i-Control Holdings Limited
超智能控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code: 1402

ANNUAL REPORT 2021

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-Executive Director

Dr. Wong King Keung

Independent Non-Executive Directors

Mr. Fong Chi
Mr. Fung Chan Man Alex
Mr. Li Ying Wai Wayne^
Mr. Lum Pak Sum
Mr. Mong Cheuk Wai#

COMPANY SECRETARY

Ms. Ng Tsz Wai, CPA

COMPLIANCE OFFICER

Mr. Chan Wing Yiu

BOARD COMMITTEES

Audit Committee

Mr. Lum Pak Sum *(Chairman)*
Mr. Fong Chi
Mr. Li Ying Wai Wayne^
Mr. Mong Cheuk Wai#

Nomination Committee

Mr. Fung Chan Man Alex *(Chairman)*
Mr. Li Ying Wai Wayne^
Mr. Lum Pak Sum
Mr. Mong Cheuk Wai#

Remuneration Committee

Mr. Fung Chan Man Alex *(Chairman)*
Mr. Fong Chi
Mr. Lum Pak Sum

AUTHORISED REPRESENTATIVES

Mr. Yau Wing Keung
Ms. Ng Tsz Wai

AUDITOR

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

^ Appointed on 4 February 2021
# Resigned on 4 February 2021

LEGAL ADVISER

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Suite 2302, 23/F
Office Tower, Convention Plaza
1 Harbour Road
Wanchai
Hong Kong

REGISTERED OFFICE

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75 Fort Street
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Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Kwun Tong
Kowloon
Hong Kong

PRINCIPAL BANKER

The Hongkong and Shanghai Banking Corporation Limited
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Hong Kong

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Ocorian Trust (Cayman) Limited
PO Box 1350, Clifton House
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Grand Cayman KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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Level 54, Hopewell Centre
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Hong Kong

COMPANY'S WEBSITE

http://www.i-controlholdings.com

STOCK CODE

1402

CHAIRMAN'S STATEMENT

Dear Shareholders,

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

The global coronavirus outbreak (COVID-19) spread to strike every economy around the world, severely impacting people's daily lives. In 2020, the Hong Kong economy recorded an annual contraction of 6.1%, the largest in its history. This was mainly due to the suspension of economic activities based on tourism and reduced consumption under the stringent anti-pandemic lockdown measures and strict border closures. During the Reviewing Year, the economic environment was dampened by the various pandemic waves which persistently affected the Group's operations and financial performance – with new project launches delayed and ongoing projects suspended.

Nonetheless, the impact of the COVID-19 pandemic on the Group's business should be temporary. According to economic figures released by the HKSAR government in May 2021, Hong Kong's economy saw growth in GDP in the first quarter of 2021, recording a 7.9% year-on-year (YoY) growth in and a 5.4% quarter-on-quarter (QoQ) growth for three consecutive quarters.

For the Reviewing Year, the Group recorded a 8.3% decline in revenue to approximately HK$145,380,000 (2020: HK$158,504,000). This was mainly due to a decline in projects completed and the absence of major projects. Profit for the Reviewing Year increased by 385.5% to approximately HK$12,724,000 (2020: HK$2,621,000), which was mainly attributed to the absence of non-recurring transfer of listing expenses incurred in relation to the transfer of listing (the "**Main Board Transfer**") of the shares ("**Shares**") of the Company from GEM to the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") in December 2019 as well as government subsidies from the Employment Support Scheme.

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

In 2020, Hong Kong's commercial property market was severely hit by the COVID-19 pandemic, bringing the vacancy rate to a 16-year high of 12% and hurting our VCMA solutions business due to reduced demand for smart office systems, audiovisual equipment and related services. The postponement and cancellation of onsite business conferences, closure of shopping centers, and suspension of public events all seriously affected the sales of various hi-tech digital display products.

Under the new normal during the Reviewing Year, the shift from onsite to online education – necessitated by social distancing measures – led to a surge in demand from education institutions for cloud-based services, which created fresh opportunities for the Group in providing a series of system integration and assembly and total solutions that supporting cloud-based education. Although revenue from such business is insignificant, we foresee the future potential of VCMA total solutions for specially addressing the rising and on-going demand for cloud-related equipment and total solutions will be able to bring stable growth in sales on our integrated solutions.

CHAIRMAN'S STATEMENT

In early 2021, we expanded into the ubiquitous internet of things ("**IoT**") sector where Information Technology and Operational Technology ("**IT+OT**") converge. On 4 February 2021, we entered into a joint venture agreement in relation to Beijing National Greenfield Technology Co. Limited*（北京能興國雲信息科技有限公司）("**Beijing National Greenfield**"), an 85% owned joint venture located in the PRC which focuses on inter alia, IoT cloud services, cyber security operation centre products and services, and digital transformation consulting services. On 5 March 2021, we also acquired a 4% stake in Changzhou Guoyun Green Data Technology Co., Limited*（常州國雲綠色數據技術有限公司）("**Changzhou Guoyun**") which owns a plot of land in Changzhou, the PRC's innovation hub for technology enterprises. This plot of land is being developed into a smart and sustainable internet data center ("**IDC**") that is expected to be completed and begin operations by end of 2021.

We have every confidence in embarking on this new development. Not only do we have solid experience in VCMA solutions and expertise in cloud technology platforms, we can also draw on the deep experience of Beijing National Greenfield's management team in serving multinational companies and playing a senior role in planning, building and maintaining major cloud infrastructure and management projects. From 2022, we expect our IT+OT business to become a new revenue driver for the Group, allowing us to target major multi-national and local enterprises in the PRC and provide them with a full range of cloud services – from Software as a Service (SaaS), self-developed data security operation center products and services through to IDC digital management products and services. In June 2021, Beijing National Greenfield achieved a significant milestone by entering into a 5-year strategic cooperation with Micro Focus Singapore entity on distributing Micro Focus's product, ArcSight, in China by using Beijing National Greenfield's own brand, and offering Micro Focus's cloud management service in the PRC. Micro Focus is a world leading enterprise software company, and ArcSight is a cyber security product which provides big data security analytics and intelligence software for security information and event management (SIEM) and log management. As a startup company, Beijing National Greenfield has great potential of future development after having this cooperation.

The Hong Kong economy is expected to grow by 3.5% to 5.5% in 2021. In the post-pandemic economy, we anticipate increasing demand for VCMA solution services arising from the trend toward smart offices. The Group will prudently seek opportunities in both VCMA solution services and IT+OT and smart IDC business in the PRC. This will help expand our business and create greater value for our shareholders.

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

Zhong Naixiong
Chairman

Hong Kong, 24 June 2021

* *English names for identification purposes only*

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

During the global COVID-19 pandemic, the Hong Kong economy was hit hard by four waves of outbreaks of the virus, resulting in a 6.1% fall in GDP. The vacancy rate for Hong Kong's commercial property market surged to a 16-year high of 12%, greatly reducing demand for installing and upgrading smart office systems, audiovisual equipment and related services.

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

However, we anticipate that global public cloud services will continue to post dramatic growth. According to IDC Report (Notes), in 2020 the global public cloud services market (IaaS/PaaS/SaaS) grew by 24.1% YoY to USD312.42 billion, while the PRC market posted even higher YoY growth of 49.7% to USD19.38 billion. The IDC Report added that growth from the PRC's public cloud services market will account for 10.5% of total global growth in 2024, up from 6.5% in 2020. Therefore, we believe that our integrated VCMA total solutions can cater for various fast-emerging trends among the business sector in developing cloud-based business operations.

According to IDCNova (Notes), the market value of the PRC's IDC business reached RMB223.87 billion, representing a YoY increase of 43.3% in 2020. This was due to a significant increase in data traffic and higher demand for cloud-based services. Furthermore, ReportLinker (Notes) forecasts that the PRC IDC market will register compound annual growth rate of 10% during 2021 to 2026.

BUSINESS REVIEW

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

From the commercial through to the retail sector, Hong Kong's business environment was adversely affected by the COVID-19 pandemic, posing a short-term threat to the Group's VCMA solutions business which experienced falling demand for smart office systems, audiovisual equipment and related services. Moreover, sales of hi-tech digital display products were hurt by the postponement and cancellation of onsite business conferences, closure of shopping centers, and suspension of public events.

During the Reviewing Year, the Group expanded into the PRC's ubiquitous IoT by offering integrated IT+OT managed services. On 4 February 2021, the Group formed an 85% owned joint venture, Beijing National Greenfield, which focuses on offering integrated IoT cloud services. Beijing National Greenfield commenced operations in late 2020 and began generating revenue in the first quarter of 2021 and recorded approximately HK$3,520,000 of revenue. Provision of cloud based IT+OT managed services is expected to become a key revenue driver for the Group in the coming few years.

On 5 March 2021, we also acquired a 4% stake in Changzhou Guoyun which owns a plot of land in Changzhou, the PRC's innovation hub for technology enterprises. This plot of land is being developed into a smart and sustainable IDC that is expected to be completed and begin operations by end of 2021.

Notes:

"IDC Report"	The purchased data on the worldwide public cloud services market prepared and published by International Data Corporation, an independent international provider of market intelligence, advisory services, and events for the information technology, telecommunications, and consumer technology markets
"IDCNova"	A professional industrial media, event organiser and consultation organization headquartered in Beijing, China with focuses on Internet Data Center, Cloud Computing industries and other emerging technologies industry
"ReportLinker"	A France-based professional search engine company that uses artificial intelligence to offer market data and forecast reports

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Segment analysis

	Year ended 31 March 2021		Year ended 31 March 2020	
	HK$'000	%	HK$'000	%
VCMA solution services	123,083	84.7	141,172	89.1
VCMA maintenance services	18,777	12.9	17,332	10.9
Cloud-based IT+OT managed services	3,520	2.4	–	–
Total	145,380	100.0	158,504	100.0

Revenue

The Group's revenue decreased by approximately 8.3% from approximately HK$158,504,000 for the year ended 31 March 2020 to approximately HK$145,380,000 for the year ended 31 March 2021.

Revenue generated from VCMA solution services decreased by approximately 12.8% from approximately HK$141,172,000 for the year ended 31 March 2020 to approximately HK$123,083,000 for the year ended 31 March 2021, which was mainly attributable to the projects completed during the year ended 31 March 2021 being less sizable and the outbreak of COVID-19 in Hong Kong and the PRC. Details are set out in the section headed "Chairman's Statement" of this annual report.

Revenue generated from VCMA maintenance services increased by approximately 8.3% from approximately HK$17,332,000 for the year ended 31 March 2020 to approximately HK$18,777,000 for the year ended 31 March 2021, which was primarily attributable to the increase in total maintenance projects after the completion of related projects of VCMA solution services.

Revenue generated from cloud-based IT+OT managed services amounted to approximately HK$3,520,000.

Gross operating profit and gross operating profit margin

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

Gross operating profit decreased by approximately 16.0% from approximately HK$67,648,000 for the year ended 31 March 2020 to approximately HK$56,823,000 for the year ended 31 March 2021 which was in line with the decrease in revenue for the year.

The gross operating profit margin slightly decreased to approximately 39.1% for the year ended 31 March 2021 (2020: 42.7%).

MANAGEMENT DISCUSSION AND ANALYSIS

Staff cost

Staff cost decreased by approximately 0.7% from approximately HK$35,448,000 for the year ended 31 March 2020 to approximately HK$35,207,000 for the year ended 31 March 2021 mainly due to overall salary increment set off with decrease in staff commission.

Depreciation

Depreciation expenses remained stable at approximately HK$3,282,000 for the year ended 31 March 2021 (2020: HK$3,375,000).

Other operating expenses

Other operating expenses increased by approximately 3.2% from approximately HK$6,706,000 for the year ended 31 March 2020 to approximately HK$6,922,000 for the year ended 31 March 2021 mainly due to increase in legal and professional fees.

Finance costs

Finance costs decreased by approximately 49.3% from approximately HK$1,149,000 for the year ended 31 March 2020 to approximately HK$582,000 for the year ended 31 March 2021 as the general interest rate had decreased during the Reviewing Year.

Income tax expenses

Income tax expenses decreased from approximately HK$3,536,000 for the year ended 31 March 2020 to approximately HK$1,943,000 for the year ended 31 March 2021, which was mainly due to a decrease in taxable profit in Hong Kong for the year.

Profit for the year

Profit for the year increased from approximately HK$2,621,000 for the year ended 31 March 2020 to approximately HK$12,724,000 for the year ended 31 March 2021, which was mainly due to the absence of non-recurring transfer of listing expenses incurred in relation to the Main Board Transfer in December 2019 as well as government subsidies from the Employment Support Scheme.

The Group’s adjusted profit for the year ended 31 March 2021 would be approximately HK$9,277,000 excluding the subsidy from Employment Support Scheme (2020: HK$17,578,000 excluding the transfer of listing expenses).

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECT

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

In terms of cloud-based IT+OT managed services, Beijing National Greenfield in June 2021 entered into a 5-year OEM agreement with Micro Focus Singapore entity for its ArcSight product in the PRC. Micro Focus is a world leading enterprise software company. Pursuant to the agreement, Beijing National Greenfield not only has OEM authorization to offer ArcSight, a "safe operation service", under its own brand, it also obtained authorization to be Micro Focus's cloud management service provider in the PRC. This agreement both enables Beijing National Greenfield to quickly achieve core competitiveness and also sends an important message to the market – that a startup company has a great future ahead of it. ArcSight is a cyber-security product which provides big data security analytics and intelligence software for Security Information and Event Management (SIEM), and log management.

The Group expects that cloud-based IT+OT managed services will become a key revenue contributor from 2022 onwards due to surging demand for data security and one-stop smart IDC and IT services. Our cloud-based IT+OT managed services will include Security Operation Centers (SOC), focusing on data security services, and digital operations business which mainly comprises smart IDC and IT services, and operations management.

Mindful of the Chinese Government's nation-wide target to achieve "peak emissions of carbon dioxide by 2030 and carbon neutrality before 2060", it is expected that the IDC being developed by Changzhou Guoyun will adhere to sustainable operational and management principles. The Group understands that its potential customer base of major corporations, multinationals and start-up enterprises all regard sustainable development as a core business value. We believe that our equity interest in Changzhou Guoyun will become a valuable asset in our investment portfolio.

We also believe that our extensive experience in VCMA solutions, promising future of the public cloud services market, and strong management team leading our Beijing National Greenfield will all enable the Group to achieve rapid growth in the coming years. We will strive to complete our IoT infrastructure and services platform and leveraging our strong relationship with Changzhou Guoyun to establish a comprehensive IoT and IDC business presence in the PRC. We will adopt a prudent yet proactive development strategy and continue to identify potential investment opportunities, seizing every opportunity to build sustainable success, and delivering satisfactory long-term returns to our shareholders.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's operations and investments were financed principally by cash generated from its own business operations and bank borrowings. As at 31 March 2021, the Group had net current assets of approximately HK$60,076,000 (2020: HK$53,461,000) and cash and cash equivalents of approximately HK$68,692,000 (2020: HK$70,936,000). Current liabilities of the Group as at 31 March 2021 included carrying amount of approximately HK$26,417,000 (2020: HK$30,838,000) in bank borrowings that were not repayable within one year from the end of reporting period but contained a repayment on demand clause.

GEARING RATIO

As at 31 March 2021, the gearing ratio (calculated on the basis of total debt divided by total assets) of the Group was approximately 12.7% (2020: 14.7%).

FOREIGN CURRENCY RISK

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

CAPITAL COMMITMENT

Details of capital commitments are set out in note 32 to the consolidated financial statements in this annual report.

CAPITAL STRUCTURE

The Company's Shares were listed on GEM since 27 May 2015 (the "**Listing**"). On 18 December 2019, the Company successfully transferred the listing of its Shares from GEM to the Main Board of the Stock Exchange. There has been no change in the Company's capital structure since the date of Listing and up to the date of this annual report.

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

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in the section headed "Material Acquisitions and Disposals" below, the Group did not have any plans for material investments or capital assets as of 31 March 2021.

CHARGE ON THE GROUP'S ASSETS

As at 31 March 2021, land and buildings of approximately HK$82,786,000 (2020: HK$85,417,000) were pledged to secure banking facilities granted to the Group.

CONTINGENT LIABILITIES

The Group has no material contingent liabilities as at 31 March 2021 (2020: nil).

COMPLIANCE WITH LAWS AND REGULATIONS

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

ENVIRONMENTAL POLICY

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

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

MATERIAL ACQUISITIONS AND DISPOSALS

As disclosed in the Company's announcement dated 4 February 2021, a wholly-owned subsidiary of the Company, Perfect Mark Investments Limited（卓兆投資有限公司）("**Perfect Mark**"), entered into a joint venture agreement with Mr. Hua Weisheng ("**Mr. Hua**"), an independent third party of the Company and its connected persons, in relation to Beijing National Greenfield pursuant to which Beijing National Greenfield become held as to 85% by Perfect Mark and as to 15% by Mr. Hua. Beijing National Greenfield was established in the PRC in August 2020 which commenced business in late 2020, focusing on IoT cloud services, cyber security operation center products and services, digital IT operation command center services, cloud migration services, IDC digital management products and services, digital transformation consulting services.

In addition, as disclosed in the Company's announcements dated 5 March 2021 and 25 March 2021, a wholly-owned subsidiary of the Company, Top Luck Development Limited（祥高發展有限公司）("**Top Luck**"), entered into an equity transfer agreement with a third party independent of the Company and its connected persons in respect of the acquisition by Top Luck of 4% equity interest in Changzhou Guoyun, a company which was then 58.2% beneficially owned by Mr. Hua and his spouse, with the other 37.8% held by an individual independent of the Company and its connected persons and on 25 March 2021, Guangdong Nenking Culture Communication Co., Ltd.*（廣東能興文化傳播有限公司）("**Guangdong Nenking**"), of which Mr. Zhong Naixiong, the controlling shareholder of the Company, has a 93.44% effective interest, has acquired an aggregate of 45% equity interest in Changzhou Guoyun from the other shareholders of Changzhou Guoyun. Accordingly, Changzhou Guoyun is now held as to 4% by Top Luck, 45% by Guangdong Nenking, 12.8% by an individual independent of the Company and its connected persons and the other 38.2% beneficially owned by Mr. Hua and his spouse. Changzhou Guoyun holds a piece of land in Rulin Town, Jintan District, Changzhou, PRC with an area of approximately 36,259 square meters which is now under development into an IDC.

Save as disclosed in these announcements, there were no other significant investments held, no material acquisitions or disposals of subsidiaries, associates and joint ventures during the Reviewing Year, nor was there any plan authorised by the Board for other material investments or additions of capital assets at the date of this annual report.

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2021, the Group employed 71 (2020: 70) full-time employees. The remuneration policy of the Group to reward its employees and executives is based on their performance, qualifications, working experience, competence displayed with reference to selected comparable market remuneration data.

USE OF PROCEEDS FROM THE LISTING

The net proceeds from the Company's issue of 250,000,000 new Shares at the placing price of HK$0.36 per share at the time of the Listing (the "**Placing**"), after deducting the underwriting fees and other expenses, amounted to approximately HK$66,300,000. On 30 March 2017, the Board resolved to implement a partial reallocation and change in use of net proceeds from the Placing to enhance the effectiveness of the Group's business operation. As at 31 March 2021, all net proceeds from the Placing have been fully utilised.

The following table sets forth the use of the net proceeds from the Placing:

	Planned use of proceeds as stated in the prospectus dated 14 May 2015 HK$' million	Change in use of proceeds resolved on 30 March 2017 HK$' million	Planned use of proceeds subsequent to the change HK$' million	Actual use of proceeds up to 31 March 2021 HK$' million	Unused net proceeds as at 31 March 2019 HK$' million	Unused net proceeds as at 31 March 2020 HK$' million	Unused net proceeds as at 31 March 2021 HK$' million
To recruit experienced sales staff to expand the VCMA solution business in Hong Kong	11.5	4.4	15.9	15.9	–	–	–
To acquire a new warehouse in Hong Kong	32.7	5.0	37.7	37.7	–	–	–
To set up new regional offices with showrooms in Beijing, Shanghai and Singapore	13.7	(11.4)	2.3	2.3	–	–	–
To carry out marketing and promotion activities on both traditional and new media platforms to improve public awareness of the Group and further strengthen its position in Hong Kong, the PRC and Singapore	2.4	–	2.4	2.4	–	–	–
To upgrade the computer system and other office facilities	–	2.0	2.0	2.0	1.7	1.2	–
For working capital and other general corporate purposes	6.0	–	6.0	6.0	–	–	–
TOTAL	66.3	–	66.3	66.3	1.7	1.2	–

MANAGEMENT DISCUSSION AND ANALYSIS

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Zhong Naixiong（鍾乃雄）("Mr. Zhong"), aged 57, was appointed as an executive Director and designated as the chairman (the "**Chairman**") of the Board on 7 December 2017. Currently, he is in charge of managing the overall business development and strategic planning of the Group.

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

Since 2011, Mr. Zhong has served as the honorary chairman of the board of Nenking Holdings Group Company Limited*（能興控股集團有限公司）, a company which, together with its subsidiaries and affiliates, is principally engaged in property development, property management, financial services, pharmaceutical, sports and cultural activities, trading and procurement services and investment holding. He has served as the chairman of Long Lions Basketball Club Co., Ltd.*（龍獅籃球俱樂部股份有限公司）, a company listed on the National Equities Exchange and Quotations (NEEQ stock code: 871888) in Beijing, since 2016. Mr. Zhong also served as an executive director and the chairman of the board of directors of SMI Culture & Travel Group Holdings Limited, a company listed on the Stock Exchange (stock code: 2366), from November 2016 to July 2017.

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

Mr. Yau Wing Keung（游永強）("Mr. Yau"), aged 61, was appointed as an executive Director on 7 December 2017. He is responsible for overall financial management and business planning of the Group.

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

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

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

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

* English names for identification purposes only

DIRECTORS AND SENIOR MANAGEMENT

Mr. Tong Sai Wong（唐世煌）("Mr. Tong"), aged 70, is one of the founders of the Group. He was appointed as a Director on 21 August 2014 and designated as an executive Director on 11 May 2015. He also served as the chairman of the Board from 11 May 2015 to 7 December 2017. Currently, he is in charge of devising the business strategies and managing the development of the Group's audiovisual business.

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

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

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

Mr. Chan Wing Yiu（陳詠耀）("Mr. WY Chan"), aged 70, is one of the founders of the Group. He was appointed as a Director on 21 August 2014 and designated as an executive Director on 11 May 2015. He is also the compliance officer of the Company. He founded the Group together with Dr. Wong King Keung and Mr. Tong in February 1987. Mr. WY Chan is responsible for the Group's financial management. Mr. WY Chan has approximately 40 years of experience in the audiovisual industry.

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

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

* English names for identification purposes only

DIRECTORS AND SENIOR MANAGEMENT

Mr. Chan Wing Lun（陳永倫）**("Mr. WL Chan")**, aged 46, was appointed as a Director on 21 August 2014 and designated as an executive Director on 11 May 2015. He is principally responsible for marketing and business promotion of the Group and overseeing the Group's general business operations including approving purchase orders to suppliers and contracts with customers and providing internal trainings to the Group's sales staff in relation to, in particular, the characteristics of the Group's services and general marketing skills and techniques.

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

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

NON-EXECUTIVE DIRECTOR

Dr. Wong King Keung（黃景強）**("Dr. Wong")**, aged 75, is one of the founders of the Group, and was appointed as a Director on 21 August 2014 and designated as a non-executive Director on 11 May 2015. He founded the Group together with Mr. Tong and Mr. WY Chan in February 1987, and has extensive experience and knowledge of management. He is currently responsible for providing strategic advice to the Group.

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

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

* English names for identification purposes only

DIRECTORS AND SENIOR MANAGEMENT

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

Institutions	Positions	Period of service
The Hong Kong Institute for Promotion of Chinese Culture	Vice chairman of the Council	Present
University Assembly, The University of Macau	Member	August 2009 – Present
The University of Hong Kong	Council member	March 2013 – Present

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

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Fong Chi（方志）("Mr. Fong"), aged 36, is the Company's independent non-executive Director. He was appointed as an independent non-executive Director on 7 December 2017. Mr. Fong has in total over 10 years of working experience in an international accounting firm and in corporate finance role of a Hong Kong technology company and two Hong Kong financial technology companies, with extensive experience in financial reporting, auditing, mergers and acquisitions and initial public offerings.

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

Mr. Fung Chan Man Alex（馮燦文）("Mr. Fung"), aged 58, is the Company's independent non-executive Director. He was appointed as an independent non-executive Director on 7 December 2017. He has over 15 years of working experience in financial market and corporate finance activities. Mr. Fung was an independent non-executive director of Great Wall Belt & Road Holdings Limited (previously known as e-Kong Group Limited) (stock code: 0524) from February 2015 to December 2018 and On Real International Holdings Limited (stock code: 8245) from July 2017 to September 2019. Currently, Mr. Fung is an independent non-executive director of Luxey International (Holdings) Limited (stock code: 8041) which is a listed company in Hong Kong.

Mr. Fung obtained a bachelor's degree of science in electrical and electronic engineering from the University of Bath, United Kingdom in 1986 and subsequently a master's degree of business administration from Heriot-Watt University, United Kingdom in 2000 by way of distance learning.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Lum Pak Sum（林柏森）("Mr. Lum"), aged 60, is the Company's independent non-executive Director. He was appointed as an independent non-executive Director on 11 May 2015. Mr. Lum has over 20 years' experience in the Hong Kong financial market. Mr. Lum has engaged in the securities and corporate finance business since July 1988 and September 2004 respectively. Mr. Lum was an independent non-executive director of CHK Oil Limited (previously known as Pearl Oriental Oil Limited) (stock code: 0632) from December 2017 to June 2018, Beautiful China Holdings Company Limited (stock code: 0706) from January 2014 to August 2018, Jintai Energy Holdings Limited (previously known as Yuhua Energy Holdings Limited) (stock code: 2728) from December 2014 to April 2019, TATA Health International Holdings Limited (previously known as S. Culture International Holdings Limited) (stock code: 1255) from June 2017 to June 2021 and China Asia Valley Group Limited (previously known as China Graphene Group Limited) (stock code: 0063) from September 2019 to June 2021. Currently, Mr. Lum is an independent non-executive director of Great China Properties Holdings Limited (stock code: 0021), Kwan On Holdings Limited (stock code: 1559) and Anxian Yuan China Holdings Limited (stock code: 0922), and a non-executive director of Sunway International Holdings Limited (stock code: 0058), all of which are listed companies in Hong Kong.

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

Mr. Li Ying Wai Wayne（李英偉）("Mr. Li"), aged 52, is the Company's independent non-executive Director. He was appointed as an independent non-executive Director on 4 February 2021. Mr. Li possesses over 28 years of working experience from multinational financial service companies, and has been involved in business development, risk management, fund raising and merger and acquisitions, including serving in Fitch Ratings for more than 10 years where he headed the business and investor relations for the international credit rating agency in Asia, and holding senior roles for Thomson Reuters and Deloitte Financial Advisory Services. Mr. Li is currently Chief Strategy Officer of Full Circle Education Group which operates international schools in the United Kingdom and PRC.

Mr. Li, the CPA Australia, holds a Bachelor of Arts degree in Business Economics from the University of California, Los Angeles.

SENIOR MANAGEMENT

Mr. Man Ho Yin Danny（文浩賢）("Mr. Man"), aged 38, has been serving the Group as financial controller since December 2017. He is responsible for monitoring and supervising the Group's finance department.

He has over 10 years of working experience in an international accounting firm and in group finance role of a Hong Kong conglomerate and a Hong Kong property development group, with extensive experience in financial reporting, auditing, mergers and acquisitions.

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

DIRECTORS AND SENIOR MANAGEMENT

Mr. Sin Hing Yu Brian（冼慶餘）("Mr. Sin"), aged 46, has been the senior solution manager of i-Control Limited since April 2013. He is responsible for managing the commercial sales team. Mr. Sin joined Eduserve International in January 1999 initially as a sales executive, and he has more than 20 years of experience in sales and business development in the audiovisual industry.

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

Mr. Poon King Hang（潘景衡）("Mr. Poon"), aged 45, is currently the head of business development department of the Group and has been the manager of Eduserve International since April 2006. Mr. Poon joined the Group as a sales engineer in July 1999 and he is responsible for managing the overall business development of the Group. Mr. Poon was a Certified Technology Specialist awarded by the International Communications Industries Association, Inc (currently known as the Audiovisual and Integrated Experience Association), an ANSI (American National Standards Institute) Accredited Standards Developer, where the certification programme is accredited under the ANSI/-ISO/IEC 17024. Mr. Poon has more than 20 years of experience in sales and project management in the audiovisual industry.

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

Mr. Wang Yanghao（王養浩）("Mr. Wang"), aged 41, joined the Group in February 2021 and has been the chief executive officer of Beijing National Greenfield. He is responsible for business operations of Beijing National Greenfield. Mr. Wang has over 18 years of experience in the field of digital technology in the PRC. He held senior positions in the information technology departments of several multinational corporations, including Anheuser-Busch InBev Services, LLC, Haier Group, Microsoft (China) Co., Ltd., Pearson China and Starbucks (China) Company Limited.

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

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

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

To the best knowledge of the Board, the Company has complied with the CG Code during the year ended 31 March 2021 and up to the date of this annual report saved as specified and explained below:

Code Provision A.6.7

Code provision A.6.7 stipulates, among other things, that the independent non-executive directors and other non-executive directors should attend general meetings. Mr. Mong Cheuk Wai, a former independent non-executive Director, was absent from the 2020 annual general meeting held on 7 August 2020 due to other business engagements.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by the Directors (the "**Model Code**") on terms no less exacting than the required standard of dealings as set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules. The Company, having made specific enquiry of all Directors, was not aware of any non-compliance with the Model Code during the year ended 31 March 2021.

BOARD OF DIRECTORS

Up to the date of this annual report, the Board comprises ten Directors, including five executive Directors, namely Mr. Zhong Naixiong (Chairman), Mr. Yau Wing Keung, Mr. Tong Sai Wong, Mr. Chan Wing Yiu and Mr. Chan Wing Lun, one non-executive Director, namely Dr. Wong King Keung and four independent non-executive Directors, namely Mr. Fong Chi, Mr. Fung Chan Man Alex, Mr. Lum Pak Sum and Mr. Li Ying Wai Wayne.

The biographical details of all Directors are set out on pages 13 to 18 of this annual report. To the best knowledge of the Company, save as disclosed under the section headed "Directors and Senior Management", there are no financial, business, family or other material or relevant relationships among members of the Board.

FUNCTIONS OF THE BOARD

The principal functions of the Board include:

– reviewing, approving and monitoring fundamental financial and business strategies and major corporate actions;

– approving major acquisitions or disposals, corporate or financial restructuring, issuance of the Shares and other equity or debt instruments, payment of dividends and other distribution to the Shareholders;

– assessing the risks faced by the Group and reviewing and implementing appropriate measures to manage such risks;

– selecting and evaluating the performance and compensation of key management executives;

– approving nominations to the Board;

– reviewing and endorsing the recommended framework of remuneration of the Board and key management executives by the Remuneration Committee; and

– assuming overall responsibility for corporate governance.

CORPORATE GOVERNANCE REPORT

According to code provision C.1.2 of the CG Code, the management shall provide all members of the Board with monthly updates. During the year ended 31 March 2021, the executive Directors have provided and will continue to provide, to all non-executive Directors updates on any material changes to the positions and prospects of the Company, which is considered to be sufficient to provide general updates of the Company's performance, position and prospects to the Board and allow them to give a balanced and informed assessment of the same to serve the purpose required by the code provision C.1.2.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

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

BOARD MEETINGS AND BOARD PRACTICES

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

During the year ended 31 March 2021, ten board meetings were held. The attendance records of each Director at the relevant meetings held during the year ended 31 March 2021 are as follows:

	Number of meetings attended/eligible to attend				
		Board Committees			Annual General Meeting
	Board	Audit Committee	Remuneration Committee	Nomination Committee	
Executive Directors					
Mr. Zhong Naixiong	10/10	N/A	N/A	N/A	1/1
Mr. Yau Wing Keung	10/10	N/A	N/A	N/A	1/1
Mr. Tong Sai Wong	7/10	N/A	N/A	N/A	1/1
Mr. Chan Wing Yiu	7/10	N/A	N/A	N/A	1/1
Mr. Chan Wing Lun	6/10	N/A	N/A	N/A	0/1
Non-executive Director					
Dr. Wong King Keung	7/10	N/A	N/A	N/A	1/1
Independent Non-executive Directors					
Mr. Fong Chi	7/10	2/2	2/2	N/A	1/1
Mr. Fung Chan Man Alex	7/10	N/A	2/2	2/2	1/1
Mr. Lum Pak Sum	7/10	2/2	2/2	2/2	1/1
Mr. Mong Cheuk Wai[#]	3/7	2/2	N/A	2/2	0/1
Mr. Li Ying Wai Wayne[^]	3/3	0/0	N/A	0/0	0/0

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

CONTINUOUS PROFESSIONAL DEVELOPMENT

According to code provision A.6.5 of the CG Code, all Directors shall participate in continuous professional development to develop and refresh their knowledge and skills to ensure their contribution to the Board remains informed and relevant.

During the year ended 31 March 2021, the Directors participated in continuous professional developments in relation to regulatory update, the duties and responsibilities of the Directors and the business of the Group in the following manner:

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

Notes:

1. Receiving seminar/courses for development of professional skills and knowledge.

2. Reading materials in relation to regular update to statutory requirements, the Listing Rules and other relevant topics related to listed company.

^ Appointed on 4 February 2021

Resigned on 4 February 2021

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Board consists of four independent non-executive Directors which complies with Rules 3.10 and 3.10A of the Listing Rules. Furthermore, among the four independent non-executive Directors, Mr. Fong Chi, Mr. Li Ying Wai Wayne and Mr. Lum Pak Sum have appropriate professional qualifications or accounting or related financial management expertise as required by Rule 3.10(2) of the Listing Rules.

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

NON-EXECUTIVE DIRECTORS

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

BOARD COMMITTEES

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

Audit Committee

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

The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Lum Pak Sum, Mr. Fong Chi and Mr. Li Ying Wai Wayne. Mr. Lum Pak Sum is the chairman of the Audit Committee.

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

Two Audit Committee meetings were held during the year ended 31 March 2021. The Audit Committee has reviewed the unaudited interim results and the audited annual results of the Group.

Remuneration Committee

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

The Remuneration Committee currently comprises three independent non-executive Directors, namely Mr. Fung Chan Man Alex, Mr. Fong Chi and Mr. Lum Pak Sum. Mr. Fung Chan Man Alex is the chairman of the Remuneration Committee.

Two Remuneration Committee meetings were held during the year ended 31 March 2021. The Remuneration Committee has reviewed the remuneration packages of all the Directors and senior management of the Company.

Remuneration Policy

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

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

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

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

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

Nomination Committee

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

The Nomination Committee currently comprises three independent non-executive Directors, namely Mr. Fung Chan Man Alex, Mr. Lum Pak Sum and Mr. Li Ying Wai Wayne. Mr. Fung Chan Man Alex is the chairman of the Nomination Committee.

Two Nomination Committee meetings were held during the year ended 31 March 2021.

Nomination Policy

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

Selection Criteria

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

- Reputation for integrity
- Accomplishment and experience
- Compliance with legal and regulatory requirements
- Commitment in respect of available time and relevant interest

CORPORATE GOVERNANCE REPORT

- Diversity in all its aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service

Nomination Procedures

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

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

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

BOARD DIVERSITY POLICY

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

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

The Nomination Committee reviews and assesses the composition of the Board and makes recommendations to the Board on appointment of new Directors based on the Company's Nomination Policy. The Nomination Committee also oversees the conduct of the annual review of the effectiveness of the Board, the Nomination Committee will consider the balance of talents, skills, experience, independence and knowledge on the Board and the diversity of the Board.

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

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

Measurable objectives

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

Monitoring and reporting

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

Review of the policy

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

ACCOUNTABILITY AND AUDIT

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

All Directors acknowledge their responsibility to prepare the Group's consolidated financial statements for each financial period to give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. When preparing the consolidated financial statements for the year ended 31 March 2021, the Board has selected suitable accounting policies and applied them consistently, made judgments and estimates that are fair and reasonable and has prepared the consolidated financial statements of the Group on a going concern basis.

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

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

Auditor's Remuneration

During the year ended 31 March 2021, the remuneration paid or payable to the Company's auditor, SHINEWING (HK) CPA Limited, and its affiliate company in respect of their audit and non-audit services was as follows:

	HK$
Audit service	725,000
Non-audit services	148,000
	873,000

RISK MANAGEMENT AND INTERNAL CONTROL

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

Risk Management System

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

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

Based on the risk assessments conducted for the year ended 31 March 2021, no significant risk was identified.

Internal Control System

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

- Control Environment: A set of standards, processes, and structures that provide the basis for carrying out internal control across the Group.

- Risk Assessment: A dynamic and iterative process for identifying and analyzing risks to achieve the Group's objectives, forming a basis for determining how risks should be managed.

- Control Activities: Actions established by policies and procedures to help ensure that management's directives to mitigate risks to the achievement of objectives are carried out.

- Information and Communication: Internal and external communication to provide the Group with the information needed to carry out day-to-day controls.

- Monitoring: Ongoing and separate evaluations to ascertain whether each components of internal control is present and functioning.

Based on the internal control reviews conducted for the year ended 31 March 2021, no significant control deficiency was identified. The Board believes that the existing risk management and internal control systems are adequate and effective.

Inside Information

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

- The access of information is restricted to a limited number of employees on a need-to-know basis. Employees who are in possession of inside information are fully conversant with their obligations to preserve confidentiality.

- Confidentiality agreements are in place when the Group enters into significant negotiations.

- The executive Directors are designated persons who speak on behalf of the Company when communicating with external parties such as the media, analysts or investors.

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

Internal Auditors

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

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

Effectiveness of the Risk Management and Internal Control Systems

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

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

DIVIDEND POLICY

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

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

INVESTORS AND SHAREHOLDERS RELATIONS

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

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

The Company strives to take into consideration its Shareholders' views and inputs, and address the Shareholders' concerns. Shareholders are encouraged to attend the annual general meeting for which at least 20 clear business days' notice shall be given. The Chairman as well as the chairmen of the Audit Committee, the Nomination Committee and the Remuneration Committee, or in their absence, the Directors are available to answer Shareholders' questions on the Group's businesses at the meeting. To comply with code provision E.1.2 of the CG Code, the management will ensure the external auditor to attend the annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor independence.

CORPORATE GOVERNANCE REPORT

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

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

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

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

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

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

COMPANY SECRETARY

Ms. Ng Tsz Wai has been appointed as the company secretary of the Company with effect from 7 December 2017. She is a member of the HKICPA. Ms. Ng Tsz Wai has taken no less than 15 hours of relevant professional trainings to update her skills and knowledge during the year ended 31 March 2021.

CHANGES IN CONSTITUTIONAL DOCUMENTS

To reflect the Main Board Transfer on 18 December 2019, the Articles have been amended following the passing of a special resolution by the Shareholders in the 2020 annual general meeting. Save as disclosed, there was no change in the Company's constitutional documents during the year ended 31 March 2021.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

The Environmental, Social and Governance ("**ESG**") Report (the "**ESG Report**") elaborates various initiatives of the Group to fully implement the concept of sustainable development and perform its corporate social responsibilities, and evaluate its ESG performance from 1 April 2020 to 31 March 2021 (the "**Year**").

Scope of ESG Report

The ESG Report focuses on the environmental and social performance of the Group's core business of provision of VCMA solution services in Hong Kong during the Year. The key performance indicators ("**KPIs**") covered the performance of its head office in Hong Kong and are presented (if applicable) in the Appendix: Summary of Environmental KPIs of the ESG Report.

Reporting Framework

The ESG Report was prepared based on the "Environmental, Social and Governance Reporting Guide" under Appendix 27 to the Listing Rules issued by The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

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

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

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

OUR APPROACH TO ESG

ESG Governance

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

Stakeholder Engagement

Communication with Stakeholders

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Stakeholders	Expectations and Requirements	Means of Communication and Response
Government and Regulators	• Compliance with national policies, laws and regulations • Support for local economic growth • Contribution in local employment • Tax Payment in full and on time • Product safety	• Regular information reporting • Regular meetings with regulators • Dedicated reports • Examination and inspection
Shareholders	• Returns • Compliant operation • Rise in company value • Transparency and effective communication	• General meetings • Announcements • Email, telephone communication and company website • Dedicated reports • Site visits
Partners	• Operation with integrity • Equal rivalry • Performance of contracts • Achievement of reciprocity	• Review and appraisal meetings • Business communication • Discussion and exchange of opinions • Engagement and cooperation
Customers	• Outstanding products and services • Health and safety • Performance of contracts • Operation with integrity	• Customer service centre and hotline • Customer feedback survey • Customer communication meeting • Social media platforms • Calling for feedback
Environment	• Energy saving and emission reduction	• Reporting
Employees	• Protection of rights • Occupational health and safety • Remunerations and benefits • Career development • Humanity cares	• Employee communication meetings • Corporate journal and intranet • Employee mailbox • Training and workshop • Employee activities
Community and the Public	• Enhancement of community environment • Participation in charity • Transparency	• Company website • Announcements • Interview with media • Social media platforms

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Materiality Assessment

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

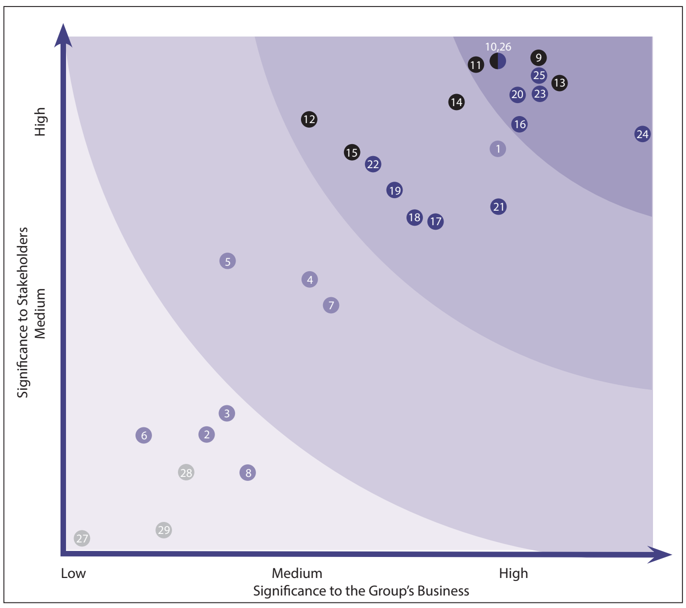
The materiality assessment has been implemented in three main phases, namely:

(i) identifying potential material ESG issues that might affect the Group's business or stakeholders;

(ii) conducting questionnaire survey to understand the views and expectations of the stakeholders (including employees, shareholders, the management, directors, clients and suppliers) on the Group's response to and disclosures of ESG issues;

(iii) prioritising potential material issues based on a total of 115 valid questionnaires received.

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



Environment	Labour Practices	Operation Practices	Community Investment
1 Environmental Compliance	9 Employment Compliance	16 Operational Compliance	27 Charity
2 Fleet Emissions Management	10 Employees' Remuneration and Benefits	17 Managing Environmental Risks of Supply Chain	28 Promotion of Community Development
3 Greenhouse Gas Emission	11 Employees' Working Hours and Rest Period	18 Managing Social Risks of Supply Chain	29 Poverty Alleviation
4 Waste Management	12 Diversity and Equal Opportunity	19 Procurement Practices	
5 Energy Consumption	13 Occupational Health and Safety	20 Quality Management	
6 Use of Water Resources	14 Training and Education	21 Customer Health and Safety	
7 Green Office	15 Prevention of Child Labour and Forced Labour	22 Responsible Sales and Marketing	
8 Responding to Climate Change		23 Customer Service Management	
		24 Intellectual Property Protection	
		25 Customer Privacy Protection	
		26 Anti-corruption	

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Through the assessment processes, the Group has identified 10 most material ESG aspects and made the relevant disclosure in the corresponding sections.

Material Aspect		Corresponding Section
9	Employment Compliance	Employment Policies
10	Employees' Remuneration and Benefits	Welfare and Benefits
11	Employees' Working Hours and Rest Period	Employment Policies
13	Occupational Health and Safety	Occupational Safety and Health
16	Operational Compliance	Supply Chain Management, Quality Control, Customer Service, Advertisement, Privacy and Intellectual Property Protection, Anti-corruption
20	Quality Management	Quality Control
23	Customer Service Management	Customer Service
24	Intellectual Property Protection	Privacy and Intellectual Property Protection
25	Customer Privacy Protection	Privacy and Intellectual Property Protection
26	Anti-corruption	Anti-corruption

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

ENVIRONMENTAL PROTECTION

Emission Management

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

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

- Keeping company fleet properly tuned;
- Conducting regular inspection and inflation; and
- Ensuring no idling vehicles with running engines.

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

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

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

Waste Management

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

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

Use of Resources

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Energy Conservation

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

Water Conservation

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

Green Operation

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

Responding to Climate Change

Climate change is one of the major global issues in recent years and extreme weather events due to climate change are becoming more severe, bringing negative impacts to many corporations. The Group is highly concerned about climate change and its related events and is committed to reducing greenhouse gas emissions.

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

EMPLOYEES' RIGHT

Employment Policies

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

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

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

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

Welfare and Benefits

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

Development and Training

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

Occupational Safety and Health

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

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

Response to the Outbreak of the Coronavirus Disease 2019

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

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

To safeguard employees' health, the Group has provided subsidies to those employees required to conduct self-paid COVID-19 testing during the Year. In addition, employees were entitled to a day of vaccination leave for each dose of vaccine, to ensure that they have sufficient rest after vaccination.

OPERATION MANAGEMENT

Supply Chain Management

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

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

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

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

Quality Control

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

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

Customer Service

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

i. Initial enquiry with the purpose of understanding customers' needs and budgetary concerns;

ii. Feasibility assessment through on-site visit and evaluation of design and costs;

iii. Issue of quotation for project confirmation;

iv. Delivery and installation of equipment;

v. On-site testing and training provided to customers; and

vi. Ongoing maintenance and after-sales services.

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

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

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

Advertisement

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

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

Privacy and Intellectual Property Protection

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

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

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

Anti-corruption

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

For projects obtained through tender, employees are prohibited from communicating with any individual other than the customer about the amount of any tender or otherwise collude with any other person to adjust the amount of any tender. During the Year, no corruption cases or internal whistle-blowing cases were recorded during our operation.

COMMUNITY CONTRIBUTION

Apart from focusing on its business development, the Group also proactively fulfills its social responsibility through community contribution. Our executive director, Mr. Tong Sai Wong, has been appointed as director of Charles K. Kao Foundation for Alzheimer's Disease Limited since 2010 in helping those patients suffering from Alzheimer's disease. In addition, the Group actively encourages employees to participate in public welfare events and volunteering activities, so as to make contribution to the community.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

APPENDIX: SUMMARY OF ENVIRONMENTAL KPIS

Environmental Indicators	Year Ended March 2021	Year Ended March 2020
Air Emissions[1]		
Nitrogen oxides (kg)	**0.54**	0.58[2]
Sulphur oxides (kg)	**0.01**	0.01
Particulate matters (kg)	**0.04**	0.04
GHG Emissions[3]		
Total GHG emissions (tonnes of carbon dioxide equivalent)	**70**	91
GHG emissions intensity (tonnes of carbon dioxide equivalent/employee)	**0.95**	1.36
Scope 1 – Direct emissions[4] (tonnes of carbon dioxide equivalent)	**2**	2
Scope 2 – Energy indirect emissions[5] (tonnes of carbon dioxide equivalent)	**66**	83
Scope 3 – Other indirect emissions[6] (tonnes of carbon dioxide equivalent)	**2**	6
Waste		
Total non-hazardous waste generated[7] (kg)	**1,875**	1,635
Non-hazardous waste intensity (kg/employee)	**25.00**	24.40
Total hazardous waste generated[8] (kg)	**15**	30
Hazardous waste intensity (kg/employee)	**0.20**	0.44
Use of Resources[9]		
Total energy consumption (MWh)	**187**	171
Energy consumption intensity (MWh/employee)	**2.51**	2.56
Direct energy consumption[10] (MWh)	**8**	8
Indirect energy consumption[11] (MWh)	**179**	163
Total water consumption[12] (m^3)	**84**	68
Water consumption intensity (m^3/employee)	**1.13**	1.01

1 The emission factors used are based on the Appendix II "Reporting Guidance on Environmental KPIs" ("Appendix II") published by the Stock Exchange.

2 The Group has reviewed the data collection of vehicle use for year ended March 2020 and accordingly restated the related data.

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

4 The emission factors are based on the Appendix II published by the Stock Exchange.

5 The emission factor is from CLP Holdings Limited.

6 The emission factors are provided by the Water Suppliers Department and the Drainage Services Department and Appendix II published by the Stock Exchange. Due to COVID-19, there was no business air travel in the Year.

7 The Group's non-hazardous waste is estimated based on its daily office operation situation.

8 The Group's hazardous waste is calculated based on the actual amount of the waste.

9 Due to the business nature, the Group does not involve any product packaging.

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

11 Purchased electricity is calculated based on the actual amount consumed.

12 Water consumption is calculated based on the actual amount consumed.

REPORT OF THE DIRECTORS

The Directors are pleased to submit their report together with the audited consolidated financial statements of the Group for the year ended 31 March 2021.

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activities of the Group comprise VCMA solution services, VCMA maintenance services and cloud-based IT+OT managed services. The principal activities and other particulars of the subsidiaries of the Company are set out in note 33 to the consolidated financial statements in this annual report.

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

RELATIONSHIP WITH KEY STAKEHOLDERS

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

RESULTS AND APPROPRIATIONS

The financial performance of the Group for the financial year ended 31 March 2021 and the financial position of the Group as at 31 March 2021 are set out in the consolidated financial statements on pages 55 to 110 of this annual report.

FINAL DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Directors have recommended the payment of a final dividend out of the share premium account under reserves of the Company of HK0.65 cents (2020: HK0.90 cents) per share to the Shareholders whose names are on the register of members of the Company on Tuesday, 7 September 2021. Subject to approval by the Shareholders at the forthcoming annual general meeting of the Company (the "**AGM**") and compliance with the Companies Law of the Cayman Islands, the final dividend will be paid on Wednesday, 29 September 2021, and the register of members of the Company will be closed from Friday, 3 September 2021 to Tuesday, 7 September 2021, both dates inclusive, for determination of entitlement of the final dividend, during which period no transfer of Shares will be registered. In order to qualify for the proposed final dividend, all transfers of Shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Thursday, 2 September 2021.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The AGM is scheduled to be held on Thursday, 26 August 2021. A notice convening the AGM will be issued and despatched to the Shareholders on or before, Friday, 23 July 2021.

The register of members of the Company will be closed from Monday, 23 August 2021 to Thursday, 26 August 2021 (both dates inclusive) during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the AGM, all transfers of Shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 20 August 2021.

REPORT OF THE DIRECTORS

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 March 2021, the Group's top five customers accounted for approximately 26% of the revenue. The Group's five largest suppliers accounted for approximately 43% of the total purchases for the year ended 31 March 2021. In addition, the Group's largest customer accounted for approximately 8% of the revenue and the Group's largest supplier accounted for approximately 20% of the total purchases for the year ended 31 March 2021.

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

RESERVES

Details of movements in the reserves of the Group during the year ended 31 March 2021 are set out in the consolidated statement of changes in equity in this annual report.

As at 31 March 2021, the Company's reserves available for distribution amounted to approximately HK$9,227,000.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended 31 March 2020 are set out in note 26 to the consolidated financial statements in this annual report.

PROPERTY AND EQUIPMENT AND INVESTMENT PROPERTY

Details of movements in the property and equipment and investment property of the Group are set out in notes 15 and 16 respectively to the consolidated financial statements in this annual report.

DIRECTORS

During the year ended 31 March 2021 and up to the date of this annual report, the Directors were:

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

Non-executive Director
Dr. Wong King Keung

Independent non-executive Directors
Mr. Fong Chi
Mr. Fung Chan Man Alex
Mr. Li Ying Wai Wayne^
Mr. Lum Pak Sum
Mr. Mong Cheuk Wai#

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

^ Appointed on 4 February 2021
# Resigned on 4 February 2021

REPORT OF THE DIRECTORS

By virtue of article 108(a) of the Articles, Mr. Zhong Naixiong, Mr. Fung Chan Man Alex and Mr. Lum Pak Sum shall retire from office by rotation and, being eligible, offer themselves for re-election at the AGM.

By virtue of article 112 of the Articles, Mr. Li Ying Wai Wayne shall hold office until the next following annual general meeting after his appointment and shall then be eligible for re-election at the AGM.

Directors' service contracts

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

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

SHARE OPTION SCHEME

The following is a summary of the principal terms of the share option scheme adopted under the written resolutions of the shareholders of the Group passed on 11 May 2015 ("**Share Option Scheme**"). The Share Option Scheme remains valid and effective following the Main Board Transfer and will be implemented in full compliance with Chapter 17 of the Listing Rules.

(a) Purpose

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

(b) Participants of the Share Option Scheme

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

(a) any employee or proposed employee (whether full-time or part-time and including any executive Director), consultants or advisers of or to the Company, any of its subsidiaries or any entity (the "**Invested Entity**") in which the Company holds an equity interest;

(b) any non-executive Directors (including independent non-executive Directors) of the Company, any of its subsidiaries or any Invested Entity;

(c) any supplier of goods or services to any members of the Group or any Invested Entity;

(d) any customer of the Group or any Invested Entity;

(e) any person or entity that provides research, development or other technological support to the Group or any Invested Entity; and

(f) any Shareholders or any shareholder of any of its subsidiaries or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity,

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

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

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

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

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

There were no share options granted, exercised, cancelled or lapsed under the Share Option Scheme during the year ended 31 March 2020 and there were no outstanding share options under the Share Option Scheme as at 31 March 2020.

On 20 April 2021, the Company has granted share options (the "**Options**") under the Share Option Scheme to Mr. Wang Yanghao ("**Mr. Wang**"), being a senior management of the Company and to subscribe for a total of 3,000,000 Shares to be issued and allotted upon exercise of the Options subject to the scheme rules of the Share Option Scheme and conditions and exercise schedule as stated in the announcement of the Company dated 20 April 2021. The 3,000,000 Options granted to the selected participant are exercisable from the date of grant until 20 April 2028 (the "**Option Period**") at the subscription price of HK$0.54, which is equivalent to the closing price of the Company's Shares on the date immediately before the date of grant, and is subject to the exercise schedule as follows:

(i) as to 900,000 Options, representing 30% of the total Options granted to the selected participant, shall be exercisable at any time commencing from the date falling between the first anniversary of the date of grant up to and including the last day of the Option Period;

(ii) as to 900,000 Options, representing 30% of the total Options granted to the selected participant shall be exercisable at any time commencing from the date falling between the second anniversary of the date of grant up to and including the last day of the Option Period; and

(iii) as to 1,200,000 Options at any time commencing from the date falling on the third anniversary of the date of grant up to and including the last day of the Option Period.

The exercise price of HK$0.54 was determined in accordance with the scheme rules of the Share Option Scheme, being the highest of:

(i) the closing price of HK$0.54 per Share as quoted in the Stock Exchange's daily quotation sheet on the date of grant;

(ii) the average closing price of HK$0.536 per Share as quoted in the Stock Exchange's daily quotation sheet for the five (5) business days immediately preceding the date of grant; and

(iii) the nominal value of HK$0.01 per Share.

REPORT OF THE DIRECTORS

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

As at the date of this annual report, the total number of Options available for grant under the Share Option Scheme is 70,000,000, being the balance of 10.0% of the Company's Shares in issue as at the date of approval of the scheme mandate limit deducting the total number of Options granted under the Share Option Scheme, and represents approximately 7.0% of the existing issued share capital of the Company.

(d) Maximum entitlement of each participant and connected persons

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

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

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

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

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

(ii) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option (which must be a business day); and

(iii) the nominal value of the Shares.

(f) Acceptance and payment on acceptance of option offer

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

(g) Period of the Share Option Scheme

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

SHARE AWARD SCHEME

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

(a) Purpose

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

(b) Eligible Person

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

(c) Operation of the Share Award Scheme

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

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

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

(d) Restrictions on grants

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

(i) where the requisite approval from any applicable regulatory authorities has not been granted;

(ii) where any member of the Group will be required under applicable securities laws, rules or regulations to issue a prospectus or other offer documents in respect of such award or the Share Award Scheme, unless the Board determines otherwise;

(iii) where such award would result in a breach by any member of the Group or its directors of any applicable securities laws, rules or regulations in any jurisdiction; or

(iv) where such grant of award would result in a breach of the Scheme Limit (as defined below) or would otherwise cause the Company to issue Shares in excess of the permitted amount in the mandate approved by the Shareholders.

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

REPORT OF THE DIRECTORS

(e) **Award Period**

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

(f) **Scheme Limit**

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

(g) **Appointment of Trustee**

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

(h) **Grant of Award**

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

(i) as to 150,000 Awarded Shares, representing 30% of the Awarded Shares, on the first anniversary of the date of grant;

(ii) as to 150,000 Awarded Shares, representing 30% of the Awarded Shares, on the second anniversary of the date of grant; and

(iii) as to 200,000 Awarded Shares, representing 40% of the Awarded Shares, on the third anniversary of the date of grant.

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

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

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

DISCLOSURE OF INTERESTS

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

As at 31 March 2021, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required as otherwise to be notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors as referred to in the Model Code, were as follows:

(i) Interests in the Company

Name	Capacity/Nature of interest	Number of Shares *(Note 1)*	Percentage of issued Shares
Mr. Zhong Naixiong	Interest of controlled corporation *(Note 2)*	600,000,000	60%
Dr. Wong King Keung	Beneficial owner	150,000,000	15%

Notes:

(1) All interests stated are long positions.

(2) These Shares are held by Phoenix Time Holdings Limited, which is 100% owned by Mr. Zhong Naixiong. Pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO, Mr. Zhong Naixiong is deemed to have an interest in all Shares in which Phoenix Time Holdings Limited has, or deemed to have, an interest.

Save as disclosed above, as at the date of this annual report, none of the Directors and the chief executives of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they were taken or deemed to have under such provisions of the SFO) or (ii) which were required to be recorded in the register required to be kept by the Company under Section 352 of the SFO or (iii) which were otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors as referred to in the Model Code.

REPORT OF THE DIRECTORS

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

As at 31 March 2021, so far as is known to the Directors and the chief executives of the Company, the following corporation or persons (other than the Directors or the chief executives of the Company) had, or were deemed or taken to have interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO, were as follows:

Name	Capacity/Nature of interest	Number of Shares *(Note 1)*	Percentage of issued Shares
Phoenix Time Holdings Limited	Beneficial owner	600,000,000	60%
Ms. Chen Minling *(Note 2)*	Interest of spouse	600,000,000	60%
Ms. Wong Lau Sau Yee Angeli *(Note 3)*	Interest of spouse	150,000,000	15%

Notes:

(1) All interest stated are long positions.

(2) Ms. Chen Minling is the spouse of Mr. Zhong Naixiong. Pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, Ms. Chen Minling is deemed to have an interest in all Shares in which Mr. Zhong Naixiong has, or deemed to have, an interest.

(3) Ms. Wong Lau Sau Yee Angeli is the spouse of Dr. Wong King Keung. Pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, Ms. Wong Lau Sau Yee Angeli is deemed to have an interest in all Shares in which Dr. Wong King Keung has, or deemed to have, an interest.

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

DIRECTORS' RIGHT TO ACQUIRE SHARES

Save as disclosed in this annual report, at no time during the year ended 31 March 2021 was the Company, its holding company, or any of its subsidiaries or its fellow subsidiaries a party to any arrangement to enable the Directors and the chief executives of the Company (including their spouses and children under 18 years of age) to hold any interests or short positions in the shares, underlying shares, or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO).

SUFFICIENCY OF PUBLIC FLOAT

The Company is in compliance with the minimum public float requirement during the year ended 31 March 2021 and as at the date of this annual report based on the information publicly available to the Company and within the knowledge of the Directors.

CONNECTED TRANSACTIONS

The related party transactions of the Company are set out in note 29 to the consolidated financial statements in this annual report. For the year ended 31 March 2021, the Group had not entered into any transactions constituting connected transactions (including continuing connected transactions) which are subject to the disclosure requirements under Chapter 14A of the Listing Rules.

REPORT OF THE DIRECTORS

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

Save as otherwise disclosed, no other transactions, arrangements or contracts of significance to which the Company, its holding company, or any of its subsidiaries was a party, and in which a Director had a material interest, either directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 March 2021.

EQUITY-LINKED AGREEMENTS

Other than the Share Option Scheme and the Share Award Scheme of the Company as disclosed above, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the year ended 31 March 2021 or subsisted at the end of the year or at any time during the year ended 31 March 2021.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year ended 31 March 2021.

CONTROLLING SHAREHOLDERS' INTEREST IN CONTRACTS OF SIGNIFICANCE

No contract of significance to which the Company, its holding company, or any of its subsidiaries was a party, and in which the controlling shareholders of the Company had a material interest, either directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 March 2021.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 March 2021, none of the Directors or their respective associates had any business or interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

RETIREMENT BENEFITS PLANS

Particulars of retirement benefits plans of the Group as at 31 March 2021 are set out in note 28 to the consolidated financial statements in this annual report.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors a confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive Directors were independent during the year ended 31 March 2021.

PRE-EMPTIVE RIGHTS

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

PERMITTED INDEMNITY

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 March 2021, none of the Company and its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

REPORT OF THE DIRECTORS

CHARITABLE DONATIONS

During the year ended 31 March 2021, the Group did not make any charitable donations.

EVENTS AFTER THE REPORTING PERIOD

The Directors are not aware of any significant event requiring disclosure that has taken place subsequent to 31 March 2021 and up to the date of this annual report.

CORPORATE GOVERNANCE

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

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group is set out in the financial summary on page 112 of this annual report.

AUDITOR

The consolidated financial statements for the year ended 31 March 2021 have been audited by SHINEWING (HK) CPA Limited who will retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of SHINEWING (HK) CPA Limited as the auditor of the Company is to be proposed at the AGM.

By order of the Board

Zhong Naixiong
Chairman

Hong Kong, 24 June 2021

INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

信永中和 ShineWing

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

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF i-CONTROL HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of i-Control Holdings Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") set out on pages 55 to 110, which comprise the consolidated statement of financial position as at 31 March 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

IMPAIRMENT OF TRADE RECEIVABLES AND CONTRACT ASSETS

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

The key audit matter	How the matter was addressed in our audit
As at 31 March 2021, the Group had trade receivables and contract assets of approximately HK$35,915,000 which are significant to the consolidated financial statements. We have identified the impairment of trade receivables and contract assets as a key audit matter because the carrying amount of trade receivables and contract assets is significant to the consolidated financial statements and the provision of expected credit loss ("**ECL**") involves significant judgements and estimates on internal credit ratings and selection of forward-looking information.	Our procedures were designed to review management's assessment and judgement in determining credit loss allowance by grouping of debtors into different categories in provision matrix. We also reviewed the provision matrix based on the individual groups of debtor's default rates and forward-looking information. We have also challenged the reasonableness of estimation and assessed the appropriateness of the input data used by the management in the calculation of the ECL.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS OF THE COMPANY AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.

INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

- Conclude on the appropriateness of the Company's directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Mr. Lee Shun Ming.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Lee Shun Ming
Practising Certificate Number: P07068

Hong Kong
24 June 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year Ended 31 March 2021

	Notes	2021 HK$'000	2020 HK$'000
Revenue	7	145,380	158,504
Cost of sales		(88,557)	(90,856)
Staff cost		(35,207)	(35,448)
Depreciation		(3,282)	(3,375)
Other income and net gain	7	3,837	144
Other operating expenses		(6,922)	(6,706)
Finance costs	9	(582)	(1,149)
Transfer of listing expenses		–	(14,957)
Profit before taxation		14,667	6,157
Income tax expenses	10	(1,943)	(3,536)
Profit for the year	11	12,724	2,621
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translating foreign operations		131	(136)
Total comprehensive income for the year		12,855	2,485
Profit (loss) for the year attributable to:			
Equity shareholders of the Company		12,789	2,621
Non-controlling interests		(65)	–
		12,724	2,621
Total comprehensive income for the year attributable to:			
Equity shareholders of the Company		12,918	2,485
Non-controlling interests		(63)	–
		12,855	2,485
Earnings per share			
Basic and diluted	12	HK1.28 cents	HK0.26 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2021

	Notes	2021 HK$'000	2020 HK$'000
Non-current assets			
Property and equipment	15	**85,393**	86,471
Investment property	16	**–**	1,529
Deferred tax assets	25	**654**	622
		86,047	88,622
Current assets			
Inventories	17	**12,513**	11,343
Trade receivables and contract assets	18	**35,915**	37,681
Prepayments, deposits and other receivables	19	**2,491**	1,461
Tax recoverables		**2,010**	144
Bank balances and cash	20	**68,692**	70,936
		121,621	121,565
Current liabilities			
Trade payables	21	**16,427**	18,555
Other payables and accruals	22	**18,402**	18,614
Lease liability	23	**–**	97
Bank borrowings	24	**26,417**	30,838
Tax payables		**299**	–
		61,545	68,104
Net current assets		**60,076**	53,461
Total assets less current liabilities		**146,123**	142,083
Non-current liability			
Deferred tax liabilities	25	**1,208**	1,023
Net assets		**144,915**	141,060

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2021

	Notes	2021 HK$'000	2020 HK$'000
Capital and reserves			
Share capital	26	**10,000**	10,000
Reserves		**134,978**	131,060
Total equity attributable to equity shareholders of the Company		**144,978**	141,060
Non-controlling interests		**(63)**	–
Total equity		**144,915**	141,060

The consolidated financial statements on pages 55 to 110 were approved and authorised for issue by the board of directors on 24 June 2021 and are signed on its behalf by:

Zhong Naixiong
Director

Tong Sai Wong
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year Ended 31 March 2021

	Attributable to the equity shareholders of the Company							
	Share capital HK$'000	**Share premium** HK$'000	**Merger reserve** HK$'000 *(note 27)*	**Translation reserve** HK$'000 *(note 27)*	**Retained profits** HK$'000	**Total** HK$'000	**Non-controlling interests** HK$'000	**Total equity** HK$'000
At 1 April 2019	10,000	47,344	10,817	(110)	82,524	150,575	–	150,575
Profit for the year	–	–	–	–	2,621	2,621	–	2,621
Other comprehensive income for the year:								
Exchange differences arising on translating foreign operations	–	–	–	(136)	–	(136)	–	(136)
Total comprehensive income for the year	–	–	–	(136)	2,621	2,485	–	2,485
Dividend *(note 14)*	–	(12,000)	–	–	–	(12,000)	–	(12,000)
At 31 March 2020 and 1 April 2020	10,000	35,344	10,817	(246)	85,145	141,060	–	141,060
Profit (loss) for the year	–	–	–	–	12,789	12,789	(65)	12,724
Other comprehensive income for the year:								
Exchange differences arising on translating foreign operations	–	–	–	129	–	129	2	131
Total comprehensive income for the year	–	–	–	129	12,789	12,918	(63)	12,855
Dividend *(note 14)*	–	(9,000)	–	–	–	(9,000)	–	(9,000)
At 31 March 2021	10,000	26,344	10,817	(117)	97,934	144,978	(63)	144,915

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended 31 March 2021

	2021 HK$'000	2020 HK$'000
OPERATING ACTIVITIES		
Profit before taxation	14,667	6,157
Adjustments for:		
Bank interest income	(61)	(73)
Depreciation	3,283	3,375
Finance costs	582	1,149
Government grant	(3,447)	–
Gain on disposal of property and equipment	(55)	–
Write-off of property and equipment	–	3
Write-off of trade payables	(68)	–
Provision for write-down of inventories	271	1,499
Reversal of provision for write-down of inventories	–	(198)
Operating cash flows before movements in working capital	15,172	11,912
Increase in inventories	(1,401)	(1,126)
Decrease in trade receivables and contract assets	1,766	18,046
(Increase) decrease in prepayments, deposits and other receivables	(1,030)	78
Decrease in trade payables	(2,060)	(6,604)
Decrease in other payables and accruals	(212)	(3,561)
Cash generated from operations	12,235	18,745
Income taxes paid	(3,357)	(6,224)
NET CASH FROM OPERATING ACTIVITIES	8,878	12,521
INVESTING ACTIVITIES		
Acquisitions of property and equipment	(1,160)	(471)
Proceeds from disposal of property and equipment	539	–
Bank interest received	61	73
NET CASH USED IN INVESTING ACTIVITIES	(560)	(398)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended 31 March 2021

	2021 HK$'000	2020 HK$'000
FINANCING ACTIVITIES		
Government grant received	3,447	–
Dividend paid	(9,000)	(12,000)
Repayment of bank borrowings	(4,421)	(4,421)
Interest paid	(580)	(1,142)
Capital element of repayment of lease liability	(97)	(125)
Interest element of repayment of lease liability	(2)	(7)
NET CASH USED IN FINANCING ACTIVITIES	(10,653)	(17,695)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,335)	(5,572)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	70,936	76,636
Effect of foreign exchange rate changes	91	(128)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		
Represented by bank balances and cash	68,692	70,936

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2021

1. CORPORATE INFORMATION AND BASIS OF PREPARATION OF FINANCIAL STATEMENTS

i-Control Holdings Limited (the "**Company**") was incorporated in the Cayman Islands on 21 August 2014 as an exempted company with limited liability under the Companies Law (as revised) of the Cayman Islands. The registered office of the Company is Ocorian Trust (Cayman) Limited, PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands and its headquarters and principal place of business in Hong Kong is Units A&B, 12/F, MG Tower, 133 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong. Its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The directors of the Company (the "**Directors**") consider that the immediate and ultimate holding company is Phoenix Time Holdings Limited which is incorporated in the British Virgin Islands (the "**BVI**"). Its ultimate controlling party is Mr. Zhong Naixiong.

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

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

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied, for the first time, the Amendments to References to the Conceptual Framework in Hong Kong Financial Reporting Standards ("**HKFRSs**") and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") which are effective for the Group's financial year beginning 1 April 2020:

Amendments to HKFRS 3	Definition of a Business
Amendments to Hong Kong Accounting Standards ("**HKAS**") 1 and HKAS 8	Definition of Material
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2021

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

New and amendments to HKFRSs issued but not yet effective

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

HKFRS 17	Insurance Contracts and Related Amendments[5]
Amendments to HKFRS 3	Reference to Conceptual Framework[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2[1]
Amendment to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020 cycle[3]
Amendment to HKFRS 16	COVID-19 – Related Rent Concessions[4]
2021 Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021[6]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and the related amendments to Hong Kong Interpretation 5 (2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[5]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[5]
Amendments to HKAS 8	Definition of accounting estimates[5]
Amendments to HKAS 16	Property, plant and Equipment: Proceeds before Intended Use[3]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[3]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[5]

1 Effective for annual periods beginning on or after 1 January 2021
2 Effective for annual periods beginning on or after a date to be determined
3 Effective for annual periods beginning on or after 1 January 2022
4 Effective for annual periods beginning on or after 1 June 2020
5 Effective for annual periods beginning on or after 1 January 2023
6 Effective for annual periods beginning on or after 1 April 2021

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2021

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in subsidiaries

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

Revenue recognition

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

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

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

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

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

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- The Group's performance creates and enhances an asset that the customer controls as the asset is created and enhanced; or
- The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2021

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Principal versus agent

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

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

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

Contract assets and contract liabilities

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

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

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

The Group recognised revenue from the following major sources:

- Provision of VCMA solution services
- Provision of VCMA maintenance services
- Provision of cloud-based IT+OT managed services

(i) Provision of VCMA solution services

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

(ii) Provision of VCMA maintenance services

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2021

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

(iii) Provision of cloud-based IT+OT managed services

Revenue from provision of cloud-based IT+OT managed services comprised two performance obligations (i.e. sales of goods and provision of software development service). Sale of goods is recognised at the point when the control of the products is transferred to the customers (generally on delivery of products). Revenue from the service rendered is recognised at a point in time when service is rendered to customers with customer's acceptance.

Government grants

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

Property and equipment

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

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

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

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

Investment property

Investment property is property held to earn rentals and/or for capital appreciation.

Investment property is initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment property is stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment property over its estimated useful life and after taking into account of its estimated residual value, using the straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

An item of property and equipment becomes an investment property when there is a change in use, as evidenced by end of owner-occupation. An investment property becomes an owner-occupied property when there is a change in use, as evidenced by commencement of an owner-occupation. When an entity uses the cost model, transfers between owner-occupied property and investment property do not change the carrying amount of the property transferred and they do not change the cost of that property for measurement or disclosure purposes.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing

Definition of a lease

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

The Group as lessor

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

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

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

The Group as lessee

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

Lease liability

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

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

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

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

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

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using revised discount rate;

- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2021

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing (Continued)

The Group as lessee (Continued)

Right-of-use asset

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

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

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

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

Leasehold land and building

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

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

Borrowing costs

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

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

Retirement benefits costs

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

Taxation

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2021

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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

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

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

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

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

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

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

Current and deferred tax are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

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

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

Financial instruments

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

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

Financial assets

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

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

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

Financial assets at amortised cost (debt instruments)

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

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2021

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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

Amortised cost and effective interest method

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

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

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

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

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

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

Equity instruments designated as at FVTOCI

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

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

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

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

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

Significant increase in credit risk

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

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

Significant increase in credit risk (Continued)

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

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

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

Definition of default

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

- when there is a breach of financial covenants by the debtor; or

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

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

Credit-impaired financial assets

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

- significant financial difficulty of the issuer or the borrower;

- a breach of contract, such as a default or past due event;

- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

- the disappearance of an active market for that financial asset because of financial difficulties.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

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

Write-off policy

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

Measurement and recognition of ECL

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

Generally, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

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

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

Derecognition of financial assets

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

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

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2021

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Financial liabilities

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

Financial liabilities subsequently measured at amortised cost

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

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

Derecognition of financial liabilities

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

Cash and cash equivalents

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

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

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

At the end of the reporting period, the Group reviews the carrying amounts of its property and equipment and right-of-use assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generation units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment losses on property and equipment and right-of-use assets (Continued)

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a CGU, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of CGUs, with the recoverable amount of the group of CGUs. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of CGUs. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of CGUs. An impairment loss is recognised immediately in profit or loss.

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

Fair value measurement

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

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

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

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTIES

In the application of the Group's accounting policies, which are described in note 3, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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

Estimated impairment of property and equipment and investment property

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

The Group determines whether the property and equipment and investment property are impaired whenever there is indication of impairment presented. The impairment loss for property and equipment and investment property are recognised for the amounts by which the carrying amounts exceed their recoverable amounts, in accordance with the Group's accounting policy. The recoverable amounts of property and equipment and investment property have been determined based on higher of the fair value less costs of disposal and value-in-use calculations. These calculations require the use of judgements and estimations. As at 31 March 2021, the carrying values of property and equipment and investment property were approximately HK$85,393,000 (2020: HK$86,471,000) and nil (2020: HK$1,529,000). No impairment was recognised for the years ended 31 March 2021 and 2020.

Estimated provision for write-down of inventories

The management of the Group reviews an ageing analysis at the end of each reporting period and makes provision for obsolete and slow-moving items identified that are no longer suitable for sale or use. The Group makes provision for write-down of inventories based on the assessment of the net realisable value. The management estimates the net realisable value for inventories based primarily on the latest invoice prices and current market conditions. As at 31 March 2021, the carrying amount of inventories of the Group was approximately HK$12,513,000 (2020: HK$11,343,000), net of accumulated provision for write-down of inventories of approximately HK$3,076,000 (2020: HK$2,805,000). During the year ended 31 March 2021, provision for write-down of inventories of approximately HK$271,000 (2020: HK$1,499,000) and no reversal of provision for write-down of inventories (2020: approximately HK$198,000) were recognised.

Impairment of trade receivables and contract assets

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

As at 31 March 2021, the carrying amount of trade receivables and contract assets was approximately HK$35,915,000 (2020: HK$37,681,000). No impairment was recognised for the years ended 31 March 2021 and 2020.

5. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt, which includes the bank borrowings disclosed in note 24, net of cash and cash equivalents and equity attributable to the owners of the Company, comprising issued share capital and reserves.

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

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2021 HK$'000	2020 HK$'000
Financial assets		
Financial assets at amortised cost	**104,833**	108,474
Financial liabilities		
Financial liabilities at amortised cost	**54,222**	60,298

(b) Financial risk management objectives and policies

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2021

6. FINANCIAL INSTRUMENTS (Continued)

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

Market risk

Currency risk

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

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

	Assets		Liabilities	
	2021	2020	**2021**	2020
	HK$'000	HK$'000	**HK$'000**	HK$'000
United States dollar ("**USD**")	**2,404**	2,018	**2,348**	5,668
Euro ("**EUR**")	**100**	98	**240**	18

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

Sensitivity analysis

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

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

The following table details the Group's sensitivity to a 5% increase or decrease in HK$ against the EUR for the years ended 31 March 2021 and 2020. 5% is the sensitivity rates used when reporting foreign currency risk internally to key management personnel and represent management's assessment of the reasonably possible change in foreign exchange rates.

The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2020: 5%) change in foreign currency rates. A positive number below indicates an increase in post-tax profit where the respective functional currency strengthen 5% (2020: 5%) against the relevant currency. For a 5% (2020: 5%) weakening of the respective functional currency against the relevant currency, there would be an equal and opposite impact on the profit.

	EUR	
	2021	2020
	HK$'000	HK$'000
Impact on post-tax profit for the year	**(6)**	(3)

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

6. FINANCIAL INSTRUMENTS (Continued)

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

Market risk (Continued)

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances (note 20) and variable-rate bank borrowings (note 24) carrying interest at prevailing market rates. However, the exposure in bank balances is minimal to the Group as the bank balances are all short-term in nature. It is the Group's policy to keep its borrowings at floating rate of interest so as to minimise the fair value interest rate risk.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the end of each reporting period. The analysis is prepared assuming the amount of liability outstanding at the end of reporting period was outstanding for the whole year. A 50 (2020: 50) basis point increase or decrease is used for the year when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower for the year ended 31 March 2021 and all other variables were held constant, the Group's post-tax profit would decrease/increase by approximately HK$110,000 (2020: HK$129,000). This is mainly attributable to the Group's exposure to cash flow interest rate risk on its variable-rate bank borrowings.

Credit risk

As at 31 March 2021, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

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

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

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

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

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

6. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk (Continued)

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

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

The Group's exposure to credit risk

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2021

6. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk (Continued)

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

	Internal credit rating	12-month or lifetime ECL	As at 31 March 2021 Gross carrying amount HK$'000	As at 31 March 2021 Net carrying amount HK$'000	As at 31 March 2020 Gross carrying amount HK$'000	As at 31 March 2020 Net carrying amount HK$'000
Trade receivables	Note a	Lifetime ECL (simplified approach)	35,637	35,637	37,367	37,367
Deposits and other receivables	Performing (Note b)	12-month ECL	887	887	171	171
			36,524	36,524	37,538	37,538
Contract assets	Note a	Lifetime ECL (simplified approach)	278	278	314	314

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

Note b: As at 31 March 2021 and 2020, the credit rating of deposit and other receivables and bank balance and cash were performing and the expected loss rate are assessed to be close to zero. Thus, no loss allowance has been made.

Included in the Group's trade receivables and contract assets balance as at 31 March 2021, approximately HK3,501,000 (2020: HK$5,350,000) and HK$11,946,000 (2020: HK$18,134,000), representing approximately 10% (2020: 14%) and 33% (2020: 48%) of the total trade receivables and contract assets were due from the Group's largest customer and the five largest customers respectively. There are no other customers who represent more than 5% of the total trade receivables balance as at the end of the reporting periods.

Liquidity risk

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2021

6. FINANCIAL INSTRUMENTS (Continued)

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

Liquidity risk (Continued)

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

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

	Weighted average interest rate %	On demand or within 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
As at 31 March 2020				
Trade payables	–	18,555	18,555	18,555
Other payables and accruals	–	10,905	10,905	10,905
Bank borrowings	3.45%	31,902	31,902	30,838
		61,362	61,362	60,298
Lease liability	2.88%	99	99	97

Bank borrowings with a repayment on demand clause are included in the "on demand or within 1 year" time band in the above maturity analysis. At 31 March 2021, the aggregate undiscounted principal amounts of these bank loans amounted to HK$26,417,020 (2020: HK$30,838,000). Taking into account the Group's financial position, the Directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The Directors believe that such bank loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to HK$26,780,792 (2020: HK$32,467,000).

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

7. REVENUE AND OTHER INCOME AND NET GAIN

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

	2021 HK$'000	2020 HK$'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products or service line		
– VCMA solution services	123,083	141,172
– VCMA maintenance services	18,777	17,332
– Cloud-based IT+OT managed services	3,520	–
	145,380	158,504

Disaggregation of revenue by timing of recognition

	2021 HK$'000	2020 HK$'000
Timing of revenue recognition		
At a point in time	125,734	141,172
Over time	19,646	17,332
Total revenue from contracts with customers	145,380	158,504

	2021 HK$'000	2020 HK$'000
Other income and net gain		
Government grants *(note)*	3,447	–
Net exchange gain	206	68
Write off of trade payables	68	–
Bank interest income	61	73
Gain on disposal of property and equipment	55	–
Gross rental income from investment property	–	6
Write off of property and equipment	–	(3)
	3,837	144

Note: During the year ended 31 March 2021, the Group recognised government grants of approximately HK$3,447,000 (2020: nil) in respect of COVID-19-related subsidies related to Employment Support Scheme provided by the Government of the Hong Kong Special Administrative Region under the Anti-epidemic Fund. There are no unfulfilled conditions and other contingencies attached to the receipts of those subsidies.

8. SEGMENT INFORMATION

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

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

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

1. Provision of VCMA solution and maintenance services

2. Provision of cloud-based IT+OT managed services

The provision of cloud-based IT+OT managed services was commenced during the year ended 31 March 2021 as the Group diversified its operation during the year. Therefore, a new segment in respect of provision of cloud-based IT+OT managed services was disclosed in the current year.

(a) Segment revenue and results

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

	Provision of VCMA solution and maintenance services		Provision of cloud-based IT+OT managed services		Total	
	2021 HK$'000	2020 HK$'000	**2021 HK$'000**	2020 HK$'000	**2021 HK$'000**	2020 HK$'000
For the year ended 31 March						
Segment revenue – external customers	**141,860**	158,504	**3,520**	–	**145,380**	158,504
Segment results	**23,473**	33,102	**(430)**	–	**23,043**	33,102
Unallocated other income and net gain					**3,770**	144
Unallocated expenses					**(12,146)**	(27,089)
Profit before tax					**14,667**	6,157

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

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

8. SEGMENT INFORMATION (Continued)

(b) Segment assets and liabilities

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

	Provision of VCMA solution and maintenance services		Provision of cloud-based IT+OT managed services		Total	
	2021 HK$'000	2020 HK$'000	2021 HK$'000	2020 HK$'000	2021 HK$'000	2020 HK$'000
As at 31 March						
Segment assets	47,085	51,107	3,917	–	51,002	51,107
Unallocated assets					156,666	159,080
Total assets					207,668	210,187
Segment liabilities	(25,714)	(32,418)	(4,940)	–	(30,654)	(32,418)
Unallocated liabilities					(32,099)	(36,709)
Total liabilities					(62,753)	(69,127)

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

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

- all liabilities are allocated to reportable segments other than certain other payables and accruals, lease liability, bank borrowings, tax payables and deferred tax liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2021

8. SEGMENT INFORMATION (Continued)

(c) Other segment information

	Provision of VCMA solution and maintenance services		Provision of cloud-based IT+OT managed services		Unallocated		Total	
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Amounts included in the measure of segment profit or loss or segment assets:								
Addition to property and equipment	**40**	71	**–**	–	**1,120**	400	**1,160**	471
Disposal of property and equipment	**–**	–	**–**	–	**(484)**	–	**(484)**	–
Depreciation of property and equipment	**613**	705	**–**	–	**2,654**	2,631	**3,267**	3,336
Provision for write-down of inventories	**271**	1,499	**–**	–	**–**	–	**271**	1,499
Reversal of provision for write-down of inventories	**–**	(198)	**–**	–	**–**	–	**–**	(198)
Write-off of trade payables	**(68)**	–	**–**	–	**–**	–	**(68)**	–

(d) Geographical information

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

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

	Revenue from external customers	
	2021	2020
	HK$'000	HK$'000
Hong Kong (place of domicile)	**139,463**	155,328
The PRC	**4,846**	2,451
Macau	**1,071**	725
	145,380	158,504

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

	Non-current assets	
	2021	2020
	HK$'000	HK$'000
Hong Kong (place of domicile)	**85,386**	87,994
The PRC	**7**	6
	85,393	88,000

Note: Non-current assets excluded deferred tax assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2021

8. SEGMENT INFORMATION (Continued)

(e) Information about major customers

No revenue from individual external customer contributed over 10% of total revenue of the Group for the year ended 31 March 2021.

Revenue from customers for the year ended 31 March 2020 contributing over 10% of the total sales of the Group is as follows:

	2021 HK$'000	2020 HK$'000
Customer A	N/A[1]	16,061

[1] Contributed less than 10% of total sales

9. FINANCE COSTS

	2021 HK$'000	2020 HK$'000
Interest expenses on bank borrowings	580	1,142
Interest on lease liability	2	7
	582	1,149

10. INCOME TAX EXPENSES

	2021 HK$'000	2020 HK$'000
Current tax:		
– Hong Kong Profits Tax	1,790	3,759
– PRC Enterprise Income Tax	–	54
	1,790	3,813
Over provision in prior year		
– Hong Kong Profits Tax	–	(170)
	–	(170)
	1,790	3,643
Deferred taxation *(note 25)*	153	(107)
Total income tax expenses for the year	1,943	3,536

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2021

10. INCOME TAX EXPENSES (Continued)

i) Under the two-tiered profits tax rates regime in Hong Kong, the first HK$2 million of profits of qualifying corporation will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. For the year ended 31 March 2021, Hong Kong Profits Tax of the qualified entity of the Group is calculated in accordance with the two-tiered profits tax rates regime. The profits of other Group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5%.

ii) Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, PRC Enterprises Income Tax is calculated at 25% of the estimated assessable profits for the years ended 31 March 2021 and 2020.

iii) The Singapore subsidiary is in loss-making position for the current year and accordingly does not have any provision for Singapore Corporate Tax at 17% for the years ended 31 March 2021 and 2020.

iv) Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI.

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

	2021 **HK$'000**	2020 HK$'000
Profit before taxation	**14,667**	6,157
Tax at domestic income tax rate of 16.5% (2020: 16.5%)	**2,420**	1,016
Effect of different tax rate of subsidiaries operating in other jurisdictions	**(55)**	19
Tax effect of two-tiered profits tax rates regime	**(165)**	(165)
Tax effect of expense not deductible for tax purposes	**348**	2,777
Tax effect of income not taxable for tax purposes	**(604)**	(12)
Tax effect of tax loss not recognised	**172**	204
Utilisation of taxes losses previously not recognised	**(123)**	(62)
Tax exemption *(note)*	**(50)**	(71)
Over provision in prior year	**–**	(170)
Income tax expenses for the year	**1,943**	3,536

Note: Tax exemption represented a reduction of Hong Kong Profits Tax for the years of assessment 2020/2021 and 2019/2020 by 100%, subject to a ceiling of HK$10,000 and HK$20,000 respectively.

Details of the deferred taxation are set out in note 25.

11. PROFIT FOR THE YEAR

	2021 HK$'000	2020 HK$'000
Profit for the year has been arrived at after charging (crediting):		
Directors' emoluments *(note 13)*	7,946	8,249
Salaries (excluding directors' emoluments)	25,966	26,079
Retirement benefit scheme contributions (excluding directors' emoluments)	1,295	1,120
Total staff costs	35,207	35,448
Cost of inventories sold including installation cost	88,184	90,856
Reversal of provision for write-down of inventories (included in cost of sales)	–	(198)
Provision for write-down of inventories (included in cost of sales)	271	1,499
Depreciation for property and equipment and right-of-use asset	3,267	3,336
Depreciation for investment property	16	39
Auditor's remuneration	725	586

12. EARNINGS PER SHARE

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

	2021 HK$'000	2020 HK$'000
Earnings		
Earnings for the purpose of basic and diluted earnings per share	12,789	2,621

	2021 '000	2020 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	1,000,000	1,000,000

The dilutive earnings per share is equal to the basic earnings per share as there were no dilutive potential ordinary shares outstanding during the years ended 31 March 2021 and 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2021

13. DIRECTORS', CHIEF EXECUTIVES' AND EMPLOYEES' EMOLUMENTS

(a) Directors' and chief executives' emoluments

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

For the year ended 31 March 2021

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2021

13. DIRECTORS', CHIEF EXECUTIVES' AND EMPLOYEES' EMOLUMENTS (Continued)

(a) Directors' and chief executives' emoluments (Continued)

For the year ended 31 March 2020

	Notes	Fees HK$'000	Salaries HK$'000	Discretionary bonus HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Executive directors:						
Mr. Zhong Naixiong		120	–	–	–	120
Mr. Yau Wing Keung		180	–	–	–	180
Mr. Chan Wing Yiu		–	758	795	–	1,553
Mr. Tong Sai Wong		–	758	795	–	1,553
Mr. Chan Wing Lun		–	2,425	1,620	18	4,063
Non-executive director:						
Dr. Wong King Keung		180	–	–	–	180
Independent non-executive directors:						
Mr. Lum Pak Sum		150	–	–	–	150
Mr. Fong Chi		150	–	–	–	150
Mr. Fung Chan Man Alex		150	–	–	–	150
Mr. Mong Cheuk Wai	*(i)*	150	–	–	–	150
		1,080	3,941	3,210	18	8,249

Notes:

(i) Appointed on 13 November 2019 and resigned on 4 February 2021.

(ii) Appointed on 4 February 2021.

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

None of the Directors waived or agreed to waive any emoluments during the years ended 31 March 2021 and 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2021

13. DIRECTORS', CHIEF EXECUTIVES' AND EMPLOYEES' EMOLUMENTS (Continued)

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, three (2020: three) were the Directors. Their emoluments are included in the disclosures in note 13(a) above. The emoluments of the remaining two (2020: two) individuals for the years ended 31 March 2021 and 2020 were as follows:

	2021 HK$'000	2020 HK$'000
Salaries	2,313	2,403
Performance related incentive payments	1,026	1,238
Retirement benefit scheme contributions	77	76
	3,416	3,717

Their emoluments were within the following bands:

	Number of individuals 2021	2020
HK$1,500,001 to HK$2,000,000	2	2

No emoluments were paid by the Group to the Directors, chief executives or the five highest paid individuals as inducements to join or upon joining the Group or as a compensation for loss of office during the years ended 31 March 2021 and 2020.

14. DIVIDEND

	2021 HK$'000	2020 HK$'000
Dividend recognised as distribution during the year 2020 Final – HK0.90 cents per share (2020: 2019 Final dividend – HK1.20 cents per share)	9,000	12,000

Dividend of HK$9,000,000 was paid during the year ended 31 March 2021 (2020: HK$12,000,000). Subsequent to the end of the reporting period, a final dividend of HK0.65 cents (2020: HK0.90 cents) per share in respect of the year ended 31 March 2021 has been proposed by the Directors and is subject to approval by the Shareholders at the forthcoming annual general meeting of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2021

15. PROPERTY AND EQUIPMENT

	Land and buildings HK$'000	Right-of-use asset-property HK$'000	Furniture and fixtures HK$'000	Computer equipment HK$'000	Leasehold improvement HK$'000	Motor vehicle HK$'000	Total HK$'000
COST							
At 1 April 2019	101,215	222	1,323	1,492	2,447	499	107,198
Additions	–	–	–	71	400	–	471
Written off	–	–	(115)	(231)	–	–	(346)
At 31 March 2020 and 1 April 2020	101,215	222	1,208	1,332	2,847	499	107,323
Additions	–	–	610	40	–	510	1,160
Disposal	–	–	(9)	(25)	–	(510)	(544)
Written off on expiry of lease term	–	(222)	–	–	–	–	(222)
Transferred from investment property	1,680	–	–	–	–	–	1,680
At 31 March 2021	102,895	–	1,809	1,347	2,847	499	109,397
ACCUMULATED DEPRECIATION							
At 1 April 2019	13,167	–	1,317	1,016	2,134	225	17,859
Provided for the year	2,631	127	1	245	232	100	3,336
Eliminated on written off on expiry of lease term	–	–	(115)	(228)	–	–	(343)
At 31 March 2020 and 1 April 2020	15,798	127	1,203	1,033	2,366	325	20,852
Provided for the year	2,654	95	20	199	174	125	3,267
Disposal	–	–	(9)	(25)	–	(26)	(60)
Written off	–	(222)	–	–	–	–	(222)
Transferred from investment property	167	–	–	–	–	–	167
At 31 March 2021	18,619	–	1,214	1,207	2,540	424	24,004
CARRYING VALUES							
At 31 March 2021	84,276	–	595	140	307	75	85,393
At 31 March 2020	85,417	95	5	299	481	174	86,471

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

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

15. PROPERTY AND EQUIPMENT (Continued)

ii) As at 31 March 2021, land and buildings with carrying amounts of approximately HK$82,786,000 (2020: HK$85,417,000) have been pledged to secure bank borrowings of approximately HK$26,417,000 (2020: HK$30,838,000).

iii) All of the land and buildings are located in Hong Kong.

iv) During the year ended 31 March 2021, the Group repossessed a carpark located in Hong Kong as property and equipment which was previously leased out to the independent third party and classified as investment property. The carrying value of the unit on the date of reclassification amounted to approximately HK$1,513,000 (note 16).

v) During the year ended 31 March 2020, the Group had lease arrangements for property. The lease term was generally ranged from one to two years. All of the lease arrangements for property have been expired during the year ended 31 March 2021.

16. INVESTMENT PROPERTY

	HK$'000
COST	
At 1 April 2019, 31 March 2020 and 1 April 2020	1,680
Transferred to property and equipment	(1,680)
At 31 March 2021	–
ACCUMULATED DEPRECIATION	
At 1 April 2019	112
Provided for the year	39
At 31 March 2020 and 1 April 2020	151
Provided for the year	16
Transferred to property and equipment	(167)
At 31 March 2021	–
CARRYING VALUES	
At 31 March 2021	–
At 31 March 2020	1,529

The above investment property is located in Hong Kong with medium term lease and depreciated on a straight-line basis over the remaining lease term.

No investment property was pledged as at 31 March 2021 and 2020.

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17. INVENTORIES

	2021 HK$'000	2020 HK$'000
Finished goods	**12,513**	11,343

During the year ended 31 March 2020, there were sales of finished goods previously written down. As a result, a reversal of provision for write-down of finished goods of approximately HK$198,000 (2021: nil) was recognised and included in "cost of sales" in consolidated statement of profit or loss and other comprehensive income.

18. TRADE RECEIVABLES AND CONTRACT ASSETS

	2021 HK$'000	2020 HK$'000
Trade receivables	**35,637**	37,367
Contract assets	**278**	314
	35,915	37,681

As at 31 March 2021, the gross amount of trade receivables and contract assets arising from contracts with customers amounted to approximately HK$35,915,000 (2020: HK$37,681,000) of which approximately HK$278,000 (2020: HK$314,000) represented contract assets.

As at 31 March 2021, trade receivables of approximately HK$258,000 (2020: nil) represented trade receivables from a related company.

Contract assets are initially recognised for certain amount of revenue earned from provision of VCMA solution services as receipt of consideration is conditional on successful completion of retention period ranged from 1-5 years. The contract assets are transferred to trade receivables when the rights become unconditional. Upon completion of retention period, the amounts recognised as contract assets are reclassified to trade receivables. At 31 March 2021, contract assets of approximately HK$37,000 (2020: HK$267,000) are expected to be recovered after one year from the end of reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2021

18. TRADE RECEIVABLES AND CONTRACT ASSETS (Continued)

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

	2021 HK$'000	2020 HK$'000
0 to 30 days	**15,823**	11,569
31 to 60 days	**6,712**	4,977
61 to 120 days	**4,464**	6,884
121 to 365 days	**4,987**	11,185
Over 365 days	**3,651**	2,752
	35,637	37,367

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

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

No loss allowance was made on the balances during the years ended 31 March 2021 and 2020 as the loss rate is close to zero.

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2021 HK$'000	2020 HK$'000
Prepayments	**1,604**	1,290
Deposits	**312**	166
Other receivables	**575**	5
	2,491	1,461

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For the Year Ended 31 March 2021

20. BANK BALANCES AND CASH

The bank balances for the years ended 31 March 2021 and 2020 carried interest at the prevailing market rate.

The Group's bank balances and cash denominated in RMB amounted to approximately HK$2,683,000 (2020: HK$2,240,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations.

21. TRADE PAYABLES

	2021 HK$'000	2020 HK$'000
Trade payables	**16,427**	18,555

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

	2021 HK$'000	2020 HK$'000
0 to 60 days	**8,974**	8,914
61 to 90 days	**834**	1,172
Over 90 days	**6,619**	8,469
	16,427	18,555

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

22. OTHER PAYABLES AND ACCRUALS

	2021 HK$'000	2020 HK$'000
Accrued salary *(Note i)*	**5,909**	6,562
Commission payable	**2,481**	1,944
Contract liabilities	**7,024**	7,709
Accrued expenses and other payables *(Note ii)*	**2,041**	2,399
Amount due to a related company *(Note iii)*	**947**	–
	18,402	18,614

Notes:

(i) Included in the balance as at 31 March 2020, there was approximately HK$150,000 (2021: nil) accrued salary to the Directors.

(ii) As at 31 March 2020, the amount of approximately HK$144,000 (2021: nil) was due to the related companies of which a close family member of Mr. Zhong Naixiong and Mr. Yau Wing Keung, the Directors and have control and beneficial interest in the respective related company. The amounts are non-trade nature, unsecured, interest-free and repayable on demand.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2021

22. OTHER PAYABLES AND ACCRUALS (Continued)

Contract liabilities represented advance payments from customers pursuant to the respective sales contracts. The significant changes in contract liabilities for the year ended 31 March 2021 was mainly due to the completion of the projects before the year end.

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

	2021 HK$'000	2020 HK$'000
VCMA solution services	5,738	9,349
VCMA maintenance services	1,971	2,698
	7,709	12,047

23. LEASE LIABILITY

	2021 HK$'000	2020 HK$'000
Current	–	97
Non-current	–	–
	–	97

	2021 HK$'000	2020 HK$'000
Amounts payable under lease liability		
Within one year and settled within 12 months (shown in current liability)	–	97

Amounts recognised in profit or loss:

	2021 HK$'000	2020 HK$'000
Depreciation expense on right-of-use asset	95	127
Interest expense on lease liability	2	7
Expense relating to short-term leases	383	241

During the year ended 31 March 2021, the total cash outflow for lease amount to approximately HK$482,000 (2020: HK$373,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2021

24. BANK BORROWINGS

	2021 HK$'000	2020 HK$'000
Secured mortgage loans	**26,417**	30,838
Carrying amount repayable (based on scheduled repayment dates set out in the loan agreements):		
Within one year	**21,481**	4,421
More than one year but not exceeding two years	**4,439**	21,481
More than two years but not exceeding five years	**497**	4,439
After five years	**–**	497
	26,417	30,838
Carrying amount of bank loans that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	**4,936**	26,417
Carrying amount repayable within one year	**21,481**	4,421
Amounts shown under current liabilities	**26,417**	30,838

Borrowings comprise:

	Maturity Date	Effective interest rate	Carrying amount 2021 HK$'000	Carrying amount 2020 HK$'000
Floating-rate borrowings:				
– HKD mortgage loans (1)	21/8/2021	2.03% (2020: 3.46%)	**20,001**	22,943
– HKD mortgage loans (2)	12/7/2025	2.03% (2020: 3.44%)	**6,416**	7,895
			26,417	30,838

(1) During the year ended 31 March 2021, the floating rate is lower of Hong Kong Interbank Offered Rate ("**HIBOR**") plus 1.4% (2020: 1.4%) or 2.25% (2020: 2.25%) below best lending rate. Repayable in 84 equal monthly installments commencing from the drawdown of the borrowings.

(2) During the year ended 31 March 2021, the floating rate is lower of HIBOR plus 1.4% (2020: 1.4%) or 2.25% (2020: 2.25%) below best lending rate. Repayable in 120 equal monthly installments commencing from the drawdown of the borrowings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2021

24. BANK BORROWINGS (Continued)

Notes:

(a) The bank borrowings are all denominated in HK$.

(b) All borrowings were guaranteed by the Company and its subsidiaries in Hong Kong for both years.

(c) As at 31 March 2021, bank borrowings of approximately HK$26,417,000 (2020: HK$30,838,000) were secured by land and buildings of the Group with carrying amounts of approximately HK$82,786,000 (2020: HK$85,417,000).

25. DEFERRED TAXATION

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

	2021 HK$'000	2020 HK$'000
Deferred tax assets	**654**	622
Deferred tax liabilities	**(1,208)**	(1,023)
	(554)	(401)

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

	Accelerated depreciation allowance HK$'000	**Tax losses** HK$'000	**Provision for write-down of inventory** HK$'000	**Total** HK$'000
At 31 March 2019 and 1 April 2019	728	(18)	(202)	508
Charged (credit) to profit or loss during the year *(note 10)*	56	12	(175)	(107)
At 31 March 2020 and 1 April 2020	784	(6)	(377)	401
Charged (credit) to profit or loss during the year *(note 10)*	192	6	(45)	153
At 31 March 2021	976	–	(422)	554

At 31 March 2021, the Group had unused tax losses of approximately HK$2,623,000 (2020: HK$2,695,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such losses (2020: approximately HK$39,000). No deferred tax asset has been recognised in respect of the remaining HK$2,623,000 (2020: HK$2,656,000) due to the unpredictability of future profit streams. Except for the unused tax losses of HK$927,000 (2020: HK$283,000) which will expire during the period from 2023 to 2025 (2020: 2023), the remaining unused tax losses may be carried forward indefinitely.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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26. SHARE CAPITAL

	Number of share	Share capital HK$'000
Ordinary shares of HK$0.01 each		
Authorised		
At 31 March 2020, 1 April 2020 and 31 March 2021	2,000,000,000	20,000
Issued and fully paid		
At 31 March 2020, 1 April 2020 and 31 March 2021	1,000,000,000	10,000

27. RESERVES

Merger reserve

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

Translation reserve

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

28. RETIREMENT BENEFIT SCHEME

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

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28. RETIREMENT BENEFIT SCHEME (Continued)

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

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

The total cost charged to profit or loss of approximately HK$1,313,000 (2020: HK$1,138,000) represents contributions payable to those schemes by the Group in respect of the current accounting period.

29. RELATED PARTY TRANSACTIONS

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

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

	2021 HK$'000	2020 HK$'000
Sales to the related companies *(note a)*	**480**	–
Service fee to a related company *(note b)*	**144**	144
Service fee to a related company *(note c)*	**144**	144

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

	2021 HK$'000	2020 HK$'000
Trade receivables due from a related company *(notes a and d)*	**258**	–
Amounts due to related companies (included in other payables and accruals) *(note d)*	**(947)**	(144)

Notes:

(a) The sales were made on a mutually agreed basis. The related companies are controlled and substantially owned by Mr. Zhong Naixiong, a director of the Company.

(b) The service fee was made on a mutually agreed basis. The related company is controlled and beneficially owned by a close family member of Mr. Zhong Naixiong, a director of the Company.

(c) The service fee was made on a mutually agreed basis. The related company is controlled and beneficially owned by Mr. Yau Wing Keung, a director of the Company.

(d) The amounts are non-trade nature, unsecured, interest-free and repayable on demand.

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29. RELATED PARTY TRANSACTIONS (Continued)

(b) Compensation of key management personnel

The remuneration of the directors and key management personnel is determined by the board of Directors having regard to the performance of individuals and market trends.

The related party transactions including remuneration for key management personnel of the Group are as follows:

	2021 HK$'000	2020 HK$'000
Short-term benefits	11,487	12,562
Retirement benefit scheme contributions	130	112
	11,617	12,674

30. SHARE-BASED PAYMENT TRANSACTIONS

Share award scheme (the "Share Award Scheme")

The Company's Share Award Scheme was adopted pursuant to a written resolution of the Company passed on 3 February 2021 for the purpose of recognising the contributions by certain eligible employees to the Group, to provide them with incentives in order to retain them for the continual operation and development of the Group and attract suitable personnel for further development of the Group. Under the Share Award Scheme, the Directors may allot and issue new shares to eligible employees, including Directors, officers, consultants, advisor or other eligible person as stated in the Share Award Scheme.

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

Award granted which may vest in the form of awarded shares or the actual selling price of the awarded shares in cash, in accordance with the terms of the rules of Share Award Scheme during the period from the commencing on the adoption date and ending on the business day immediately prior to the tenth anniversary of the adoption date.

No share award are granted since the adoption of the Share Award Scheme and during the year ended 31 March 2021. Subsequent to the year ended 31 March 2021, a total of 500,000 awarded shares were granted under the Share Award Scheme.

30. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Share option scheme (the "Share Option Scheme")

The Company's Share Option Scheme was adopted pursuant to a written resolution of the Company passed on 11 May 2015 for the purpose of attracting and retaining the best quality personnel for the development of the Group's businesses, providing additional incentives to the qualifying grantees, and promoting the long term financial success of the Group by aligning the interests of option holders to Shareholders. Under the Share Option Scheme, the board of Directors may grant options to eligible employees, including Directors and its subsidiaries, consultants, business partners or other eligible person as stated in the Share Option Scheme, to subscribe for shares in the Company.

The total number of shares in respect of which options may be granted under the Share Option Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue during any 12-month period, without prior approval from the Company's shareholders. Each grant of options to a Director, chief executive or substantial shareholder of the Company or any of their respective associates must be approved by the independent non-executive directors (excluding any independent non-executive director who is the grantee of the options) and the Shareholders in a general meeting with such participant and his/her close associates (or his/her associates if the participant is a connected person) abstaining from voting.

Options granted must be taken up within twenty-eight days from the date of the offer, upon payment of HK$1 per option. Option periods of the options granted shall not be greater than a period of ten years from the date of grant of the options. The exercise price is determined by the Directors, and will not be less than the highest of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

No share options are granted since the adoption of the Share Option Scheme and during the years ended 31 March 2021 and 2020. Subsequent to the year ended 31 March 2021, the Company has granted 3,000,000 share options under the Share Option Scheme to the selected participant which are exercisable from the date of grant until 20 April 2028 at the subscription price of HK$0.54.

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31. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	1 April 2020 HK$'000	Financing cash flows HK$'000	Interest expense incurred HK$'000	31 March 2021 HK$'000
Lease liability *(note 23)*	97	(99)	2	–
Interest payables	–	(580)	580	–
Bank borrowings *(note 24)*	30,838	(4,421)	–	26,417
	30,935	(5,100)	582	26,417

	31 March 2019 HK$'000	Adoption of HKFRS 16 HK$'000	1 April 2019 HK$'000	Financing cash flows HK$'000	Interest expense incurred HK$'000	31 March 2020 HK$'000
Lease liability *(note 23)*	–	222	222	(132)	7	97
Interest payables	–	–	–	(1,142)	1,142	–
Bank borrowings *(note 24)*	35,259	–	35,259	(4,421)	–	30,838
	35,259	222	35,481	(5,695)	1,149	30,935

32. CAPITAL COMMITMENT

At the end of the reporting period, the Group had the following contracted for but not provided other commitment:

	2021 HK$'000	2020 HK$'000
Capital contribution to financial assets at FVTOCI	**2,368**	–

Note: Top Luck Development Limited (祥高發展有限公司), a wholly-owned subsidiary of the Company has entered into a shareholders' agreement with two independent third parties of the Group and a related company, which is controlled and substantially owned by Mr. Zhong Naixiong, a director of the Company, in relation to a commitment of capital contribution of RMB2,000,000 in the investment in a 4% equity interest of Changzhou Guoyun Green Data Technology Co., Limited* (常州國雲綠色數據技術有限公司). This investment is considered as financial assets at FVTOCI as it is held for long term investment purpose.

* *English name for identification purposes only*

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33. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Name of subsidiaries	Place of incorporation/ establishment and business	Issued ordinary shares/ registered and paid-up capital	Proportion of ownership interest held by the Company				Proportion of voting power held by the Company		Principal activities
			Directly		Indirectly				
			2021	2020	2021	2020	2021	2020	
			%	%	%	%	%	%	
i-Control ITAV Limited	The BVI	Ordinary shares USD7	100	100	–	–	100	100	Investment holding
i-Control Consultancy Limited	The BVI	Ordinary share USD1	–	–	100	100	–	–	Corporate consultancy and support
i-Control Limited	Hong Kong	Ordinary shares HK$2,500,000	–	–	100	100	–	–	Professional audio visual system integrator
I-CONTROL (ITAV) PTE. LTD.	Singapore	Ordinary shares SGD1,000	–	–	100	100	–	–	Professional audio visual system integrator
Eduserve International Limited	Hong Kong	Ordinary shares HK$3,000,000	–	–	100	100	–	–	Professional audio visual system integrator
i-Control (China) Limited	Hong Kong	Ordinary shares HK$1,800,000	–	–	100	100	–	–	Professional audio visual system integrator
i-Control (Shanghai) Information Technology Co. Ltd 愛港超（上海）信息科技有限公司[(1)(3)]	The PRC	Registered and paid-up capital: RMB1,000,000	–	–	100	100	–	–	Professional audio visual system integrator
View Mark Limited	Hong Kong	Ordinary shares HK$10,000	–	–	100	100	–	–	Property holding
Billion Peace Limited	Hong Kong	Ordinary shares HK$10,000	–	–	100	100	–	–	Property holding
Modern China Business Consultants Limited	Hong Kong	Ordinary shares HK$4,500,000	–	–	100	100	–	–	Property holding
Deluxe Peace Limited	Hong Kong	Ordinary shares HK$10,000	–	–	100	100	–	–	Property holding
i-Control (BVI) Limited	The BVI	Ordinary share USD1	*(Note 4)*	100	–	–	*(Note 4)*	100	Inactive
Pristine Capital Investments Limited	The BVI	Ordinary share USD1	–	–	*(Note 4)*	100	–	–	Inactive
Perfect Mark Investments Limited	Hong Kong	Ordinary share HKD1	100 *(Note 5)*	–	–	–	100	–	Investment holding
Top Luck Development Limited	Hong Kong	Ordinary share HKD1	100 *(Note 6)*	–	–	–	100	–	Investment holding
Beijing National Greenfield Technology Co. Ltd 北京能興國雲信息科技有限公司[(2)(3)]	The PRC	Registered capital: RMB10,000,000; Paid-up capital: nil	–	–	85 *(Note 7)*	–	–	–	Provision of cloud-based IT+OT managed services

None of the subsidiaries had any debt securities issued at the end of both years or anytime during both years.

(1) The company is a wholly foreign-owned enterprise with limited liability in the PRC.

(2) The company is a sino-foreign equity joint venture with limited liability in the PRC.

(3) English name for identification purpose only.

(4) The subsidiaries were deregistered on 11 August 2020.

(5) The subsidiary was incorporated on 18 September 2020.

(6) The subsidiary was incorporated on 4 September 2020.

(7) The subsidiary was established on 6 August 2020 which the Group obtained its control on 4 February 2021.

34. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2021 HK$000	2020 HK$000
Non-current asset		
Investments in subsidiaries	20,093	20,093
Current assets		
Other receivables	129	129
Amounts due from subsidiaries *(note (i))*	55,692	58,042
Tax recoverable	–	9
Bank balances and cash	9,027	1,412
	64,848	59,592
Current liabilities		
Other payables	3,611	4,623
Amounts due to subsidiaries *(note (i))*	42,000	24,662
Tax payable	10	–
	45,621	29,285
Net current assets	19,227	30,307
Net assets	39,320	50,400
Capital and reserves		
Share capital	10,000	10,000
Reserves *(note (ii))*	29,320	40,400
Total equity	39,320	50,400

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34. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Notes:

(i) The amounts due from (to) subsidiaries are unsecured, interest-free and repayable on demand.

(ii) Movement in reserves

	Share premium HK$'000	Retained profits (accumulated loss) HK$'000	Other reserve HK$'000	Total HK$'000
At 1 April 2019	47,344	728	20,093	68,165
Dividend	(12,000)	–	–	(12,000)
Loss for the year and total comprehensive income for the year	–	(15,765)	–	(15,765)
At 31 March 2020 and 1 April 2020	35,344	(15,037)	20,093	40,400
Dividend	(9,000)	–	–	(9,000)
Loss for the year and total comprehensive income for the year	–	(2,080)	–	(2,080)
At 31 March 2021	26,344	(17,117)	20,093	29,320

PARTICULARS OF PROPERTIES

1. PROPERTIES HELD FOR SELF USE

Location	Existing Use	Category of lease	Groups' interest	Market Value (HK$'000) *(Note)*
Unit A, 12/F, MG Tower, 133 Hoi Bun Road, Kwun Tong, Kowloon	Office	Medium term lease	100%	47,300
Unit B, 12/F, MG Tower, 133 Hoi Bun Road, Kwun Tong, Kowloon	Office	Medium term lease	100%	26,100
Unit L, 12/F, MG Tower, 133 Hoi Bun Road, Kwun Tong, Kowloon	Office	Medium term lease	100%	16,100
Unit K, 12/F, MG Tower, 133 Hoi Bun Road, Kwun Tong, Kowloon	Office	Medium term lease	100%	16,600
Units Nos. 32-40 & flat roofs Nos. 39-40, 5/F, Pacific Trade Centre, No.2 Kai Hing Road, Kowloon Bay, Kowloon	Warehouse and service centre	Medium term lease	100%	37,300
Car parking space P52, 2/F, MG Tower, 133 Hoi Bun Road, Kwun Tong, Kowloon	Carpark	Medium term lease	100%	2,100
Car parking space P53, 2/F, MG Tower, 133 Hoi Bun Road, Kwun Tong, Kowloon	Carpark	Medium term lease	100%	2,100
Car parking space P54, 2/F, MG Tower, 133 Hoi Bun Road, Kwun Tong, Kowloon	Carpark	Medium term lease	100%	2,100
Car parking space P85, 2/F, MG Tower, 133 Hoi Bun Road, Kwun Tong, Kowloon	Carpark	Medium term lease	100%	2,100
Car parking space L22, Basement, Pacific Trade Centre, No.2 Kai Hing Road, Kowloon	Carpark	Medium term lease	100%	2,730
Car parking space P27, 2/F, MG Tower, 133 Hoi Bun Road, Kwun Tong, Kowloon	Carpark	Medium term lease	100%	2,100
TOTAL				156,630

Note:

The market values of above properties were estimated by the Directors by using market comparable approach that reflects recent transaction prices for similar properties, adjusted for differences in the nature, location and conditions of the properties under review.

FINANCIAL SUMMARY

	Year ended 31 March				
	2021	2020	2019	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**145,380**	158,504	185,714	158,609	138,113
Profit before taxation	**14,667**	6,157	28,537	20,591	23,472
Profit for the year	**12,724**	2,621	23,503	16,909	19,206
Total comprehensive income for the year	**12,855**	2,485	23,245	17,179	19,106

	As at 31 March				
	2021	2020	2019	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS AND LIABILITIES					
Total assets	**207,668**	210,187	236,536	203,492	190,292
Total liabilities	**(62,753)**	(69,127)	(85,961)	(68,162)	(62,141)
	144,915	141,060	150,575	135,330	128,151
Equity attributable to equity shareholders of the Company	**144,978**	141,060	150,575	135,330	128,151
Non-controlling interests	**(63)**	–	–	–	–
Total equity	**144,915**	141,060	150,575	135,330	128,151

Note:

The consolidated results of the Group and the consolidated assets and liabilities of the Group were extracted from the published audited financial statements of the Company.

Such summary was prepared if the current structure of the Group had been in existence throughout these financial years.