malaysia.

The acquisition was determined by the Directors to be acquisitions of assets and liabilities through acquisition of subsidiaries rather than a business combination as the assets acquired and liabilities assumed did not constitute a business as defined under HKFRS 3 (revised) "Business Combinations".

Assets acquired and liabilities assumed at the date of acquisition:

	2021 HK\$'000
<b>Consideration</b>	
Deposit paid in prior years	202,230
Contingent consideration payables	36,467
<b>Total consideration</b>	<b>238,697</b>
<b>Assets acquired and liabilities recognised at the date of acquisition</b>	
Investment property	237,566
Trade and other receivables	877
Cash and cash equivalents	288
Trade and other payables	(34)
	<b>238,697</b>
<b>Net cash inflow on acquisition of subsidiaries</b>	
Cash consideration paid during the year ended 31 March 2021*	-
Less: Cash and cash equivalent balances acquired	288
	<b>288</b>

\* For the acquisition of O2O Group (since the year ended 31 March 2018), the total cash consideration paid was RM4,500,000 (approximately HK\$8,659,000).

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

## 36. ACQUISITIONS OF SUBSIDIARIES (CONTINUED)

### (b) Step acquisition from associates to subsidiaries

Pursuant to a sales and purchase agreement (the "Agreement") entered into between the Group and the other shareholders on 27 August 2020, 30% equity interest of PointSoft Group, the then associates of the Group, was acquired by the Group from the other shareholders, at a total consideration of HK\$18,000,000 subject to the profit guarantee as set out in the Agreement. The Group's equity interest was increased from 40% to 70% after the completion of this transaction, i.e. 6 October 2020.

The Group paid HK\$9,000,000 in cash to the vendors and settled the remaining consideration of HK\$9,000,000 subject to adjustment as set out below.

Pursuant to the Agreement, the vendors irrevocably warrants and guarantees that the audited net profit after tax of the PointSoft Group for the six months period ended 30 September 2020 shall be not less than HK\$5,000,000 (the "Guaranteed Profit"). In the event that the audited net profits after tax of PointSoft Group fails to meet the Guaranteed Profit, the vendors irrevocably undertakes to indemnify the Company the shortfall. Accordingly, this constitutes a contingent consideration arrangement to the Group.

After the completion of acquisition, the Group can extend the scope of its existing IT businesses in Hong Kong in order to further enhance the Group's product portfolio and its future earning capability. PointSoft Group is the market leader of promoting, selling and offering food and beverage point-of-sale system and its existing clients are all first tier restaurants and chain food stores. This acquisition is accounted for using purchase price allocation method.

Assets acquired and liabilities assumed at the date of acquisition:

	HK\$'000
<b>Consideration</b>	
Cash	18,000
Contingent consideration payable	-
Fair value of the existing shareholdings	53,626
<b>Total consideration</b>	<b>71,626</b>



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

## 36. ACQUISITIONS OF SUBSIDIARIES (CONTINUED)

### (b) Step acquisition from associates to subsidiaries (Continued)

	Fair value HK\$'000
<b>The fair value of the identifiable assets acquired and liabilities assumed at the date of acquisition were as follows:</b>	
Property, plant and equipment	425
Intangible asset	24,191
Inventories	602
Trade and other receivables	1,789
Cash and cash equivalents	11,501
Trade and other payables	(2,562)
Tax payables	(308)
Deferred tax liabilities	(3,992)
	<hr/> 31,646
Non-controlling interests (note (a))	(9,493)
Goodwill arising on acquisition (note (b))	49,473
	<hr/> 71,626
<b>Net inflow of cash and cash equivalents included in cash flows from investing activities</b>	
Cash considerations	18,000
Cash and bank balances acquired	(11,501)
	<hr/> 6,499

Notes:

- (a) The non-controlling interests recognised at the acquisition date were measured by reference to the non-controlling interests, proportionate share of the recognised amounts of acquiree's identifiable net assets.
- (b) Goodwill is arisen in the acquisition of PointSoft Group. The consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue of growth, future market development and the assembled workforce of the subsidiaries. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. None of the goodwill arising on this acquisition is expected to be deductible for tax purpose.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

## 36. ACQUISITIONS OF SUBSIDIARIES (CONTINUED)

### (b) Step acquisition from associates to subsidiaries (Continued)

PointSoft Group contributed approximately HK\$10,912,000 of revenue and approximately HK\$1,190,000 of profit for the year respectively for the period between the date of acquisition and 31 March 2021.

If the acquisition had occurred on 1 April 2020, the revenue and profit for the year of the Group for the year ended 31 March 2021 would have been approximately HK\$651,285,000 and approximately HK\$23,922,000, respectively. The pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operation of the Group that actually would have been achieved had the acquisition been completed on 1 April 2020, nor is it intended to be a projection of future results.

Acquisition related costs amounting to approximately HK\$1,743,000 have been excluded from the consideration and have been recognised as general and administrative expenses in the consolidated statement of profit or loss for the year ended 31 March 2021.

The fair value of trade and other receivables at the date of acquisition approximated their gross contractual amounts and were expected to be fully recovered in the future.

## 37. MATERIAL RELATED PARTY TRANSACTIONS

In addition to the information disclosed elsewhere in the consolidated financial statements, the Group has entered into the following transactions:

### Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Directors as disclosed in note 9 and certain of the highest paid employees of the Group as disclosed in note 10, is as follows:

	2022 HK\$'000	2021 HK\$'000
Short-term employee benefits	11,594	12,781
Post-employment benefits	78	109
	<b>11,672</b>	<b>12,890</b>

Total remuneration is included in staff costs (see note 7(b)).

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

## 38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2022 HK\$'000	2021 HK\$'000
<b>Non-current assets</b>			
Investments in subsidiaries	19	1	1
Amounts due from subsidiaries		-	-
		1	1
<b>Current assets</b>			
Amounts due from subsidiaries		426,362	391,275
Cash and cash equivalents		-	70
		426,362	391,345
<b>Current liabilities</b>			
Accrued expenses		(378)	(885)
Contingent consideration payables		-	(37,457)
Promissory note payables		(20,172)	-
		(20,550)	(38,342)
<b>Net current assets</b>		<b>405,812</b>	<b>353,003</b>
<b>Total assets less current liabilities</b>		<b>405,813</b>	<b>353,004</b>
<b>Non-current liability</b>			
Promissory note payables		(37,901)	(19,591)
		(37,901)	(19,591)
<b>Net assets</b>		<b>367,912</b>	<b>333,413</b>
<b>Capital and reserves</b>			
Share capital	31	21,940	17,661
Reserves		345,972	315,752
<b>Total equity</b>		<b>367,912</b>	<b>333,413</b>

Approved and authorised for issue by the board of directors on 29 June 2022 and were signed on its behalf by:

Lee Cheong Yuen  
Chairman and Executive Director

Leong Yeng Kit  
Executive Director

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

## 39. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2022

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and a new standard, which are not yet effective for the year ended 31 March 2022 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

HKFRS 17	Insurance Contracts and the related Amendments <sup>2</sup>
Amendments to HKFRS 3	Reference to the Conceptual Framework <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>2</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>2</sup>
Amendments to 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 <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 date to be determined.

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

# FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements, is set out below:

## RESULTS

	Year ended 31 March				
	2018 HK\$'000	2019 HK\$'000	2020 HK\$'000	2021 HK\$'000	2022 HK\$'000
Revenue	409,935	595,467	606,290	637,340	<b>712,450</b>
Profit/(loss) before taxation	(5,559)	96,918	82,977	22,637	<b>25,848</b>
Income tax	(1,524)	(3,734)	(5,686)	(6,612)	<b>(6,934)</b>
Profit/(loss) for the year	(7,083)	93,184	77,291	16,025	<b>18,914</b>
Profit/(loss) attributable to:					
Equity shareholders of the Company	(11,169)	83,920	70,086	8,099	<b>8,122</b>
Non-controlling interests	4,086	9,264	7,205	7,926	<b>10,792</b>
	(7,083)	93,184	77,291	16,025	<b>18,914</b>

## ASSETS AND LIABILITIES

	At 31 March				
	2018 HK\$'000	2019 HK\$'000	2020 HK\$'000	2021 HK\$'000	2022 HK\$'000
Total assets	329,493	509,503	573,337	701,270	<b>777,450</b>
Total liabilities	(117,594)	(169,617)	(123,609)	(196,105)	<b>(222,730)</b>
Total equity	211,899	339,886	449,728	505,165	<b>554,720</b>
Non-controlling interests	(5,989)	(12,068)	(7,695)	(21,537)	<b>(23,743)</b>
Total equity attributable to equity shareholders of the Company	205,910	327,818	442,033	483,628	<b>530,977</b>