*The following is the text of a report set out on pages I-1 to I-[•], received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document. It is prepared and addressed to the directors of the Company and to the Sole Sponsor pursuant to the requirements of Hong Kong Standard on Investment Circular Reporting Engagements 200 Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.*

***[Letterhead of PricewaterhouseCoopers]***

## ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF BOARDWARE INTELLIGENCE TECHNOLOGY LIMITED AND CHINA TONGHAI CAPITAL LIMITED

### Introduction

We report on the historical financial information of BoardWare Intelligence Technology Limited (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages I-[•] to I-[•], which comprises the consolidated statements of financial position as at 31 December 2019, 2020 and 2021, the Company's statement of financial position as at 31 December 2021, and the consolidated statements of profit or loss, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended 31 December 2019, 2020 and 2021 (the "**Track Record Period**") and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages I-[•] to I-[•] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [document date] (the "**Document**") in connection with the **[REDACTED]** of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

### Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.4 and 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

### Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.4 and 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Opinion**

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Company as at 31 December 2021 and the consolidated financial position of the Group as at 31 December 2019, 2020 and 2021 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in Notes 1.4 and 2.1 to the Historical Financial Information.

**Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Companies (Winding Up and Miscellaneous Provisions) Ordinance**

***Adjustments***

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-3 have been made.

***Dividends***

We refer to Note 29 to the Historical Financial Information which states that no dividends have been paid or declared by the Company in respect of the Track Record Period.

***No statutory financial statements for the Company***

No statutory financial statements have been prepared for the Company since its date of incorporation.

**PricewaterhouseCoopers**
Certified Public Accountants
Hong Kong
***[Date]***

## I. HISTORICAL FINANCIAL INFORMATION OF THE GROUP

### Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("**Underlying Financial Statements**").

The Historical Financial Information is presented in HK dollars and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

### CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

| | | Year ended 31 December | | |
|---|---|---|---|---|
| | *Notes* | **2019** | **2020** | **2021** |
| | | *HK$'000* | *HK$'000* | *HK$'000* |
| Revenue | *5* | 502,742 | 475,308 | 534,302 |
| Cost of sales | *7* | (417,085) | (381,795) | (422,192) |
| **Gross profit** | | 85,657 | 93,513 | 112,110 |
| Selling and distribution expenses | *7* | (15,298) | (16,378) | (18,687) |
| General and administrative expenses | *7* | **[REDACTED]** | **[REDACTED]** | **[REDACTED]** |
| Other income and other net gains | *6* | 191 | 3,684 | 1,234 |
| Provision for impairment losses on financial assets and contract assets | *7* | (1,485) | (569) | (1,278) |
| **Operating profit** | | 29,685 | 35,004 | 31,728 |
| Finance income | *9* | 363 | 262 | 765 |
| Finance costs | *9* | (978) | (1,116) | (2,491) |
| Finance costs — net | *9* | (615) | (854) | (1,726) |
| **Profit before income tax** | | 29,070 | 34,150 | 30,002 |
| Income tax expense | *10* | (3,851) | (4,292) | (5,999) |
| **Profit for the year** | | 25,219 | 29,858 | 24,003 |
| **Earnings per share (expressed in HK$ per share)** | | | | |
| Basic earnings per share | *11* | 2,522 | 2,986 | 2,344 |
| Diluted earnings per share | *11* | 2,522 | 2,986 | 2,316 |

*Note:* The earnings per share presented above has not taken into account the proposed **[REDACTED]** pursuant to the resolutions of the shareholders passed on [Date] because the proposed **[REDACTED]** has not become effective as at the report date.

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

| | Year ended 31 December | | |
|---|---|---|---|
| | **2019** | **2020** | **2021** |
| | *HK$'000* | *HK$'000* | *HK$'000* |
| **Profit for the year** | 25,219 | 29,858 | 24,003 |
| **Other comprehensive (loss)/income for the year, net of tax** | | | |
| *Item that may be reclassified subsequently to profit or loss* | | | |
| Currency translation differences | (33) | 258 | 188 |
| **Total comprehensive income for the year** | 25,186 | 30,116 | 24,191 |

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| | Notes | At 31 December 2019 | 2020 | 2021 |
|---|---|---|---|---|
| | | HK$'000 | HK$'000 | HK$'000 |
| **Assets** | | | | |
| **Non-current assets** | | | | |
| Property, plant and equipment | 12 | 11,906 | 12,508 | 10,858 |
| Right-of-use assets | 13 | 8,610 | 7,707 | 9,116 |
| Intangible assets | 14 | 304 | 917 | 2,422 |
| Deferred tax assets | 15 | 408 | 506 | 839 |
| Finance lease receivables | 25 | 534 | 13,618 | 12,652 |
| Contract assets | 5 | 871 | 3,625 | 6,318 |
| Deposits | 20 | 5,042 | 4,390 | 3,899 |
| Prepayments and contract costs | 20 | 12,766 | 16,072 | 10,904 |
| **Total non-current assets** | | 40,441 | 59,343 | 57,008 |
| **Current assets** | | | | |
| Inventories | 17 | 59,082 | 39,102 | 29,994 |
| Deposits and other receivables | 20 | 1,251 | 4,767 | 6,999 |
| Prepayments and contract costs | 20 | 27,889 | 26,544 | 42,564 |
| Finance lease receivables | 25 | 577 | 9,100 | 14,326 |
| Contract assets | 5 | 37,636 | 48,540 | 78,656 |
| Trade receivables | 19 | 100,765 | 95,225 | 188,803 |
| Income tax recoverable | | — | — | 357 |
| Restricted cash | 21 | 5,917 | 5,920 | 2,925 |
| Cash and cash equivalents | 21 | 28,510 | 29,899 | 14,485 |
| **Total current assets** | | 261,627 | 259,097 | 379,109 |
| **Total assets** | | 302,068 | 318,440 | 436,117 |
| **Equity** | | | | |
| Share capital | 22 | — | — | —* |
| Share premium | 22 | — | — | 48,101 |
| Reserves | 23 | 109,283 | 132,989 | 120,782 |
| **Total equity** | | 109,283 | 132,989 | 168,883 |
| **Liabilities** | | | | |
| **Non-current liabilities** | | | | |
| Borrowings | 24 | 8,378 | 7,073 | 5,933 |
| Lease liabilities | 25 | 4,584 | 3,964 | 3,983 |
| Financial liability for redeemable rights | 26 | — | — | 37,900 |
| Contract liabilities | 5 | 4,092 | 6,600 | 5,578 |
| **Total non-current liabilities** | | 17,054 | 17,637 | 53,394 |
| **Current liabilities** | | | | |
| Trade and other payables | 27 | 112,185 | 92,735 | 129,634 |
| Amounts due to shareholders | 28 | 17,533 | 16,722 | — |
| Contract liabilities | 5 | 21,232 | 29,386 | 45,324 |
| Lease liabilities | 25 | 5,209 | 6,214 | 6,093 |
| Income tax payable | | 12,658 | 14,440 | 7,267 |
| Borrowings | 24 | 6,914 | 8,317 | 25,522 |
| **Total current liabilities** | | 175,731 | 167,814 | 213,840 |
| **Total liabilities** | | 192,785 | 185,451 | 267,234 |
| **Total equity and liabilities** | | 302,068 | 318,440 | 436,117 |

* Less than HK$1,000

## STATEMENT OF FINANCIAL POSITION

| | *Notes* | At 31 December 2021 |
|---|---|---|
| | | *HK$'000* |
| **Assets** | | |
| **Non-current assets** | | |
| Investments in subsidiaries | *16* | 483,000 |
| **Total non-current assets** | | 483,000 |
| **Current assets** | | |
| Prepayments | *20(b)* | 6,375 |
| Amounts due from a subsidiary | *28* | 33,062 |
| Cash and cash equivalents | *21(b)* | 99 |
| **Total current assets** | | 39,536 |
| **Total assets** | | 522,536 |
| **Equity** | | |
| Share capital | *22* | —* |
| Share premium | *22* | 48,101 |
| Reserves | *23(b)* | 427,562 |
| **Total equity** | | 475,663 |
| **Liabilities** | | |
| **Non-current liabilities** | | |
| Financial liability for redeemable rights | *26* | 37,900 |
| **Total non-current liabilities** | | 37,900 |
| **Current liabilities** | | |
| Accruals | *27(b)* | 8,973 |
| **Total current liabilities** | | 8,973 |
| **Total liabilities** | | 46,873 |
| **Total equity and liabilities** | | 522,536 |

* Less than HK$1,000

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

| | *Notes* | **Share capital** *(Note 22)* | **Share premium** *(Note 22)* | **Reserves** *(Note 23)* | **Total equity** |
|---|---|---|---|---|---|
| | | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **At 1 January 2019** | | — | — | 87,014 | 87,014 |
| Profit for the year | | — | — | 25,219 | 25,219 |
| **Other comprehensive loss for the year** | | | | | |
| — Currency translation differences | | — | — | (33) | (33) |
| **Total comprehensive income for the year** | | — | — | 25,186 | 25,186 |
| **Transactions with owners** | | | | | |
| Deemed distribution to shareholders | *23(a)* | — | — | (10) | (10) |
| Dividends declared | *29* | — | — | (2,907) | (2,907) |
| **At 31 December 2019** | | — | — | 109,283 | 109,283 |
| **At 1 January 2020** | | — | — | 109,283 | 109,283 |
| Profit for the year | | — | — | 29,858 | 29,858 |
| **Other comprehensive income for the year** | | | | | |
| — Currency translation differences | | — | — | 258 | 258 |
| **Total comprehensive income for the year** | | — | — | 30,116 | 30,116 |
| **Transactions with owners** | | | | | |
| Deemed distribution to shareholders | *23(a)* | — | — | (4,410) | (4,410) |
| Dividends declared | *29* | — | — | (2,000) | (2,000) |
| **At 31 December 2020** | | — | — | 132,989 | 132,989 |
| **At 1 January 2021** | | — | — | 132,989 | 132,989 |
| Profit for the year | | — | — | 24,003 | 24,003 |
| **Other comprehensive income for the year** | | | | | |
| — Currency translation differences | | — | — | 188 | 188 |
| **Total comprehensive income for the year** | | — | — | 24,191 | 24,191 |
| **Transactions with owners** | | | | | |
| Contributions from shareholders | *22(c)* | —* | 48,101 | — | 48,101 |
| Recognition of redemption liability | *26* | —* | — | (36,398) | (36,398) |
| **At 31 December 2021** | | —* | 48,101 | 120,782 | 168,883 |

* Less than HK$1,000

## CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Notes | Year ended 31 December | | |
|---|---|---|---|---|
| | | 2019 | 2020 | 2021 |
| | | *HK$'000* | *HK$'000* | *HK$'000* |
| **Cash flows from operating activities** | | | | |
| Cash generated from/(used in) operations | *30(a)* | 33,530 | 22,849 | (36,603) |
| Income tax paid | | (463) | (2,742) | (13,863) |
| Income tax refunded | | — | 134 | — |
| Interest received | | — | — | 736 |
| Net cash generated from/(used in) operating activities | | 33,067 | 20,241 | (49,730) |
| **Cash flows from investing activities** | | | | |
| Purchases of property, plant and equipment | | (4,574) | (4,339) | (4,189) |
| Purchases of intangible assets | | (1,313) | (984) | (935) |
| Proceeds from surrender of investment in an insurance contract | | 2,608 | — | — |
| Interest received | | 363 | 262 | 29 |
| Net cash used in investing activities | | (2,916) | (5,061) | (5,095) |
| **Cash flows from financing activities** | | | | |
| Issuance of ordinary shares | *22(c)* | — | — | 48,101 |
| Drawdown of borrowings | *30(c)* | 3,000 | 15,725 | 24,849 |
| Repayment of borrowings | *30(c)* | (11,987) | (15,708) | (8,865) |
| Interest paid | *30(c)* | (669) | (462) | (352) |
| Payment for **[REDACTED]** | | **[REDACTED]** | **[REDACTED]** | **[REDACTED]** |
| Capital element of lease rentals paid | *30(c)* | (3,863) | (5,079) | (7,642) |
| Interest element of lease rentals paid | *30(c)* | (292) | (527) | (568) |
| Advances from shareholders | *30(c)* | 2,179 | 2,672 | 701 |
| Repayment of amounts due to shareholders | *30(c)* | (7,144) | (10,002) | (17,447) |
| Increase in restricted cash | | (25) | (3) | (2,925) |
| Release of restricted cash | | — | — | 5,885 |
| Net cash (used in)/generated from financing activities | | **[REDACTED]** | **[REDACTED]** | **[REDACTED]** |
| **Net increase/(decrease) in cash and cash equivalents** | | 11,350 | 1,173 | (15,454) |
| Effect on exchange difference | | (6) | 216 | 40 |
| **Cash and cash equivalents at beginning of the year** | | 17,166 | 28,510 | 29,899 |
| **Cash and cash equivalents at end of the year** | 22 | 28,510 | 29,899 | 14,485 |

### Major non-cash transactions:

During the year ended 31 December 2021, the recognition of the financial liability for redeemable rights amounting to HK$36,398,000 was a non-cash transaction and was debited against the equity as other reserves. Please refer to Notes 23 and 26 for more details.

During the years ended 31 December 2019 and 2020, distributions of dividends, amounting to MOP3,000,000 (equivalent to approximately HK$2,907,000) and MOP2,064,000 (equivalent to approximately HK$2,000,000) respectively, have been approved by shareholders in one of the operating entities now comprising the Group. The dividends are non-cash transactions and were credited against amounts due to shareholders. Please refer to Note 29 for more details.

During the years ended 31 December 2019 and 2020, BoardWare Information System Limited ("**BoardWare Macau**") purchased BoardWare Information System (HK) Limited and Zhuhai BoardWare Network Information Limited from Mr. Chao Ka Chon ("**Mr. Chao**" or "**Controlling shareholder**") at considerations of HK$10,000 and RMB3,500,000 (equivalent to approximately HK$4,410,000), respectively. The transactions were credited against amounts due to shareholders. Please refer to Note 23(a) for more details.

## II. NOTES TO THE FINANCIAL INFORMATION

### 1 General information, reorganisation, [REDACTED] and basis of presentation

#### *1.1 General information*

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 18 February 2021 and registered as a non-Hong Kong company under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong). The address of the Company's registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company and its subsidiaries are principally engaged in provision of IT integrated solutions services ("**Professional IT services**"), support services from leasing contracts and security monitoring services ("**Managed services**"), IT equipment leasing, IT maintenance and consultancy services, and distribution and resale of packaged hardware and software ("**[REDACTED] Business**") in Macau, Hong Kong and the People's Republic of China (the "**PRC**").

The ultimate holding company of the Company is Tai Wah (BVI) Holdings Limited ("**Tai Wah**"), a company incorporated in the British Virgin Islands (the "**BVI**") and is wholly-owned by Mr. Chao.

These financial statements are presented in Hong Kong dollars ("**HK$**"), unless otherwise stated.

#### *1.2 Reorganisation of the Group*

Prior to the incorporation of the Company and the completion of the reorganisation (the "**Reorganisation**") as described below, the **[REDACTED]** Business was principally operated by BoardWare Macau and Synergy HK (collectively, the "**Operating Companies**"), which were controlled by the Controlling shareholder throughout the Track Record Period.

In preparation for the **[REDACTED]** and **[REDACTED]** of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "**[REDACTED]**"), the Group underwent the Reorganisation. Details of the Reorganisation are set out as below:

*1.2.1 Incorporation of the Company*

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 18 February 2021. Upon incorporation, one subscriber ordinary share of a par value of HK$0.01 was issued as fully paid to an initial subscriber which transferred the one subscriber ordinary share to Tai Wah at par.

*1.2.2 Incorporation of BoardWare (BVI) Holdings Limited*

BoardWare (BVI) Holdings Limited was incorporated in the BVI with limited liability on 19 February 2021.

On its incorporation, one ordinary share in BoardWare (BVI) Holdings Limited was allotted and issued as fully-paid to the Company at par value. Upon completion of such allotment and issuance, BoardWare (BVI) Holdings Limited became a wholly-owned subsidiary of the Company.

*1.2.3 Incorporation of BW (BVI) Holdings Limited*

BW (BVI) Holdings Limited was incorporated in the BVI with limited liability on 19 February 2021.

On its incorporation, one ordinary share in BW (BVI) Holdings Limited was allotted and issued as fully-paid to the Company at par value. Upon completion of such allotment and issuance, BW (BVI) Holdings Limited became a wholly-owned subsidiary of the Company.

*1.2.4 Incorporation of Synergy (BVI) Holdings Limited*

Synergy (BVI) Holdings Limited was incorporated in the BVI with limited liability on 19 February 2021.

On its incorporation, one ordinary share in Synergy (BVI) Holdings Limited was allotted and issued as fully-paid to the Company at par value. Upon completion of such allotment and issuance, Synergy (BVI) Holdings Limited became a wholly-owned subsidiary of the Company.

*1.2.5 Transfer of BoardWare Macau to BoardWare (BVI) Holdings Limited and BW (BVI) Holdings Limited*

On 4 March 2021, Mr. Chao and Ms. Chiu Koon Chi ("**Ms. Chiu**") (on benefit of Mr. Chao through a power of attorney) transferred their respective shareholding in BoardWare Macau, being 20,000 shares and 5,000 shares (held by Ms. Chiu, on behalf of Mr. Chao) respectively, which in aggregate represent the entire issued share capital of BoardWare Macau, to BoardWare (BVI) Holdings Limited in respect of 20,000 shares and to BW (BVI) Holdings Limited in respect of the remaining 5,000 shares, at a total consideration of MOP25,000, being the nominal value of the entire issued share capital of BoardWare Macau.

The consideration for the transfers is agreed to be settled by the Company by allotting and issuing, credited as fully-paid, 8,610 shares to Tai Wah, under the instructions of Mr. Chao. As a result, BoardWare Macau became an indirect wholly-owned subsidiary of the Company.

*1.2.6 Transfer of Synergy HK to Synergy (BVI) Holdings Limited*

On 4 March 2021, Mr. Chao transferred his entire shareholding in Synergy HK, being 1,000,000 shares, which represent the entire issued share of Synergy HK, to Synergy (BVI) Holdings Limited for the consideration of HK$20,029,000, which is determined based on the unaudited net asset value of Synergy HK as at 31 December 2020.

This is agreed to be settled by the Company allotting and issuing 1,389 shares, credited as fully-paid, to Tai Wah, under the instructions of Mr. Chao. As a result, Synergy HK became an indirect wholly-owned subsidiary of the Company.

Upon completion of the Reorganisation and as at the date of this report, the Company had direct or indirect interests in the following subsidiaries:

| Entity name | Place and date of incorporation/establishment and kind of legal entity | Issued and paid up capital | Effective interests held by the Group At 31 December 2019 | 2020 | 2021 | As at date of the report | Principal activities | Note |
|---|---|---|---|---|---|---|---|---|
| **Directly held** | | | | | | | | |
| BoardWare (BVI) Holdings Limited | BVI, 19 February 2021, limited liability company | US$50,000 | N/A | N/A | 100% | 100% | Investment holding | (a) |
| BW (BVI) Holdings Limited | BVI, 19 February 2021, limited liability company | US$50,000 | N/A | N/A | 100% | 100% | Investment holding | (a) |
| Synergy (BVI) Holdings Limited | BVI, 19 February 2021, limited liability company | US$50,000 | N/A | N/A | 100% | 100% | Investment holding | (a) |
| **Indirectly held** | | | | | | | | |
| BoardWare Information System Limited (博維資訊系統有限公司) | Macau, 21 April 2003, limited liability company | MOP25,000 | 100% | 100% | 100% | 100% | Provision of Professional IT services, Managed services, IT equipment leasing, IT maintenance and consultancy services, and resale of packaged hardware and software | (b) |
| Synergy Computers & Communications Limited (智揚科技有限公司) | Hong Kong, 30 October 1990, limited liability company | HK$1,000,000 | 100% | 100% | 100% | 100% | Provision of IT maintenance and consultancy services, and distribution of packaged hardware and software | (b) |
| BoardWare Information System (HK) Limited (博維資訊系統(香港)有限公司) | Hong Kong, 30 March 2017, limited liability company | HK$10,000 | 100% | 100% | 100% | 100% | Provision of IT maintenance and consultancy services, and resale of packaged hardware and software | (c) |
| Zhuhai BoardWare Network Information Limited (珠海博維網路信息有限公司) | The PRC, 20 November 2014, limited liability company | RMB13,000,000 | 100% | 100% | 100% | 100% | Provision of Professional IT services, IT maintenance and consultancy services, and resale of packaged hardware and software | (d) |
| Guangzhou BoardWare Network Information Limited (廣州博維網絡信息有限公司) | The PRC, 8 January 2021, limited liability company | RMB2,000,000 | N/A | N/A | 100% | 100% | Provision of Professional IT services, IT maintenance and consultancy services | (e) |

(a) No statutory audited financial statements were issued for these companies as there are no statutory requirements in their respective places of incorporation.

(b) The statutory financial statements of these companies for the years ended 31 December 2019 and 2020 were audited by PricewaterhouseCoopers. The statutory financial statements for the year ended 31 December 2021 have not been issued.

(c) The statutory financial statements of this company for the years ended 31 December 2019 and 2020 were audited by Law Yin Ling Certified Public Accountant (Practising). The statutory financial statements for the year ended 31 December 2021 have not been issued.

(d) The statutory financial statements of this company for the years ended 31 December 2019, 2020 and 2021 were audited by Zhuhai Huatian Certified Public Accountants (珠海華天會計師事務所).

(e) The statutory financial statements of this company for the year ended 31 December 2021 were audited by Zhuhai Huatian Certified Public Accountants (珠海華天會計師事務所).

The English names of the PRC companies and statutory auditors referred to above in this note represent management's best efforts in translating the Chinese names of those companies as no English names have been registered or are available.

### *1.3* **[REDACTED]** — ***transfer and issuance of shares***

*(a) Da Heng Qin (Macau) Limitada (formerly known as Da Heng Qin (Macao) Development Corporation Limited) ("**DHQ**")*

On 23 March 2021, Tai Wah transferred 499 shares and the Company issued 834 shares with redeemable rights (Note 26), all fully-paid, to DHQ for consideration of HK$21,018,000 and HK$35,128,000 respectively, which are determined with reference to the valuation of the Company as at 31 December 2020, pursuant to a subscription and purchase agreement dated 23 March 2021 entered into between (i) DHQ; (ii) Tai Wah; and (iii) the Company.

*(b) Kallo Holdings Limited ("**Kallo**")*

On 23 March 2021, Tai Wah transferred 249 shares and the Company issued 308 shares, all fully-paid, to Kallo for consideration of HK$10,488,000 and HK$12,973,000 respectively, which are determined with reference to the valuation of the Company as at 31 December 2020, pursuant to a subscription and purchase agreement dated 23 March 2021 entered into between (i) Kallo; (ii) Tai Wah; and (iii) the Company.

### ***1.4 Basis of presentation***

Immediately prior to and after the Reorganisation, the **[REDACTED]** Business is held by Mr. Chao. The **[REDACTED]** Business is mainly conducted through the Operating Companies. Pursuant to the Reorganisation, the Operating Companies are transferred to and held by the Company. The Company and those companies newly incorporated during the Reorganisation have not been involved in any other business prior to the Reorganisation and do not meet the definition of a business. The Reorganisation is merely a recapitalisation of the **[REDACTED]** Business with no change in management of such business and the ultimate owner of the **[REDACTED]** Business remains the same. Accordingly, the Group resulting from the Reorganisation is regarded as a continuation of the **[REDACTED]** Business under Mr. Chao and, for the purpose of this report, the Historical Financial Information has been prepared and presented as a continuation of the **[REDACTED]** Business conducted through the Operating Companies, with the assets and liabilities of the Group recognised and measured at the carrying amounts of the **[REDACTED]** Business for all years presented.

The Historical Financial Information represents the consolidated results and financial position of the Group as if the current group structure had been in existence throughout the Track Record Period and as if the **[REDACTED]** Business was transferred to the Group at the beginning of the earliest period presented or when such businesses were established, whichever is the shorter period.

Inter-company transactions, balances and unrealised gains/losses on transactions between Group companies are eliminated on consolidation.

## 2 Summary of significant accounting policies

This note provides a list of significant accounting policies adopted in the preparation of the Historical Financial Information. These policies have been consistently applied to all the years presented, unless otherwise stated.

### *2.1 Basis of preparation*

The Historical Financial Information has been prepared in accordance with the International Financial Reporting Standards ("**IFRS**") issued by the International Accounting Standards Board ("**IASB**"). The Historical Financial Information has been prepared under the historical cost convention.

The preparation of the financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

All relevant standards, amendments and interpretations to the existing standards that are effective during the Track Record Period have been adopted and applied by the Group consistently throughout the Track Record Period. In regard to the application of Amendments to IFRS 16 "COVID-19 Related Rent Concession," the Group has utilised the practical expedient on rent concession related to COVID-19 and the relevant impact is disclosed in Note 25.

*2.1.1 New standard and amendments to standards not yet been adopted*

The following new standard and amendments to existing standards that have been issued but not yet effective for the Track Record Period and have not been early adopted by the Group:

| **Standards affected** | **New standard and amendments relate to** | **Effective for reporting periods beginning on or after** |
|---|---|---|
| Annual Improvements Project | Annual Improvements to IFRSs 2018 — 2020 (amendments) | 1 January 2022 |
| Amendments to IFRS 3 | Reference to the Conceptual Framework | 1 January 2022 |
| Amendments to IAS 16 | Proceeds before intended use | 1 January 2022 |
| Amendments to IAS 37 | Cost of fulfilling a contract | 1 January 2022 |
| Amendments to IAS 1 | Classification of liabilities as current or non-current | 1 January 2023 |
| Amendments to IAS 1 | Disclosure of accounting policies | 1 January 2023 |
| Amendments to IAS 8 | Definition of accounting estimates | 1 January 2023 |
| Amendments to IAS 12 | Deferred tax related to assets and liabilities arising from a single transaction | 1 January 2023 |
| IFRS 17 | Insurance contracts (new standard) | 1 January 2023 |
| Amendments to IFRS 10 and IAS 28 | Sale or contribution of assets between an investor and its associate or joint venture | To be determined |

The Group will adopt the above new standard and amendments to standards when they become effective. The Group has commenced an assessment and does not anticipate any significant impact on the Group's financial position and results of operations upon adopting these new standard and amendments to standards.

### *2.2 Business combination*

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group. Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statements of profit or loss, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of financial position respectively.

The Group applies the acquisition method to account for business combinations, regardless of whether equity instruments or other assets are acquired, except for business combination under common control. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred,
- liabilities incurred to the former owners of the acquired business,
- equity interests issued by the Group,
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and

- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of consideration is deferred, the amounts payable in the future are discounted to their present values as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss. If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

### *2.3 Separate financial statements*

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

### *2.4 Segment reporting*

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision makers. The chief operating decision-makers, who are responsible for allocating resources and assessing performance of the operating segments, have been identified as the directors of the Group who make strategic decisions.

### *2.5 Foreign currency translation*

*(i) Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("**the functional currency**"). The Historical Information is presented in Hong Kong dollar ("**HK$**"), which is the Company's functional currency and the Group's presentation currency.

*(ii) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are generally recognised in profit or loss.

*(iii) Group companies*

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position,

- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and

- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the Group are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences is re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or joint ventures that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

### *2.6 Property, plant and equipment*

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the Track Record Period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost to residual values, over their estimated useful lives as follows:

| | |
|---|---|
| Leasehold improvement | 2-3 years or the remaining period of the lease, whichever is shorter |
| Computer equipment | 4-5 years |
| Furniture and fixture | 4-5 years |
| Motor vehicles | 5 years |
| Office equipment | 5 years |
| Buildings | 20 years |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8). Gains and losses on disposal are determined by comparing the proceeds with the carrying amounts of the relevant assets and are included within "other income and other net gains" in consolidated statements of profit or loss.

***2.7 Intangible assets***

*(i) Computer Software*

Computer software is stated at cost less accumulated amortisation and impairment. Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software and are amortised over their estimated lives of one to four years using straight-line method.

*(ii) Research and development expenditures*

Costs associated with research and development are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use,
- management intends to complete the software and use or sell it,
- there is an ability to use or sell the software,
- it can be demonstrated how the software will generate probable future economic benefits,
- adequate technical, financial and other resources to complete the development and to use or sell the software are available, and
- the expenditure attributable to the software during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. There were no development costs meeting these criteria and capitalised as intangible assets during the Track Record Period.

Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are amortised from the point at which the assets are ready for use on a straight-line basis over their useful lives.

### *2.8 Impairment of non-financial assets*

Non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets ("**cash-generating units**"). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

### *2.9 Financial assets*

*(i) Classification*

The Group classifies its financial assets to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. The Group reclassifies debt investments when and only when its business model for managing those assets changes. The Group currently only has financial assets being measured at amortised cost.

*(ii) Recognition and derecognition*

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

*(iii) Measurement*

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("**FVPL**"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. Currently, the Group classifies all of its debt instruments as debt instrument held at amortised cost.

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss presented in other income and other net gains/losses together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statements of profit or loss.

Impairment of financial assets and contract assets

The Group has the following types of assets subject to the expected credit loss model:

- Trade receivables,
- Other receivables,
- Finance lease receivables,
- Contract assets,
- Restricted cash, and
- Cash and cash equivalents.

For trade receivables, contract assets and finance lease receivables, the Group applies the simplified approach where loss allowances are measured at an amount equal to lifetime expected credit losses, adjusted for forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. While restricted cash and cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

For other receivables, the expected credit loss is determined using the general approach where 12-month expected credit losses will be recognised unless there is a significant increase in credit risk, which requires the lifetime expected credit losses to be recognised, followed by forward looking adjustments. Impairment losses are presented as impairment losses on financial assets and contract assets within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item. See Note 3.1(b) for a detailed description of the Group's accounting policies on impairment of financial assets and contract assets.

***2.10 Offsetting financial instruments***

Financial assets and liabilities are offset and the net amount is reported in the consolidated statements of financial position where the Group currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

***2.11 Inventories***

Inventories are stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

### *2.12 Trade receivables*

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 3.1(b) for a detailed description of the Group's accounting policies on impairment of trade receivables.

### *2.13 Cash and cash equivalents*

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are shown within borrowings in current liabilities in the consolidated statements of financial position.

### *2.14 Share capital*

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

### *2.15 Trade and other payables*

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

### *2.16 Financial liability for redeemable rights*

Redeemable rights issued by the Company to an **[REDACTED]** contain an obligation to purchase its own shares upon occurrence of certain future events, such redeemable rights will be automatically cancelled when the closing of qualified **[REDACTED]**.

The potential cash payments related to the redeemable right are accounted for as financial liabilities. The liabilities are initially recognised at the present value of the redemption amount and are reclassified from equity. The financial liabilities are subsequently measured at amortised cost.

If the redeemable rights expire without delivery, the carrying amount of the financial liability is reclassified to equity. The financial liabilities are classified as non-current liabilities if the Company doesn't need to redeem for at least 12 months after the end of the reporting period.

### *2.17 Borrowings and borrowing costs*

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. Other borrowing costs are expensed in the period in which they are incurred.

### *2.18 Current and deferred income tax*

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

*(i) Current income tax*

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries operate and generate taxable income.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

*(ii) Deferred income tax*

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Historical Financial Information. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. The deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the reporting period and are expected to apply when the related deferred income tax asset is realised, or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

***2.19 Employee benefits***

*(i) Social security fund*

In accordance with the rules and regulations in Macau, the employees of a subsidiary of the Group are required to participate in a central social security scheme operated by the Macau Special Administrative Region Government.

The Group is required to contribute a fixed amount of its payroll costs to the central social security scheme and the contributions are charged to profit or loss as they become payable in accordance with the rules of the scheme, the Group's obligations are limited to the contributions payable.

*(ii) Pension obligations*

The Group operates a Mandatory Provident Fund Scheme (the "**MPF Scheme**") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance and not previously covered by the defined benefit retirement plan. The MPF Scheme is a defined contribution retirement plan administered by an independent trustee. Under the MPF Scheme, the Group and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. Contributions to the plan vest immediately.

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries. The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, the Group has no further obligations for the payments of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administered funds managed by the PRC government. The Group's contributions to the aforesaid defined contribution retirement schemes are expensed as incurred.

*(iii) Short-term obligations*

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

The liabilities are presented within other payables in the consolidated statements of financial position.

*(iv) Bonus plan and commission scheme*

The Group recognises a liability and an expense for bonuses and commissions based on the best estimation of the management. The Group recognises a provision where contractually obliged or where a constructive obligation has been created that could be measured reliably.

*(v) Employee leave entitlement*

Employee entitlement to annual leave is recognised when they have accrued to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of each reporting period. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

*(vi) Housing funds, medical insurances and other social insurances*

Employees of the Group in the PRC are entitled to participate in various government supervised housing funds, medical insurances and other social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each year. Contributions to the housing funds, medical insurances and other social insurances are expensed as incurred.

***2.20 Contract costs***

The incremental costs of obtaining a contract with a customer are capitalised and presented as contract costs, if the Group expects to recover those costs. The costs incurred to fulfil a contract are also recognised as contract costs only if those costs meet all of the following criteria:

- the costs relate directly to a contract or to an anticipated contract that the entity can specifically identify (for example, costs relating to services to be provided under renewal of an existing contract or costs of designing an asset to be transferred under a specific contract that has not yet been approved),

- the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future, and

- the costs are expected to be recovered.

Contract costs are subsequently amortised on a systematic basis or when the transfer of the control of goods and services to the customers happens, consistent with the pattern of the associated revenue recognition to which the assets relate.

The Group recognises an impairment loss in profit or loss to the extent that the carrying amount of the contract costs recognised exceeds the remaining amounts of consideration that the Group expects to receive less the costs that directly relate to those goods or services and have not been recognised as expenses.

***2.21 Contract assets and liabilities***

Upon entering into a contract with a customer, the Group obtains rights to receive consideration from the customer and assumes performance obligations to transfer goods or provide services to the customer. The combination of those rights and performance obligations gives rise to a net asset or a net liability depending on the relationship between the remaining rights and the performance obligations. The contract is an asset and recognised as a contract asset if the measure of the remaining rights exceeds the measure of the remaining performance obligations. Conversely, the contract is a liability and recognised as a contract liability if the measure of the remaining performance obligations exceeds the measure of the remaining rights.

***2.22 Provisions***

Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

***2.23 Revenue recognition***

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of rebates, returns and discounts and after eliminating sales within the Group. The Group recognises revenue when it transfers control of the goods or services to a customer.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may transfer over time or at point in time. Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer,

- creates and enhances an asset that the customer controls as the Group performs, or

- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If service transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains the service. The progress towards complete satisfaction of the performance obligation is measured based on one of the following methods that best depict the Group's performance in satisfying the performance obligation:

- direct measurements of the value transferred by the Group to the customer, or

- the Group's efforts or inputs to the satisfaction of the performance obligation.

In determining whether revenue of the Group should be reported as gross or net, the Group regularly performs an assessment on various factors, including whether the Group is acting as the principal or agent in offering goods or services to the customer. In such case, the Group first identifies who controls the specified goods or services before they are transferred to customer.

When another party is involved in providing goods or services to a customers, the Group is a principal who obtains control of any one of the following: (i) a good or another asset from the other party that the Group transfers to the customer; (ii) a right to a service to be performed by other party, which gives the Group the ability to direct that party to provide the service to the customer on the Group's behalf; or (iii) a good or service from the other party that the Group then consolidates with other goods or services in providing the specified good or service to the customer. If control is unclear, when the Group is primarily obligated in a transaction, is subject to inventory risk, has latitude in establishing prices, or has several but not all of these indicators, the Group records revenues on a gross basis. Otherwise, the Group records the net amount earned as commission from goods sold or services provided.

For contracts that contain more than one performance obligation, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis. The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange of transferring the promised goods or services to the customer.

If the consideration promised in a contract includes a variable amount, the Group shall estimate the amount of consideration to which it will be entitled in exchange for transferring the promised goods or services to a customer using either the expected value method or the most likely amount method, depending on which method the Group expects to better predict the amount of consideration to which it will be entitled.

Where the contract contains a financing component which provides significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and the interest income is accrued separately under the effective interest method. The Group take advantage of the practical expedient in paragraph 63 of IFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Contract modifications are recognised when they are approved by customer. Contract modification is accounted for as if it were part of the existing contract if the remaining goods or services are not distinct and, therefore, form part of a single performance obligation that is partially satisfied at the date of the contract modification. The effect that the contract modification has on the transaction price, and on measuring of progress towards complete satisfaction of the performance obligation, is recognised as an adjustment to revenue (either as an increase in or a reduction of revenue) at the date of the contract modification (i.e. adjustment to revenue is made on a cumulative catch-up basis).

The following is a description of the accounting policy for the principal revenue streams of the Group.

*(i) Revenue from provision of Professional IT services*

The Group provides multiple deliverables to customers, including network configuration, assessment of system specifications and requirements, sales of packaged hardware and software, installation of equipment and software, and technical support services under fixed price contracts. It is accounted for as a single performance obligation when the Group provides an integrated service.

The Group recognises revenue over time as its customers control the asset being created or enhanced arising from the Group's performance. Revenue is recognised over time under input method, which is measured by reference to the costs incurred to date as proportion to total estimated costs relating to the contract.

The Group also provides its customers with software development services where the Group will customise the software based on the user requirements of the customers. Revenue is recognised over time under aforementioned input method as the Group's customers control the asset being created or enhanced arising from the Group's performance, unless the control is transferred only after delivery to the customers where the revenue shall be recognised as point in time.

Where the contracts include multiple performance obligations, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus a margin approach.

Estimates of costs or extent of progress towards completion are revised if circumstances change. Any resulting increases or decreases in estimated costs and related revenue are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

In the case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered by the Group exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

*(ii) Revenue from provision of Managed services*

The Group leases certain IT equipment to its customers under finance lease arrangements and renders related technical support services under fixed price contracts. Where the contracts include multiple obligations, the Group as a lessor will separate the components of a contract and transaction price will be allocated to each component based on the stand-alone selling prices.

Where these are not directly observable, they are estimated based on the expected cost plus a margin approach. Revenue from related support services is recognised in the accounting period when the Group provides the service and all of the benefits received and consumed simultaneously by the customer throughout the contract period. Therefore, the Group satisfies a performance obligation and recognises revenue over time. See Note 2.26 for a description of the Group's accounting policies as lessor.

The Group also provides its customers with security monitoring services to protect customers' information and data security as well as network operating environment. The Group applies time-based method to measure the progress towards complete satisfaction of the performance obligation when the Group has a stand-ready obligation to perform that over a period of time.

*(iii) Revenue from provision of IT maintenance and consultancy services*

The provision of IT maintenance and consultancy services mainly includes on-site support and technical support services provided provided to the customers and post-sales maintenance and support services that provided by system vendors under extended warranties. Revenue from IT maintenance and consultancy services is recognised over time on a straight-line basis over the period of services as the customers simultaneously receives and consumes the benefits provided by the Group's performance except for extended warranties. The Group applies time-based method to measure the progress towards complete satisfaction of the performance obligation when the Group has a stand-ready obligation to perform that over a period of time.

While for extended warranties, the Group acts as the agent as the Group is not the primary obligor in fulfilling such additional promises and the corresponding revenue is recognised on a net basis.

*(iv) Revenue from distribution and resale of packaged hardware and software as separate performance obligation*

The Group sells a range of packaged IT hardware and software. Revenue from distribution or resale of packaged hardware and software is recognised at a point in time when sales completed and control was transferred, being at the point of time the products delivered to the customer's specific location and no unfulfilled obligation could affect the customer's acceptance of the products. Transportation and other related activities that occur before customers obtaining control of the related products are considered as fulfilment activities.

A receivable is recognised by the Group when the products are delivered to the customers as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

Among the above principal revenue streams of the Group, the Group acts as the principal except for extended warranty sales where the Group acts as the agent as disclosed in Note 2.23 (iii).

***2.24 Interest income***

Interest income on financial assets at amortised cost calculated using the effective interest method is recognised in profit or loss as finance income.

***2.25 Government grants***

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received, and the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

***2.26 Leases***

*Group as a lessee*

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable,
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date,
- amounts expected to be payable by the Group under residual value guarantees,
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

*Group as a lessor*

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or finance lease. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Operating lease income is recognised on a time proportion basis over the lease terms and is included in revenue in profit or loss due to its operating nature. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are earned.

Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as operating lease income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying assets to the lessee are accounted for as finance leases. At the commencement date, an amount representing the lease payment receivables and initial direct costs is included in the consolidated statements of financial position as finance lease receivables. Any unguaranteed residual value is also recognised at the inception of the lease. Finance lease receivables are subsequently measured at amortised cost using the effective interest method over the period of the lease.

When the Group is a dealer lessor that enters into a finance lease with a customer, it shall recognise the following for each of its finance leases at the commencement date of the lease:

- revenue being the fair value of the underlying asset or, if lower, the present value of the lease payments accruing to the lessor, discounted using a market rate of interest,

- cost of sale being the cost, or carrying amount if different, of the underlying asset less the present value of the unguaranteed residual value, and
- selling profit or loss (being the difference between revenue and cost of sale), recognised in accordance with an its policy for outright sales to which IFRS 15 applies.

When the Group is an intermediate lessor, a sublease is classified as a finance lease or operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the on-balance sheet recognition exemption, the Group classifies the sublease as an operating lease.

Finance lease income is recognised on an accrual basis using the effective interest rate method reflecting a constant periodic rate of return on the lessor's net investment in the lease, i.e. the rate that exactly discounts the estimated future cash receipts to the net carrying amount of the finance lease receivables through the life of the investment.

### *2.27 Earnings per share*

*Basic earnings per share*

Basic earnings per share is calculated by dividing:

— the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares

— by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

*Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

— the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and

— the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

### *2.28 Dividend*

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

## 3 Financial risk management

### *3.1 Financial risk factors*

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the senior management of the Group.

*(a) Market risk*

(i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the Group entities' functional currency.

For commercial transactions, the exposure to foreign exchange risk is minimal as a majority of subsidiaries of the Group operates in Macau and Hong Kong with most of the transactions denominated and settled in Hong Kong dollars. For assets and liabilities, a majority of the monetary assets and liabilities are denominated in HK$, Macau Patacas ("**MOP**") and United States dollar ("**US$**"), and the foreign exchange risk is considered minimal as these currencies are pegged. The Group's Macau and Hong Kong subsidiaries are exposed to foreign exchange risk from recognised assets and liabilities denominated in Renminbi ("**RMB**"). For the years ended 31 December 2019, 2020 and 2021, if HK$ had strengthened/weakened by 5% against RMB with all other variables held constant, post-tax profits for the year would have been HK$27,000 higher/lower, HK$37,000 lower/higher and HK$36,000 higher/lower respectively, mainly as a result of foreign exchange gains/losses on translation of RMB denominated cash and cash equivalents and amounts due to shareholders.

Currently, the Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and tries to minimise these exposures through closely monitoring. The Group does not carry out hedging activities against its foreign currencies' exposures during the Track Record Period.

(ii) Cash flow interest rate risk

The Group's interest rate risk primarily arises from borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk.

Currently, the Group has not used any derivative contracts to hedge its exposure to interest rate risk. However, the management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

Other than short-term deposits, the interest-bearing assets and liabilities of the Group, including finance lease receivables, contract assets with significant financing components, lease liabilities and financial liability for redeemable rights, are at fixed rate upon recognition, which are not subject to the impact of changes in the interest rates. Management does not anticipate there is any significant impact to the interest-bearing assets or liabilities resulted from the changes in interest rates, because the floating interest rate assets, i.e. short-term deposits, are not expected to change significantly.

For the years ended 31 December 2019, 2020 and 2021, if the floating interest rate on borrowings had been higher/lower by 0.5% with all other variables held constant, the post-tax profit would have changed as follows:

| | Post-tax profit (decreases)/increases | | |
|---|---|---|---|
| | Year end 31 December | | |
| | 2019 | 2020 | 2021 |
| | *HK$'000* | *HK$'000* | *HK$'000* |
| Interest rate | | | |
| — 0.5% higher | (45) | (60) | (51) |
| — 0.5% lower | 45 | 60 | 51 |

The interest rates and terms of repayment of borrowings of the Group are disclosed in Note 24.

*(b) Credit risk*

Credit risk arises from trade receivables, contract assets, other receivables, finance lease receivables, restricted cash and cash and cash equivalents including deposits with banks and financial institutions.

(i) Risk management

The Group's exposure to credit risk arising from cash and cash equivalents is limited because the Group mainly deals with financial institutions which have good credit ratings.

For trade receivables, contract assets and finance lease receivables, credit evaluations are performed on all customers grouped based on shared credit risk characteristics and the days past due. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account forward-looking information specific to the customer as well as pertaining to the economic environment in which the customer operates.

For the remaining financial assets, the Group has policies and guidelines in place to assess the credit worthiness of counterparties to ensure that credits are made to parties with an appropriate credit history and a good history of performance records.

The Group monitors the issuance of credit on an ongoing basis to minimise the exposure to credit risk. The activities of individual credit account are monitored regularly for management to decide if the credit facility should be continued, changed or cancelled.

The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

(ii) Impairment of financial assets and contract assets

The Group has following types of financial assets and contract assets that are subject to the expected credit loss model:

Trade receivables and contract assets

The Group applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of sales and the corresponding historical credit losses experienced. Given the lack of sufficient internal default experience of the Group, the Group has further incorporated proxies from external corporate credit data (such as default experience) from credit rating agencies on top of the internal data such as payment profiles of the customers of the Group. The expected credit losses have been estimated by further incorporating forward-looking macroeconomic factors such as GDP and inflationary rates.

For the year ended 31 December 2021, the Group has revisited its regression model in determination of forward-looking adjustment factors and enhanced the dependent variable selection as a result of the ongoing impact of the coronavirus pandemic in Macao and the change of prospective market expectations.

For the change in accounting estimate, the net effect of the change had increased the provision of impairment losses of the trade receivables and contract assets by HK$622,000 as at 31 December 2021.

The carrying amount of trade receivables and contract assets is reduced through the use of an allowance account and the amount of the loss allowance is recognised in the consolidated statements of profit or loss within provision for or reversal of impairment losses of financial assets and contract assets. When a trade receivable or contract asset is uncollectible, it is written off against the allowance account for trade receivables and contract assets. Subsequent recoveries of amounts previously written off are credited to profit or loss against the same line item. The Group's concentration of credit risks on trade receivables and contract assets as at 31 December 2019, 2020 and 2021 of the top five customers accounted for approximately 48.47%, 45.80% and 64.48%, respectively.

On that basis, the loss allowance as at 31 December 2019, 2020 and 2021 was determined as follows for both trade receivables and contract assets:

| | Current | Within 30 days | Over 30 days and within 60 days | Over 60 days and within 180 days | Over 180 days and within 365 days | Over 365 days | Total |
|---|---|---|---|---|---|---|---|
| **At 31 December 2019** | | | | | | | |
| Expected loss rate | 0.27% | 0.51% | 1.76% | 1.67% | 2.55% | 37.99% | 1.69% |
| Gross carrying amount trade receivables *(HK$'000)* | 47,087 | 13,771 | 16,971 | 17,460 | 4,034 | 3,698 | 103,021 |
| Gross carrying amount contract assets *(HK$'000)* | 38,649 | — | — | — | — | — | 38,649 |
| Loss allowance *(HK$'000)* | 231 | 70 | 298 | 291 | 103 | 1,405 | 2,398 |
| **At 31 December 2020** | | | | | | | |
| Expected loss rate | 0.66% | 0.35% | 2.12% | 2.32% | 6.74% | 49.87% | 1.90% |
| Gross carrying amount trade receivables *(HK$'000)* | 50,251 | 17,163 | 4,101 | 19,821 | 3,459 | 2,681 | 97,476 |
| Gross carrying amount contract assets *(HK$'000)* | 52,771 | — | — | — | — | — | 52,771 |
| Loss allowance *(HK$'000)* | 681 | 60 | 87 | 459 | 233 | 1,337 | 2,857 |
| **At 31 December 2021** | | | | | | | |
| Expected loss rate | 0.56% | 1.12% | 1.60% | 1.55% | 5.12% | 60.62% | 1.46% |
| Gross carrying amount trade receivables *(HK$'000)* | 90,706 | 69,270 | 3,622 | 13,522 | 12,898 | 2,255 | 192,273 |
| Gross carrying amount contract assets *(HK$'000)* | 85,553 | — | — | — | — | — | 85,553 |
| Loss allowance *(HK$'000)* | 979 | 775 | 58 | 210 | 660 | 1,367 | 4,049 |

The loss allowances for trade receivables and contract assets as at 31 December 2019, 2020 and 2021 reconcile to the opening loss allowances as follows:

| | Trade receivables | | | Contract assets | | |
|---|---|---|---|---|---|---|
| | At 31 December | | | At 31 December | | |
| | 2019 | 2020 | 2021 | 2019 | 2020 | 2021 |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| At beginning of the year | 771 | 2,256 | 2,251 | 142 | 142 | 606 |
| Provision for impairment loss recognised in profit or loss | 1,485 | 192 | 1,306 | — | 464 | — |
| Unused amount reversed | — | (197) | — | — | — | (27) |
| Receivables written off as uncollectible | — | — | (87) | — | — | — |
| At end of the year | 2,256 | 2,251 | 3,470 | 142 | 606 | 579 |

Finance lease receivables

Finance lease receivables represent the right to receive lease payments. The Group applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all finance lease receivables.

Similar to trade receivables and contract assets, the expected loss rates for finance lease receivables are based on the payment profiles and the corresponding historical credit losses experienced. The Group has further incorporated proxies from external corporate credit data (such as default experience) from credit rating agencies on top of the internal data such as payment profiles of the customers of the Group and has estimated the expected credit losses by incorporating forward-looking macroeconomic factors such as GDP and consumer price index.

The change in accounting estimate described in the previous section also applies to the finance lease receivables, and the net effect of the change had increased the provision for impairment losses of the finance lease receivables by HK$13,000 as at 31 December 2021.

The carrying amount of finance lease receivables is reduced through the use of an allowance account and the amount of the loss allowance is recognised in the consolidated statements of profit or loss within provision for or reversal of impairment losses of financial assets and contract assets. When a finance lease receivable is uncollectible, it is written off against the allowance account for finance lease receivables. Subsequent recoveries of amounts previously written off are credited to profit or loss against the same line item.

For the years ended 31 December 2020 and 2021, allowances for expected credit loss of finance lease receivables amounted HK$110,000 and HK$1,000 have been provided and reversed respectively. No allowances for expected credit loss have been provided for finance lease receivables for the year ended 31 December 2019.

In order to minimise the credit risk in relation to trade receivables, contract assets and finance lease receivables, credit limits and credit terms granted to customers are approved by delegated officers only after thorough background checks and interviews were conducted. Furthermore, follow-up actions will be actively taken in order to closely monitor the overdue amounts.

Deposits and other receivables

Deposits and other receivables at the end of each reporting period were mainly deposits placed for government projects which are refundable upon project completion and rental deposits. The directors of the Group consider the probability of default upon initial recognition of assets and whether there has been significant increase in credit risk on an ongoing basis during the year. The directors of the Group also make periodic collective assessments as well as individual assessments on the recoverability of the deposits and other receivables based on historical settlement records and past experience. The directors regard the credit risk of the deposits and other receivables are low and the impairment provision of the deposits and other receivables is insignificant because the counterparties have strong capacity to meet their contractual cash flow obligations in the near term with no recent history of default.

Restricted cash and cash and cash equivalents

To manage this risk arising from restricted cash and cash and cash equivalents, they are mainly placed with banks with high credit rating. There has been no recent history of default in relation to these financial institutions. The expected credit loss is assessed to be minimal.

*(c) Liquidity risk*

Prudent liquidity risk management implies maintaining conservative level of liquid assets to ensure the availability of sufficient cash flows to meet any unexpected and material cash requirements in the ordinary course of business.

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and meet its short-term and long-term funding requirements. The Group relies on internally generated funding and borrowings as significant sources of liquidity. The maturity profile of the Group's financial liabilities as at the reporting dates, based on the contracted undiscounted payments, was as follows:

| | Less than 1 year | Between 1 year and 2 years | Between 2 years and 5 years | Over 5 years | Total |
|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **At 31 December 2019** | | | | | |
| Trade and other payables* | 101,080 | — | — | — | 101,080 |
| Amounts due to shareholders | 17,533 | — | — | — | 17,533 |
| Borrowings** | 7,133 | 1,667 | 3,910 | 3,692 | 16,402 |
| Lease liabilities** | 5,325 | 3,414 | 1,583 | — | 10,322 |
| **At 31 December 2020** | | | | | |
| Trade and other payables* | 87,776 | — | — | — | 87,776 |
| Amounts due to shareholders | 16,722 | — | — | — | 16,722 |
| Borrowings** | 8,508 | 1,303 | 3,910 | 2,389 | 16,110 |
| Lease liabilities** | 6,424 | 3,441 | 735 | — | 10,600 |
| **At 31 December 2021** | | | | | |
| Trade and other payables* | 120,135 | — | — | — | 120,135 |
| Borrowings** | 25,686 | 1,303 | 3,910 | 1,086 | 31,985 |
| Lease liabilities** | 6,233 | 3,118 | 1,167 | — | 10,518 |
| Financial liability for redeemable rights | — | — | 41,944 | — | 41,944 |

* Excluding non-financial liabilities, such as other taxes payable, employee benefit payables and reinstatement cost provision

** Including interest payable

### *3.2 Capital management*

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholder, issue new shares or sell assets to reduce debt. The Group monitors capital on basis of debt-to-equity ratio, which is calculated as net debt divided by total capital. Net debt is calculated as borrowings, lease liabilities, amounts due to shareholders and financial liability for redeemable rights less cash and cash equivalents. Total capital is calculated as "equity", as shown in the consolidated statements of financial position.

| | At 31 December | | |
|---|---|---|---|
| | **2019** | **2020** | **2021** |
| | *HK$'000* | *HK$'000* | *HK$'000* |
| Net debt *(Note 31(b))* | 14,108 | 12,391 | 64,946 |
| Total equity | 109,283 | 132,989 | 168,883 |
| Debt-to-equity ratio | 12.91% | 9.32% | 38.46% |

For the year ended 31 December 2020, the decrease in debt-to-equity ratios was primarily due to repayments of borrowings made during the year; while for the year ended 31 December 2021, the increase in the ratio was mainly due to the recognition of financial liability for redeemable shares in relation to **[REDACTED]** and drawdowns of revolving loans.

### *3.3 Fair value estimation*

The carrying amounts of the Group's financial assets and financial liabilities are measured at amortised cost. The directors of the Group consider that the carrying amounts approximate their fair values as at 31 December 2019, 2020 and 2021 due to their short maturities.

The fair values of other long-term financial assets and liabilities, if any, are estimated using the expected future payments discounted at the market interest rates and approximate their carrying amounts.

## 4 Critical estimates and judgements

Estimates and judgements used in preparing the financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant effect on the carrying amounts of assets and liabilities within the next financial year are addressed below.

### *(a) Depreciation of property, plant and equipment and right-of-use assets, and amortisation of intangible assets*

The Group's management determines the estimated useful lives, residual values and related depreciation and amortisation charges for its property, plant and equipment, right-of-use assets and intangible assets respectively. This estimate is based on the historical experience of the actual useful lives and residual values of aforementioned assets of similar nature and functions. Management will increase the depreciation and amortisation charge where useful lives are less than previously estimated lives and it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives and actual residual values may differ from estimated residual values. Periodic review could result in a change in useful lives and residual values and therefore depreciation and amortisation charge in future periods.

***(b) Income taxes***

Significant judgement is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Recognition of deferred tax assets, which principally relates to inventory impairment provision, trade receivables impairment provision and tax losses, depends on management's expectation of future taxable profit that will be available against which the tax losses and temporary differences can be utilised. The outcome of their actual utilisation may be different.

***(c) Impairment of trade receivables, contract assets and lease receivables***

The loss allowances for trade receivables, contract assets and lease receivables are based on assumptions about risk of default and expected loss rates. The directors of the Group use judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the previous credit history, ageing analysis, probability of default and current market condition. In assessing the recoverability of receivables, it requires the use of judgements and estimates based on past history, existing market conditions as well as forward looking factors.

***(d) Net realisable value of inventories***

Management reviews the ageing analysis at each reporting date and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for use in production or sale. Management estimates the net realisable value for these inventories based primarily on the latest invoice prices, current market conditions and historical experience of using in production and sales. Management carries out an inventory review on a product-by-product basis at each reporting date and makes allowance for obsolete items.

***(e) Revenue recognition from Professional IT services***

Revenue from Professional IT services is recognised according to the progress towards completion of individual contract, which is measured by reference to the contract costs incurred to date as a proportion to total estimated contract costs. The recognition of contract revenue requires significant management judgement and involves estimation uncertainty. Estimated contract costs mainly comprise material costs, subcontracting charges and project staff costs. In order to ensure the total estimated costs are accurate and up to date such that contract revenue can be measured reliably, management reviews the contract budgets, costs incurred to date and costs to completion regularly, and revises the estimated contract costs where necessary. Notwithstanding that the management regularly reviews and revises contract budgets, the actual contract costs and gross profit margin achieved may be higher or lower than the estimates and that will affect the revenue and gross profit recognised in the financial statements.

### *(f) Financial liability for redeemable rights*

As mentioned in Note 26, the Company has issued ordinary shares with redeemable rights to DHQ during **[REDACTED]**, the potential cash payments related to the redeemable rights are accounted for as financial liabilities. The liabilities are initially recognised at present value of the redemption amount, which is determined by the management in accordance with the terms under the investment agreement, and such recognition involved the use of significant accounting estimates and judgments.

## 5 Segment information

The Group is principally engaged in the provision of Professional IT services, Managed services, IT equipment leasing, IT maintenance and consultancy services, as well as distribution and resale of packaged hardware and software. The performance of the Group is subject to seasonal fluctuations. The Group's business activities, for which discrete financial statements are available, are regularly reviewed and evaluated by the chief operating decision-makers ("**CODMs**"). The CODMs have been identified as the directors of the Company. The directors of the Group regard the Group's business as a single operating segment and review the consolidated financial statements accordingly. As the Group has only one operating segment qualified as reporting segment under IFRS 8 and the information that regularly reviewed by the directors of the Group for the purposes of allocating resources and assessing performance of the operating segment is the financial statements of the Group, no separate segmental analysis is presented in the Historical Financial Information. The directors assess the performance based on profit before taxes. The amounts provided to the directors of the Group with respect to total assets and total liabilities are measured in a manner consistent with that in the consolidated statements of financial position.

### *(a) Revenue by business line and nature*

| | Year ended 31 December | | |
|---|---|---|---|
| | **2019** | **2020** | **2021** |
| | *HK$'000* | *HK$'000* | *HK$'000* |
| **Enterprise IT solutions** | | | |
| Professional IT services | 294,068 | 248,932 | 289,223 |
| Managed services | 1,109 | 8,469 | 18,656 |
| Lease income from IT equipment *(Note i)* | 717 | 21,099 | 16,697 |
| IT maintenance and consultancy services | 33,734 | 50,113 | 70,388 |
| | 329,628 | 328,613 | 394,964 |
| **Distribution and resale** | | | |
| Distribution | 113,351 | 108,800 | 99,860 |
| Resale | 59,763 | 37,895 | 39,478 |
| | 173,114 | 146,695 | 139,338 |
| **Total Revenue** | 502,742 | 475,308 | 534,302 |

*(i) Lease income from IT equipment*

| | Year ended 31 December | | |
|---|---|---|---|
| | 2019 | 2020 | 2021 |
| | *HK$'000* | *HK$'000* | *HK$'000* |
| Dealer lessor arrangement *(Note)* | 700 | 20,961 | 16,697 |
| Lease income from sublease arrangement | 17 | 138 | — |
| Lease income from IT equipment | 717 | 21,099 | 16,697 |

*Note:* For the years ended 31 December 2019, 2020 and 2021, the costs associated with dealer lessor arrangements were HK$588,000, HK$16,844,000 and HK$14,357,000, while selling profits from such arrangements, where they are finance lease, were HK$112,000, HK$4,117,000 and HK$2,340,000 respectively.

For finance income on the finance lease receivables recognised during the Track Record Period, please refer to Note 9 for details. There was no income relating to variable lease payments not included in the measurement of the finance lease receivables.

***(b) Timing of revenue recognition***

| | Year ended 31 December | | |
|---|---|---|---|
| | 2019 | 2020 | 2021 |
| | *HK$'000* | *HK$'000* | *HK$'000* |
| Recognised at a point in time | 176,729 | 153,723 | 148,308 |
| Recognised over time | 325,296 | 300,486 | 369,297 |
| **Revenue from contracts with customers** | 502,025 | 454,209 | 517,605 |
| Lease income from IT equipment | 717 | 21,099 | 16,697 |
| **Total revenue** | 502,742 | 475,308 | 534,302 |

***(c) Revenue recognition method***

| | Year ended 31 December | | |
|---|---|---|---|
| | 2019 | 2020 | 2021 |
| | *HK$'000* | *HK$'000* | *HK$'000* |
| Recognised on a gross basis | 498,410 | 447,181 | 509,489 |
| Recognised on a net basis | 3,615 | 7,028 | 8,116 |
| **Revenue from contracts with customers** | 502,025 | 454,209 | 517,605 |
| Lease income from IT equipment | 717 | 21,099 | 16,697 |
| **Total revenue** | 502,742 | 475,308 | 534,302 |

### *(d) Revenue from top customers*

Revenue from external parties contributing 10% or more of the total revenue of the Group is as follows:

| | Year ended 31 December | | |
|---|---|---|---|
| | 2019 | 2020 | 2021 |
| | *HK$'000* | *HK$'000* | *HK$'000* |
| Customer D | * | 61,758 | 118,127 |
| Customer C | 74,413 | * | * |
| Customer F | 62,063 | * | * |
| Customer A | 52,542 | * | * |
| Customer G | 52,375 | * | * |
| Customer E | * | * | 61,783 |
| Total | 241,393 | 61,758 | 179,910 |

* represents the amount of revenue from such customer which is less than 10% of the total revenue of that year.

### *(e) Revenue by geographical locations (as determined by the country/region of domicile which the Group operates)*

| | Year ended 31 December | | |
|---|---|---|---|
| | 2019 | 2020 | 2021 |
| | *HK$'000* | *HK$'000* | *HK$'000* |
| Macau | 396,021 | 349,856 | 405,459 |
| Hong Kong | 106,721 | 125,401 | 128,602 |
| The PRC | — | 51 | 241 |
| | 502,742 | 475,308 | 534,302 |

*(f)* The total of non-current assets other than financial instruments and deferred tax assets, broken down by location of the assets, is shown in the following:

| | At 31 December | | |
|---|---|---|---|
| | 2019 | 2020 | 2021 |
| | *HK$'000* | *HK$'000* | *HK$'000* |
| Macau | 21,447 | 22,587 | 18,308 |
| Hong Kong | 7,689 | 12,482 | 8,245 |
| The PRC | 5,321 | 5,760 | 13,065 |
| | 34,457 | 40,829 | 39,618 |

### *(g) Assets and liabilities related to contracts with customers*

The Group has recognised the following assets and liabilities related to contracts with customers:

| | At 31 December | | |
|---|---|---|---|
| | 2019 | 2020 | 2021 |
| | *HK$'000* | *HK$'000* | *HK$'000* |
| **Contract assets** | | | |
| **Non-current** | | | |
| Professional IT services | 877 | 2,352 | 6,367 |
| IT maintenance and consultancy services | — | 1,288 | 8 |
| **Current** | | | |
| Professional IT services | 33,836 | 43,904 | 75,463 |
| IT maintenance and consultancy services | 3,627 | 2,954 | 3,241 |
| Managed services | 309 | 2,273 | 474 |
| Total contract assets | 38,649 | 52,771 | 85,553 |
| Less: Loss allowance *(Note 3.1b)* | (142) | (606) | (579) |
| **Total contract assets, net of loss allowance** | 38,507 | 52,165 | 84,974 |
| Assets recognised for costs incurred during the year | | | |
| — to obtain a contract | 3,634 | 4,991 | 6,032 |
| — to fulfil a contract | — | — | 1,349 |
| **Contract liabilities** | | | |
| **Non-current** | | | |
| IT maintenance and consultancy services | 4,092 | 6,600 | 5,578 |
| **Current** | | | |
| Professional IT services | 6,220 | 14,525 | 17,723 |
| IT maintenance and consultancy services | 13,705 | 11,785 | 20,450 |
| Managed services | — | 630 | 3,611 |
| Distribution | 943 | 780 | 2,850 |
| Resale | 364 | 1,666 | 690 |
| **Total contract liabilities** | 25,324 | 35,986 | 50,902 |

#### *(i) Significant changes in contract assets and liabilities*

Contract assets have increased as the Group has provided more services ahead of the agreed payment schedules for some fixed-price contracts. Whilst in some other cases the Group was able to negotiate for larger prepayments ahead of rendering of services, it also results in an increase in contract liabilities. The increasing trend for contract assets and contract liabilities during the Track Record Period was primarily due to an increase in overall contract activities.

The Group also recognised a loss allowance for contract assets in accordance with IFRS 9, see Note 3.1(b) for further information.

*(ii) Contract costs*

The costs incurred to obtain or fulfil a contract are to be recognised as contract costs. The Group incurred costs to obtain a contract in respect of sales commission paid to the marketing personnel upon successful negotiation of long-term contracts. The costs are directly related to the contract and are expected to be recovered. They are therefore recognised as an asset from costs to obtain a contract.

The Group has also incurred direct labour costs from the engineers for fulfilling the obligations in relation to the software development contracts. The labour costs are directly related to the software development contracts, used to fulfil performance obligations of the contracts and are expected to be recovered. Hence, they are also recognised as an asset from costs to fulfil a contract.

The assets are amortised on a systematic basis over the term of the specific contract they relate to or when the transfer of the control to the customer happens, consistent with the pattern of the associated revenue recognition. Regarding to the amortisation in relation to costs to obtain a contract, HK$3,203,000, HK$5,336,000 and HK$6,289,000 were recognised as cost of providing services for the years ended 31 December 2019, 2020 and 2021 respectively, while amortisation of HK$1,116,000 was recognised as cost of providing services in relation to costs to fulfil a contract for the year ended 31 December 2021.

For the contract costs as at 31 December 2019, 2020 and 2021, please refer to Note 20 for details.

*(iii) Revenue recognised in relation to contract liabilities*

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities and how much relates to performance obligations that were satisfied in a prior year:

| | Year ended 31 December | | |
|---|---|---|---|
| | **2019** | **2020** | **2021** |
| | *HK$'000* | *HK$'000* | *HK$'000* |
| Revenue recognised that was included in the balance at beginning of the year | | | |
| Professional IT services | 1,191 | 4,153 | 10,425 |
| IT maintenance and consultancy services | 10,088 | 13,705 | 11,785 |
| Distribution | 5,649 | 382 | 544 |
| Resale | 256 | 118 | 1,652 |
| Managed services | — | — | 491 |

*(iv) Unsatisfied performance obligations*

The following table shows unsatisfied performance obligations resulting from fixed-price long-term service contracts:

| | At 31 December | | |
|---|---|---|---|
| | **2019** | **2020** | **2021** |
| | *HK$'000* | *HK$'000* | *HK$'000* |
| Aggregate amount of the transaction price allocated to long-term service contracts that are partially or fully unsatisfied at end of the year | | | |
| Professional IT services | 48,408 | 22,700 | 90,578 |
| IT maintenance and consultancy services | 36,493 | 39,920 | 13,145 |
| Managed services | 1,180 | 28,009 | 27,595 |
| | 86,081 | 90,629 | 131,318 |

For the Group's provision of services mentioned in the above where its contract period is more than one year, management expects that 76.18% of the transaction price allocated to the unsatisfied performance obligations as at 31 December 2021 will be recognised as revenue during the upcoming 12-month period (HK$100,038,000). The remaining 23.82% (HK$31,280,000) will be subsequently recognised. The amount disclosed above does not include variable consideration which is constrained.

For all other contracts with customers with period of one year or less or if the Group has a right to consideration from a customer in an amount that corresponds directly with the value of the Group's performance completed to date, as permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

## 6 Other income and other net gains

| | Year ended 31 December | | |
|---|---|---|---|
| | **2019** | **2020** | **2021** |
| | *HK$'000* | *HK$'000* | *HK$'000* |
| Government grants *(Note i)* | — | 2,138 | 141 |
| Incentives from vendors for marketing events *(Note ii)* | 634 | 900 | 898 |
| Loss on disposal of property, plant and equipment | — | (113) | — |
| Net foreign exchange (losses)/gains | (556) | 539 | 26 |
| Others | 113 | 220 | 169 |
| | 191 | 3,684 | 1,234 |

*Note (i)* During the year ended 31 December 2020, the Hong Kong government has granted conditional government subsidies for the purpose of providing financial support to employers after the COVID-19 outbreak in early 2020 to retain employees who may otherwise be made redundant under the "employment support scheme" policy; apart from that, the Macau government has granted financial subsidies to businesses operated in Macau as a result of the COVID-19 outbreak. For the year ended 31 December 2021, the city in the PRC where one of the subsidiaries operates has granted conditional financial subsidies, based on the size of the properties leased, to businesses of the technological sector operating at the designated area for regional growth.

*Note (ii)* Vendors of the Group agreed to grant certain amount of incentives to reward the Group for holding marketing events to promote business activities and opportunities in relation to their brands.

## 7 Expenses by nature

| | Year ended 31 December | | |
|---|---|---|---|
| | **2019** | **2020** | **2021** |
| | *HK$'000* | *HK$'000* | *HK$'000* |
| Cost of inventories sold and services provided *(Note 17)* | 392,916 | 353,022 | 383,620 |
| Employee benefit expenses *(Note 8)* | 54,293 | 63,960 | 72,695 |
| Entertaining and travelling expenses | 3,880 | 1,898 | 2,592 |
| Depreciation of property, plant and equipment *(Note 12)* | 2,824 | 3,873 | 4,061 |
| Depreciation of right-of-use assets *(Note 13)* | 3,869 | 5,599 | 6,589 |
| Amortisation of intangible assets *(Note 14)* | 237 | 400 | 830 |
| Short-term operating lease expenses | 410 | 355 | 460 |
| Network security maintenance expenses | 1,168 | 1,520 | 1,821 |
| Legal and professional services | 232 | 223 | 319 |
| Auditors' remuneration | | | |
| — Audit services | 299 | 301 | 604 |
| — Non-audit services | 78 | 80 | 99 |
| Provision for impairment of inventories, net *(Note 17)* | 2,354 | 574 | 1,147 |
| **[REDACTED]** | **[REDACTED]** | **[REDACTED]** | **[REDACTED]** |
| Provision for impairment losses on financial assets and contract assets | 1,485 | 569 | 1,278 |
| Others | 9,203 | 8,800 | 10,157 |
| | **[REDACTED]** | **[REDACTED]** | **[REDACTED]** |
| Analysed by: | | | |
| Cost of sales | 417,085 | 381,795 | 422,192 |
| Selling and distribution expenses | 15,298 | 16,378 | 18,687 |
| General and administrative expenses | **[REDACTED]** | **[REDACTED]** | **[REDACTED]** |
| Provision for impairment losses on financial assets and contract assets | 1,485 | 569 | 1,278 |
| | 473,248 | 443,988 | 503,808 |

## 8 Employee benefit expenses

### *(a) Employee benefit expenses are analysed as follows:*

| | Year ended 31 December | | |
|---|---|---|---|
| | **2019** | **2020** | **2021** |
| | *HK$'000* | *HK$'000* | *HK$'000* |
| Salaries, wages and bonuses | 44,362 | 51,013 | 55,933 |
| Sales commission expenses | 7,194 | 8,863 | 10,524 |
| Pension costs — defined contribution plan *(Note i)* | 628 | 691 | 1,286 |
| Social security fund, housing and other employee benefits *(Note ii)* | 2,109 | 3,393 | 4,952 |
| | 54,293 | 63,960 | 72,695 |

*Note (i)* The Group participates in the mandatory provident fund schemes ("**MPF schemes**") registered under the Hong Kong Mandatory Provident Fund Ordinance, which are defined contribution schemes. For its employees in the PRC, the Group makes monthly contributions to the defined contribution retirement schemes administrated and operated by the local municipal and provincial governments in accordance with the rules and regulations in the PRC. For the year ended 31 December 2020, the monthly contributions were waived as a relief measure due to the COVID-19 outbreak.

*Note (ii)* The Group contributes a fixed amount of its payroll costs to the central social security scheme operated by the Macau government for its employees in Macau; while for its employees in the PRC, the Group also makes monthly contributions to the government supervised housing funds, medical insurances and other social insurances for its employees, calculated as certain percentages of their salaries. The same COVID-19 related relief measure described above was provided for the year ended 31 December 2020.

### *(b) Five highest paid individuals*

The five individuals whose emoluments were the highest in the Group include two, one and two directors for the years ended 31 December 2019, 2020 and 2021 respectively. Emoluments of the directors are reflected in the analysis presented in Note 33. The emoluments payables to the remaining three, four and three individuals for the respective years are as follows:

| | Year ended 31 December | | |
|---|---|---|---|
| | **2019** | **2020** | **2021** |
| | *HK$'000* | *HK$'000* | *HK$'000* |
| Salaries, wages and bonuses | 1,307 | 1,594 | 1,459 |
| Sales commission expenses | 3,021 | 4,177 | 2,672 |
| Pension costs — defined contribution plan | 30 | 30 | 18 |
| Social security fund, housing and other employee benefits | 1 | 4 | 1 |
| | 4,359 | 5,805 | 4,150 |

The emoluments fell within the following bands:

| | Year ended 31 December | | |
|---|---|---|---|
| | 2019 | 2020 | 2021 |
| | *Number of individuals* | | |
| Nil — HK$1,000,000 | — | — | — |
| HK$1,000,001 HK$1,500,000 | 2 | 2 | 2 |
| HK$1,500,001 — HK$2,000,000 | 1 | 2 | 1 |
| | 3 | 4 | 3 |

## 9 Finance income and costs

| | Year ended 31 December | | |
|---|---|---|---|
| | 2019 | 2020 | 2021 |
| | *HK$'000* | *HK$'000* | *HK$'000* |
| Finance income | | | |
| — Bank deposits | 39 | 10 | 43 |
| — Finance lease receivables | 69 | 112 | 618 |
| — Financing components in relation to contracts with customers | 255 | 140 | 104 |
| | 363 | 262 | 765 |
| Finance costs | | | |
| — Lease liabilities | 307 | 554 | 532 |
| — Borrowings | 669 | 543 | 433 |
| — Financial liability for redeemable rights *(Note 26)* | — | — | 1,502 |
| — Others | 2 | 19 | 24 |
| | 978 | 1,116 | 2,491 |
| Finance costs — net | 615 | 854 | 1,726 |

## 10 Income tax expense

### *(a) Income tax expense*

| | Year ended 31 December | | |
|---|---|---|---|
| | 2019 | 2020 | 2021 |
| | *HK$'000* | *HK$'000* | *HK$'000* |
| Current income tax | | | |
| — Macau complementary tax | 2,866 | 3,074 | 5,059 |
| — Hong Kong profits tax | 1,175 | 1,258 | 916 |
| — Adjustments for current income tax of prior years | — | 58 | 357 |
| Deferred income tax *(Note 15)* | | | |
| — Increase in deferred tax assets | (197) | (121) | (520) |
| — Increase in deferred tax liabilities | 7 | 23 | 187 |
| | (190) | (98) | (333) |
| Income tax expense | 3,851 | 4,292 | 5,999 |

The Group's principal applicable taxes and tax rates are as follows:

*Cayman Islands and British Virgin Islands*

Under the prevailing laws of the Cayman Islands, the Company is not subject to tax on income or capital gains. In addition, no Cayman Islands withholding tax is payable on dividend payments by the Company to its shareholders. The Group's entities incorporated in the British Virgin Islands are not subject to tax on income or capital gains.

*Macau*

The entity within the Group incorporated in Macau is subject to Macau profits tax at progressive rates ranging from 3% to 9% on the taxable income above MOP32,000 but below MOP300,000, and thereafter at a fixed rate of 12%. In addition, special tax incentives were provided to the effect that the tax-free income threshold amounting to MOP600,000 for the years ended 31 December 2019, 2020 and 2021. Furthermore, in response to the economic downturn as a result of the COVID-19 outbreak, the Macau government imposed one-off measures to deduct MOP300,000 (equivalent to approximately HK$291,000) from the 2019 and 2020 Macau complementary tax payments.

Pursuant to the Government Budget approved in 2018 to 2020, super-deduction is available for qualified research and development expenses (triple deduction on the first MOP3,000,000 and double deduction on the subsequent MOP3,000,000 spending) for the years ended 31 December 2019, 2020 and 2021. However, due to the uncertainty on whether the relevant application of the entity would be accepted by the Macau Financial Services Bureau, total contingent tax assets of MOP805,000 (equivalent to approximately HK$780,000), MOP1,885,000 (equivalent to approximately HK$1,827,000) and MOP2,965,000 (equivalent to approximately HK$2,873,000) have not been recognised to offset current income tax payables as at 31 December 2019, 2020 and 2021 respectively.

*Hong Kong*

In March 2018, the Hong Kong Government introduced a two-tiered profits tax rates regime by enacting the Inland Revenue (Amendment) (No. 3) Ordinance 2018 (the "**Ordinance**"). Under the two-tiered profits tax rates regime, the first HK$2 million of assessable profits of qualifying corporations is taxed at 8.25% and the remaining assessable profits at 16.5%. The Ordinance is effective from the year of assessment 2018 to 2019. The nominated subsidiary of the Group has elected to adopt two-tiered profit tax rates regime from the year of assessment 2019 to 2020. Accordingly, the provisions for Hong Kong Profits Tax of the nominated subsidiary for the Track Record Period are calculated in accordance with the two-tiered profits tax rates regime; while the provisions, if any, for the other subsidiary incorporated in Hong Kong remain calculated at 16.5%.

*The PRC*

Mainland corporate income tax ("**CIT**") was made on the estimated assessable profits of the entities within the Group incorporated and operating in the PRC and was calculated in accordance with the relevant tax rules and regulations of the PRC. The general CIT rate is 25% for the Track Record Period.

*Withholding tax on undistributed profits*

According to the relevant tax rules and regulations of the PRC, distribution to foreign investors of profits earned by PRC companies since 1 January 2008 is subject to withholding tax of 5% or 10%, depending on the country of incorporation of the foreign investors' foreign incorporated immediate holding companies.

During the Track Record Period, there were no unremitted earnings whose distribution to owners from PRC subsidiaries that are subject to withholding tax of 5%. No deferred tax liabilities were provided on the unremitted earnings.

*(b) Numerical reconciliation of income tax expense*

| | Year ended 31 December | | |
|---|---|---|---|
| | 2019 | 2020 | 2021 |
| | *HK\$'000* | *HK\$'000* | *HK\$'000* |
| Profit before income tax | 29,070 | 34,150 | 30,002 |
| Tax calculated at applicable statutory tax rate | 3,487 | 4,236 | 5,802 |
| Income not subject to tax | (1) | (345) | (13) |
| Expenses not deductible for tax purposes | 177 | 377 | 49 |
| Adjustments for current income tax of prior years | — | 58 | 357 |
| Additional tax incentive for COVID-19 | — | (291) | (291) |
| Utilisation of tax losses previously not recognised as deferred taxes | — | (27) | — |
| Tax losses not recognised as deferred tax assets | 217 | 214 | 285 |
| Deferred tax assets previously not recognised *(Note)* | — | — | (229) |
| Other temporary differences not recognised as deferred taxes *(Note)* | (29) | 70 | 39 |
| Income tax expense | 3,851 | 4,292 | 5,999 |

*Note:* Other temporary differences not recognised as deferred taxes included potential non-allowable tax deduction or non-taxable income arisen from an entity within the Group incorporated in Macau. For the year ended 31 December 2021, the Group has performed reassessment on these deferred tax assets not recognised and recognised HK$229,000 deferred tax assets of prior years.

The weighted average applicable tax rate was 13.25%, 12.57% and 20.00% for the years ended 31 December 2019, 2020 and 2021 respectively. The change is mainly caused by the differences of the profitability mix of the Group's subsidiaries in the respective country/regions for the years aforementioned; while for the year ended 31 December 2021, the changes are further contributed by the loss of the Company, where no tax credits are provided in accordance to the tax jurisdiction it is located.

## 11 Earnings per share

### *(a) Basic earnings per share*

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of shares in issue during the Track Record Period.

| | Year ended 31 December | | |
|---|---|---|---|
| | **2019** | **2020** | **2021** |
| Profit attributable to owners of the Company *(HK$'000)* | 25,219 | 29,858 | 24,003 |
| Weighted average number of ordinary shares in issue for basic earnings per share *(Note)* | 10,000 | 10,000 | 10,239 |
| Basic earnings per share *(HK$)* | 2,522 | 2,986 | 2,344 |

*Note:* The weighted average number of shares has been retrospectively adjusted for the effect of the issuance of shares in connection with the Reorganisation completed on 4 March 2021 (Note 1.2). The average number of shares during the Track Record Period before the **[REDACTED]** date, 23 March 2021, equals to sum of the shares issued during the Reorganisation.

### *(b) Diluted earnings per share*

Diluted earnings per share is calculated by adjusting the profit attributable to owners of the Company and the weighted average number of ordinary shares outstanding to assume conversion of all potentially dilutive shares.

For the year ended 31 December 2021, the Group has one category of potentially dilutive shares — ordinary shares with redemption rights. The exercise of the redemption rights would be dilutive if the exercise price of such shares is above the average market price.

| | Year ended 31 December | | |
|---|---|---|---|
| | **2019** | **2020** | **2021** |
| Profit attributable to owners of the Company *(HK$'000)* | 25,219 | 29,858 | 24,003 |
| Weighted average number of ordinary shares in issue for diluted earnings per share *(Note (c))* | 10,000 | 10,000 | 10,365 |
| Dilutive earnings per share *(HK$)* | 2,522 | 2,986 | 2,316 |

### (c) *Weighted average number of ordinary shares in issue for diluted earnings per share*

| | Year ended 31 December | | |
|---|---|---|---|
| | **2019** | **2020** | **2021** |
| Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share | 10,000 | 10,000 | 10,239 |
| Adjustments for calculation of diluted earnings per share: | | | |
| Shares with redeemable rights | — | — | 126 |
| Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share | 10,000 | 10,000 | 10,365 |

## 12 Property, plant and equipment

| | Computer equipment | Furniture and fixture | Office equipment | Leasehold improvement | Buildings | Motor vehicle | Total |
|---|---|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **At 1 January 2019** | | | | | | | |
| Cost | 5,194 | 602 | 317 | 4,933 | — | — | 11,046 |
| Accumulated depreciation | (1,754) | (220) | (110) | (4,139) | — | — | (6,223) |
| Net book amount | 3,440 | 382 | 207 | 794 | — | — | 4,823 |
| **Year ended 31 December 2019** | | | | | | | |
| Opening net book amount | 3,440 | 382 | 207 | 794 | — | — | 4,823 |
| Additions | 2,015 | 280 | 259 | 1,812 | 5,463 | — | 9,829 |
| Depreciation | (1,476) | (154) | (73) | (902) | (219) | — | (2,824) |
| Exchange differences | — | — | — | — | 78 | — | 78 |
| Net book amount | 3,979 | 508 | 393 | 1,704 | 5,322 | — | 11,906 |
| **At 31 December 2019** | | | | | | | |
| Cost | 7,209 | 882 | 576 | 6,745 | 5,463 | — | 20,875 |
| Accumulated depreciation | (3,230) | (374) | (183) | (5,041) | (141) | — | (8,969) |
| Net book amount | 3,979 | 508 | 393 | 1,704 | 5,322 | — | 11,906 |
| **Year ended 31 December 2020** | | | | | | | |
| Opening net book amount | 3,979 | 508 | 393 | 1,704 | 5,322 | — | 11,906 |
| Additions | 1,866 | 162 | 150 | 2,186 | — | — | 4,364 |
| Depreciation | (1,868) | (163) | (132) | (1,446) | (264) | — | (3,873) |
| Exchange differences | 4 | — | — | — | 220 | — | 224 |
| Disposals | — | (113) | — | — | — | — | (113) |
| Net book amount | 3,981 | 394 | 411 | 2,444 | 5,278 | — | 12,508 |

| | Computer equipment | Furniture and fixture | Office equipment | Leasehold improvement | Buildings | Motor vehicle | Total |
|---|---|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **At 31 December 2020** | | | | | | | |
| Cost | 9,075 | 842 | 726 | 8,419 | 5,463 | — | 24,525 |
| Accumulated depreciation | (5,094) | (448) | (315) | (5,975) | (185) | — | (12,017) |
| Net book amount | 3,981 | 394 | 411 | 2,444 | 5,278 | — | 12,508 |
| **Year ended 31 December 2021** | | | | | | | |
| Opening net book amount | 3,981 | 394 | 411 | 2,444 | 5,278 | — | 12,508 |
| Additions | 1,306 | — | 185 | 158 | — | 628 | 2,277 |
| Depreciation | (1,893) | (135) | (143) | (1,496) | (279) | (115) | (4,061) |
| Exchange differences | 3 | — | 1 | 1 | 129 | — | 134 |
| Net book amount | 3,397 | 259 | 454 | 1,107 | 5,128 | 513 | 10,858 |
| **At 31 December 2021** | | | | | | | |
| Cost | 10,381 | 842 | 911 | 8,577 | 5,463 | 628 | 26,802 |
| Accumulated depreciation | (6,984) | (583) | (457) | (7,470) | (335) | (115) | (15,944) |
| Net book amount | 3,397 | 259 | 454 | 1,107 | 5,128 | 513 | 10,858 |

For the years ended 31 December 2019, 2020 and 2021, the depreciation charges of the Group's property, plant and equipment being recognised and included in "general and administrative expenses" amounted to HK$1,774,000, HK$2,656,000 and HK$2,914,000, respectively; while for the years ended 31 December 2019 and 2020 and 2021, HK$1,050,000, HK$1,217,000 and HK$1,147,000 were included in the "cost of sales", respectively.

## 13 Right-of-use assets

| | Office properties | Office equipment | Staff quarters | Total |
|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **At 1 January 2019** | | | | |
| Cost | 7,923 | — | 251 | 8,174 |
| Accumulated depreciation | (5,838) | — | (241) | (6,079) |
| Net book amount | 2,085 | — | 10 | 2,095 |
| **Year ended 31 December 2019** | | | | |
| Opening net book amount | 2,085 | — | 10 | 2,095 |
| Additions | 9,632 | — | 752 | 10,384 |
| Depreciation | (3,525) | — | (344) | (3,869) |
| Closing net book amount | 8,192 | — | 418 | 8,610 |
| **At 31 December 2019** | | | | |
| Cost | 16,607 | — | 1,003 | 17,610 |
| Accumulated depreciation | (8,415) | — | (585) | (9,000) |
| Net book amount | 8,192 | — | 418 | 8,610 |

| | Office properties | Office equipment | Staff quarters | Total |
|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **Year ended 31 December 2020** | | | | |
| Opening net book amount | 8,192 | — | 418 | 8,610 |
| Additions | 4,523 | — | 164 | 4,687 |
| Depreciation | (5,155) | — | (444) | (5,599) |
| Exchange differences | 9 | — | — | 9 |
| Closing net book amount | 7,569 | — | 138 | 7,707 |
| **At 31 December 2020** | | | | |
| Cost | 15,477 | — | 916 | 16,393 |
| Accumulated depreciation | (7,908) | — | (778) | (8,686) |
| Net book amount | 7,569 | — | 138 | 7,707 |
| **Year ended 31 December 2021** | | | | |
| Opening net book amount | 7,569 | — | 138 | 7,707 |
| Additions | 7,823 | 259 | — | 8,082 |
| Early termination of lease contracts | (179) | — | — | (179) |
| Depreciation | (6,452) | (13) | (124) | (6,589) |
| Exchange differences | 95 | — | — | 95 |
| Closing net book amount | 8,856 | 246 | 14 | 9,116 |
| **At 31 December 2021** | | | | |
| Cost | 20,780 | 259 | 164 | 21,203 |
| Accumulated depreciation | (11,924) | (13) | (150) | (12,087) |
| Net book amount | 8,856 | 246 | 14 | 9,116 |

The consolidated statements of profit or loss show the following amounts relating to leases:

| | Year ended 31 December | | |
|---|---|---|---|
| | 2019 | 2020 | 2021 |
| | *HK$'000* | *HK$'000* | *HK$'000* |
| Depreciation charge of right-of-use assets *(Note 7)* | 3,869 | 5,599 | 6,589 |
| Interest expenses *(Note 9)* | 307 | 554 | 532 |
| Expense relating to short-term leases *(Note 7)* | 410 | 355 | 460 |

For the years ended 31 December 2019, 2020 and 2021, the depreciation charges of the Group's right-of-use assets recognised as expense and included in "general and administrative expenses" amounted to HK$3,869,000, HK$5,599,000 and HK$6,589,000 respectively.

## 14 Intangible assets

| | Software |
|---|---|
| | *HK$'000* |
| **At 1 January 2019** | |
| Cost | 1,040 |
| Accumulated amortisation | (523) |
| Net book amount | 517 |
| **Year ended 31 December 2019** | |
| Opening net book amount | 517 |
| Additions | 24 |
| Amortisation | (237) |
| Net book amount | 304 |
| **At 31 December 2019** | |
| Cost | 1,064 |
| Accumulated amortisation | (760) |
| Net book amount | 304 |
| **Year ended 31 December 2020** | |
| Opening net book amount | 304 |
| Additions | 1,013 |
| Amortisation | (400) |
| Net book amount | 917 |
| **At 31 December 2020** | |
| Cost | 2,077 |
| Accumulated amortisation | (1,160) |
| Net book amount | 917 |
| **Year ended 31 December 2021** | |
| Opening net book amount | 917 |
| Additions | 2,335 |
| Amortisation | (830) |
| Net book amount | 2,422 |
| **At 31 December 2021** | |
| Cost | 4,412 |
| Accumulated amortisation | (1,990) |
| Net book amount | 2,422 |

For the years ended 31 December 2019, 2020 and 2021, the amortisation charges of the Group's intangible assets recognised as expense and included in "general and administrative expenses" amounted to HK$237,000, HK$400,000 and HK$830,000 respectively.

## 15 Deferred income tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis. The analysis of deferred tax assets and deferred tax liabilities is as follows:

| | At 31 December | | |
|---|---|---|---|
| | **2019** | **2020** | **2021** |
| | *HK$'000* | *HK$'000* | *HK$'000* |
| Deferred income tax assets | 448 | 569 | 1,089 |
| Deferred income tax liabilities | (40) | (63) | (250) |
| Deferred income tax assets — net | 408 | 506 | 839 |

The net movements in deferred income tax assets and liabilities were as follows:

| | Year ended 31 December | | |
|---|---|---|---|
| | **2019** | **2020** | **2021** |
| | *HK$'000* | *HK$'000* | *HK$'000* |
| At beginning of the year | 218 | 408 | 506 |
| Credited to consolidated statements of profit or loss *(Note 10)* | 190 | 98 | 333 |
| At end of the year | 408 | 506 | 839 |

The movements in deferred income tax assets and liabilities during the Track Record Period without taking into consideration the offsetting of balances within the same tax jurisdiction is as follows:

***Deferred income tax assets***

| | **Inventory Impairment provision** | **Trade and lease receivables Impairment provision** | **Tax losses** | **Total** |
|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| At 1 January 2019 | 180 | 6 | 65 | 251 |
| Credited/(charged) to consolidated statements of profit or loss | 227 | 35 | (65) | 197 |
| At 31 December 2019 | 407 | 41 | — | 448 |
| Credited to consolidated statements of profit or loss | 89 | 32 | — | 121 |
| At 31 December 2020 | 496 | 73 | — | 569 |
| Credited to consolidated statements of profit or loss | 448 | 72 | — | 520 |
| At 31 December 2021 | 944 | 145 | — | 1,089 |

*Deferred income tax liabilities*

| | Depreciation and amortisation |
|---|---|
| | *HK$'000* |
| At 1 January 2019 | 33 |
| Charged to consolidated statements of profit or loss | 7 |
| At 31 December 2019 | 40 |
| Charged to consolidated statements of profit or loss | 23 |
| At 31 December 2020 | 63 |
| Charged to consolidated statements of profit or loss | 187 |
| At 31 December 2021 | 250 |

The Group has the following unrecognised tax losses (after considering corresponding applicable tax rate):

| | At 31 December | | |
|---|---|---|---|
| | **2019** | **2020** | **2021** |
| | *HK$'000* | *HK$'000* | *HK$'000* |
| Unused tax losses for which no deferred tax asset has been recognised — without expiration date | 128 | 342 | 484 |
| Unused tax losses for which no deferred tax asset has been recognised — with expiration date | 102 | 75 | 143 |
| Potential tax benefit | 230 | 417 | 627 |

Unrecognised tax losses (after considering corresponding applicable tax rate) carried forward with expiration date expire in the following years:

| | At 31 December | | |
|---|---|---|---|
| | **2019** | **2020** | **2021** |
| | *HK$'000* | *HK$'000* | *HK$'000* |
| 2023 | 13 | — | — |
| 2024 | 89 | 75 | — |
| 2026 | — | — | 143 |
| | 102 | 75 | 143 |

## 16 Investments in subsidiaries — the Company

The balance in the Company's statement of financial position as at 31 December 2021 represents the carrying amount of the subsidiaries transferred from the Controlling shareholder pursuant to the Reorganisation (Note 1.2), which was initially measured at fair value on the date of transfer.

## 17 Inventories

| | At 31 December | | |
|---|---|---|---|
| | 2019 | 2020 | 2021 |
| | *HK$'000* | *HK$'000* | *HK$'000* |
| Hardware products | 19,882 | 16,836 | 15,440 |
| Software products | 39,200 | 22,266 | 14,554 |
| | 59,082 | 39,102 | 29,994 |

For the years ended 31 December 2019, 2020 and 2021, the cost of inventories recognised as expense and included in "cost of sales" amounted to HK$392,916,000, HK$353,022,000 and HK$383,620,000 respectively (Note 7).

Write-downs of inventories to net realisable value amounted to HK$2,354,000, HK$574,000 and HK$1,147,000 for the years ended 31 December 2019, 2020 and 2021 respectively (Note 7). These were recognised as an expense and included in 'cost of sales' in the consolidated statements of profit or loss.

## 18 Financial instruments by category

(a) The Group holds the following financial instruments:

| | | At 31 December | | |
|---|---|---|---|---|
| | | 2019 | 2020 | 2021 |
| | *Notes* | *HK$'000* | *HK$'000* | *HK$'000* |
| **Financial assets at amortised cost** | | | | |
| Deposits and other receivables | *20* | 6,293 | 9,157 | 10,898 |
| Finance lease receivables | *25* | 1,111 | 22,718 | 26,978 |
| Trade receivables | *19* | 100,765 | 95,225 | 188,803 |
| Restricted cash | *21* | 5,917 | 5,920 | 2,925 |
| Cash and cash equivalents | *21* | 28,510 | 29,899 | 14,485 |
| | | 142,596 | 162,919 | 244,089 |
| **Financial liabilities at amortised cost** | | | | |
| Trade and other payables* | *27* | 101,080 | 87,776 | 120,135 |
| Amounts due to shareholders | *28* | 17,533 | 16,722 | — |
| Financial liability for redeemable rights | *26* | — | — | 37,900 |
| Lease liabilities | *25* | 9,793 | 10,178 | 10,076 |
| Borrowings | *24* | 15,292 | 15,390 | 31,455 |
| | | 143,698 | 130,066 | 199,566 |

* *Excluding non-financial liabilities, such as other taxes payable, employee benefit payables and reinstatement cost provision*

(b) The Company holds the following financial instruments:

| | | At 31 December |
|---|---|---|
| | | 2021 |
| | *Notes* | *HK$'000* |
| **Financial assets at amortised cost** | | |
| Amounts due from a subsidiary | *28* | 33,062 |
| Cash and cash equivalents | *21(b)* | 99 |
| | | 33,161 |
| **Financial liabilities at amortised cost** | | |
| Financial liability for redeemable rights | *26* | 37,900 |
| Accruals | *27(b)* | 8,973 |
| | | 46,873 |

## 19 Trade receivables

| | At 31 December | | |
|---|---|---|---|
| | 2019 | 2020 | 2021 |
| | *HK$'000* | *HK$'000* | *HK$'000* |
| Due from third parties | 103,021 | 97,476 | 192,273 |
| Loss allowance *(Note 3.1b)* | (2,256) | (2,251) | (3,470) |
| Total trade receivables, net of allowance | 100,765 | 95,225 | 188,803 |

Due to the short-term nature of the trade receivables, their carrying amounts are considered to be the same as their fair values.

Trade receivables are denominated in the following currencies:

| | At 31 December | | |
|---|---|---|---|
| | 2019 | 2020 | 2021 |
| | *HK$'000* | *HK$'000* | *HK$'000* |
| HK$ | 51,241 | 60,623 | 128,035 |
| MOP | 39,569 | 35,242 | 42,264 |
| US$ | 12,211 | 1,611 | 21,828 |
| RMB | — | — | 146 |
| | 103,021 | 97,476 | 192,273 |

The credit terms of trade receivables granted by the Group are generally one to three months. The ageing analysis of the trade receivables based on invoice date is as follows:

| | At 31 December | | |
|---|---|---|---|
| | 2019 | 2020 | 2021 |
| | *HK$'000* | *HK$'000* | *HK$'000* |
| Up to 3 months | 66,050 | 69,747 | 163,479 |
| 3 to 6 months | 24,276 | 15,790 | 12,522 |
| Over 6 months and within 1 year | 7,314 | 9,030 | 13,935 |
| Over 1 year | 5,381 | 2,909 | 2,337 |
| | 103,021 | 97,476 | 192,273 |

## 20 Deposits, prepayments, contract costs and other receivables

### *(a) The Group*

| | At 31 December | | |
|---|---|---|---|
| | 2019 | 2020 | 2021 |
| | *HK$'000* | *HK$'000* | *HK$'000* |
| **Current portion** | | | |
| *Prepayments* | | | |
| — Suppliers | 25,356 | 22,815 | 31,991 |
| — Deferred **[REDACTED]** | **[REDACTED]** | **[REDACTED]** | **[REDACTED]** |
| — Others | 1,402 | 2,009 | 3,452 |
| *Contract costs* | | | |
| — In relation to obtain a contract | 1,131 | 786 | 513 |
| — In relation to fulfil a contract | — | — | 233 |
| Deposits and other receivables | 1,251 | 4,767 | 6,999 |
| | **[REDACTED]** | **[REDACTED]** | **[REDACTED]** |
| **Non-current portion** | | | |
| *Prepayments* | | | |
| — Suppliers | 10,981 | 14,254 | 7,707 |
| — Property, plant and equipment | 215 | 196 | 2,151 |
| — Intangible assets | 1,429 | 1,400 | — |
| — Others | 141 | 222 | 1,030 |
| Contract costs in relation to obtain a contract | — | — | 16 |
| Deposits | 5,042 | 4,390 | 3,899 |
| | 17,808 | 20,462 | 14,803 |

The carrying amounts of other financial assets at amortised cost approximate their fair values at each reporting date and are denominated in the following currencies:

| | At 31 December | | |
|---|---|---|---|
| | 2019 | 2020 | 2021 |
| | *HK$'000* | *HK$'000* | *HK$'000* |
| MOP | 4,297 | 7,060 | 8,606 |
| HK$ | 1,896 | 1,923 | 1,942 |
| RMB | 100 | 174 | 350 |
| | 6,293 | 9,157 | 10,898 |

***(b) The Company***

| | At 31 December |
|---|---|
| | 2021 |
| | *HK$'000* |
| **Prepayments** | |
| Deferred **[REDACTED]** | **[REDACTED]** |

## 21 Cash and cash equivalents and restricted cash

***(a) The Group***

| | At 31 December | | |
|---|---|---|---|
| | 2019 | 2020 | 2021 |
| | *HK$'000* | *HK$'000* | *HK$'000* |
| Cash at bank | 34,410 | 35,788 | 17,370 |
| Cash in hand | 17 | 31 | 40 |
| Cash at bank and in hand | 34,427 | 35,819 | 17,410 |
| Less: restricted cash maintained at bank *(Note)* | (5,917) | (5,920) | (2,925) |
| Cash and cash equivalents | 28,510 | 29,899 | 14,485 |

*Note:* The restricted cash represents fixed deposits pledged as a security for a bank guarantee requested by a supplier as at 31 December 2019, 2020 and 2021.

Cash and cash equivalents and restricted cash are denominated in the following currencies:

| | At 31 December | | |
|---|---|---|---|
| | 2019 | 2020 | 2021 |
| | *HK$'000* | *HK$'000* | *HK$'000* |
| HK$ | 6,406 | 5,637 | 4,639 |
| MOP | 20,230 | 3,459 | 4,681 |
| US$ | 7,152 | 23,694 | 6,119 |
| RMB | 639 | 3,029 | 1,971 |
| Cash and cash equivalents and restricted cash | 34,427 | 35,819 | 17,410 |

The carrying amounts of the Group's cash and cash equivalents and restricted cash approximated to their fair values as at 31 December 2019, 2020 and 2021.

### *(b) The Company*

Cash and cash equivalents are cash maintained at bank and denominated in the following currency:

| | At 31 December 2021 |
|---|---|
| | *HK$'000* |
| HK$ | 99 |

The carrying amount of the Company's cash and cash equivalents approximated to its fair value as at 31 December 2021.

## 22 Share capital — Group and Company

| | *Notes* | Number of shares | Nominal value of shares | Share premium |
|---|---|---|---|---|
| | | | *HK$'000* | *HK$'000* |
| **Authorised** | | | | |
| Ordinary shares of HK$0.01 each | *(a)* | 38,000,000 | 380 | — |
| At 31 December 2021 | *(a)* | 38,000,000 | 380 | — |
| **Issued and fully paid** | | | | |
| At 31 December 2019 and 2020 | | — | — | — |
| At 18 February 2021 | *(a)* | 1 | —* | — |
| Issuance of ordinary shares in relation to the Reorganisation of the Group | *(b)* | 9,999 | —* | — |
| Issuance of ordinary shares in relation to the **[REDACTED]** | *(c)* | 1,142 | —* | 48,101 |
| At 31 December 2021 | | 11,142 | —* | 48,101 |

* Less than HK$1,000

(a) The Company was incorporated in the Cayman Islands on 18 February 2021 as an exempted company with limited liability with an authorised share capital of HK$380,000 divided into 38,000,000 ordinary shares with a par value of HK$0.01 each. On date of incorporation, one share was allotted and issued at par as fully paid to the initial subscriber, which was subsequently transferred to Tai Wah on the same date at par.

(b) On 4 March 2021, the Company issued and allotted 9,999 ordinary shares to Tai Wah pursuant to the Reorganisation (Note 1.2).

(c) On 23 March 2021, DHQ and Kallo, entered into purchase and subscription agreements with the Company for the purchase and subscription of 1,142 shares in total at considerations of HK$35,128,000 and HK$12,973,000, respectively, as well as with Tai Wah for a total of 748 shares at considerations of HK$21,018,000 and HK$10,488,000, respectively (Note 1.3). According to the investment agreement, DHQ was granted redeemable (divestment) rights for new shares issued, which is disclosed in Notes 23 and 26.

## 23 Reserves

### *(a) The Group*

| | Capital reserves *(Note i)* | Other reserves *(Note ii)* | Exchange reserve | Legal reserve *(Note iii)* | Retained earnings | Total |
|---|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **At 1 January 2019** | 5,444 | — | (347) | 12 | 81,905 | 87,014 |
| **Total comprehensive income for the year** | | | | | | |
| Profit for the year | — | — | — | — | 25,219 | 25,219 |
| Other comprehensive loss for the year | — | — | (33) | — | — | (33) |
| **Transactions with owners** | | | | | | |
| Deemed distribution to shareholders | (10) | — | — | — | — | (10) |
| Dividends declared | — | — | — | — | (2,907) | (2,907) |
| **At 31 December 2019** | 5,434 | — | (380) | 12 | 104,217 | 109,283 |
| **At 1 January 2020** | 5,434 | — | (380) | 12 | 104,217 | 109,283 |
| **Total comprehensive income for the year** | | | | | | |
| Profit for the year | — | — | — | — | 29,858 | 29,858 |
| Other comprehensive gain for the year | — | — | 258 | — | — | 258 |
| **Transactions with owners** | | | | | | |
| Deemed distribution to shareholders | (4,410) | — | — | — | — | (4,410) |
| Dividends declared | — | — | — | — | (2,000) | (2,000) |
| **At 31 December 2020** | 1,024 | — | (122) | 12 | 132,075 | 132,989 |
| **At 1 January 2021** | 1,024 | — | (122) | 12 | 132,075 | 132,989 |
| **Total comprehensive income for the period** | | | | | | |
| Profit for the period | — | — | — | — | 24,003 | 24,003 |
| Other comprehensive loss for the period | — | — | 188 | — | — | 188 |
| **Transactions with owners** | | | | | | |
| Recognition of redemption liability | — | (36,398) | — | — | — | (36,398) |
| **At 31 December 2021** | 1,024 | (36,398) | 66 | 12 | 156,078 | 120,782 |

*(i) Capital reserves*

Capital reserves of the Group represent the paid-in capital of the subsidiaries acquired pursuant to the Reorganisation (Note 1.2).

*(ii) Other reserves*

Other reserves of the Group are attributable to the ordinary shares issued on 23 March 2021 of 834 shares to DHQ with redemption rights. The redemption liability related to the redeemable rights is disclosed in Note 26.

*(iii) Legal reserve*

In accordance with Macau Commercial Code, companies limited by quotas incorporated in Macau should set aside a minimum of 25% of the entity's profit after tax to the legal reserve until the balance of the reserve reaches a level equivalent to 50% of the entity's capital.

***(b) The Company***

| | Capital reserves *(Note i)* | Other reserves | Retained earnings | Total |
|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **At 18 February 2021 (date of incorporation)** | — | — | — | — |
| Loss for the period | — | — | (19,040) | (19,040) |
| **Transactions with owners** | | | | |
| Effect of reserve in relation to Reorganisation | 483,000 | — | — | 483,000 |
| Recognition of redemption liability | — | (36,398) | — | (36,398) |
| **At 31 December 2021** | 483,000 | (36,398) | (19,040) | 427,562 |

*(i) Capital reserves*

Capital reserves of the Company represent the carrying amount of the subsidiaries transferred from the Controlling shareholder pursuant to the Reorganisation (Note 1.2) in the Company's separate financial statements, which was initially measured at fair value on the date of transfer (Note 16).

## 24 Borrowings

| | At 31 December | | |
|---|---|---|---|
| | 2019 | 2020 | 2021 |
| | *HK$'000* | *HK$'000* | *HK$'000* |
| **Current portion** | | | |
| Secured bank loans *(Note a)* | 1,084 | 8,047 | 25,522 |
| Unsecured loans *(Note b)* | 5,830 | 270 | — |
| | 6,914 | 8,317 | 25,522 |
| **Non-current portion** | | | |
| Secured bank loans *(Note a)* | 8,184 | 7,073 | 5,933 |
| Unsecured loans *(Note b)* | 194 | — | — |
| | 8,378 | 7,073 | 5,933 |
| **Total borrowings** | 15,292 | 15,390 | 31,455 |

(a) Bank borrowings are pledged and guaranteed as shown in the below:

| | At 31 December | | |
|---|---|---|---|
| | **2019** | **2020** | **2021** |
| | *HK$'000* | *HK$'000* | *HK$'000* |
| Secured bank loans guaranteed by Mr. Chao and his associates and pledged by the properties owned by them | | | |
| — At prime rate minus 2.75% per annum | 9,268 | 8,184 | 7,073 |
| — At prime rate minus 0.63% per annum | — | 6,936 | 24,382 |
| | 9,268 | 15,120 | 31,455 |

During the year ended 31 December 2021, the Company has obtained a no-objection letter from the secured loan issuing bank (the "**Bank**") in regard to replace the aforementioned personal guarantees by a corporate guarantee and/or other collaterals to be given by the Company and/or other members of the Group, subject to successful **[REDACTED]** and commencement of **[REDACTED]** and **[REDACTED]** of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited and other conditions are met, as well as final approval from the Bank after conditions are met.

(b) The unsecured loans are denominated in Hong Kong dollars, among which include a HK$3,000,000 loan from a related party disclosed in Note 32 for the year ended 31 December 2019. The remaining loans are borrowed from a non-bank financial institution, with the guarantor of the loan being Mr. Chao for the years ended 31 December 2019 and 2020.

(c) As at 31 December 2020 and 31 December 2021, the Group has unutilised borrowing facilities amounted to HK$18,146,000 and HK$15,780,000 respectively (2019: nil).

The Group's borrowings at the reporting dates are denominated in the following currency:

| | At 31 December | | |
|---|---|---|---|
| | **2019** | **2020** | **2021** |
| | *HK$'000* | *HK$'000* | *HK$'000* |
| HK$ | 15,292 | 15,390 | 31,455 |

The weighted average effective interest rates at the reporting dates are set out as follows:

| | At 31 December | | |
|---|---|---|---|
| | **2019** | **2020** | **2021** |
| | *HK$'000* | *HK$'000* | *HK$'000* |
| Secured bank loans | 2.50% | 3.47% | 4.15% |
| Unsecured loans from a non-bank financial institution | 5.13% | 5.13% | — |
| Loan from a related party | 1.00% | — | — |

The maturity date of the borrowings was analysed as follows:

| | At 31 December | | |
|---|---|---|---|
| | **2019** | **2020** | **2021** |
| | *HK$'000* | *HK$'000* | *HK$'000* |
| Within 1 year | 6,914 | 8,317 | 25,522 |
| Between 1 and 2 years | 1,305 | 1,140 | 1,168 |
| Between 2 and 5 years | 3,506 | 3,594 | 3,685 |
| Over 5 years | 3,567 | 2,339 | 1,080 |
| | 15,292 | 15,390 | 31,455 |

The fair values of the Group's borrowings are not materially different to their carrying amounts, since the interest payable on those borrowings is either close to current market rates or the borrowings are of a short-term nature. The Group has complied with the financial covenants of its borrowing facilities during the Track Record Period.

## 25 Leases

| | At 31 December | | |
|---|---|---|---|
| | **2019** | **2020** | **2021** |
| | *HK$'000* | *HK$'000* | *HK$'000* |
| Lease payables as follows: | | | |
| Within 1 year | 5,325 | 6,424 | 6,233 |
| Between 1 and 2 years | 3,414 | 3,441 | 3,118 |
| Between 2 and 5 years | 1,583 | 735 | 1,167 |
| **Total lease payments** | 10,322 | 10,600 | 10,518 |
| Less: future finance charges | (529) | (422) | (442) |
| **Total lease liabilities** | 9,793 | 10,178 | 10,076 |
| Less: portion classified as current liabilities | (5,209) | (6,214) | (6,093) |
| **Non-current lease liabilities** | 4,584 | 3,964 | 3,983 |

The total cash outflows for leases for the years ended 31 December 2019, 2020 and 2021 were HK$4,565,000 and HK$5,961,000 and HK$8,670,000, respectively.

For COVID-19 related rent concessions, the Group has applied practical expedient to all rent concessions occurring as a direct consequence of the COVID-19 pandemic with adoption precondition met under the *Amendment to IFRS 16 Leases "COVID-19 Related Rent Concession."* Rent concession amounting to HK$104,000 represents changes in lease payments arising from the pandemic and has been recognised in "other income and other net gains" in the consolidated statements of profit or loss for the years ended 31 December 2020.

For the years ended 31 December 2019, 2020 and 2021, the Group's operating lease rental payments relating to short-term and low-value leases amounting to HK$410,000, HK$355,000 and HK$460,000, respectively, have been recognised as expenses and included in "general and administrative expenses" in the consolidated statements of profit or loss.

| | At 31 December | | |
|---|---|---|---|
| | **2019** | **2020** | **2021** |
| | *HK$'000* | *HK$'000* | *HK$'000* |
| Finance lease receivables as follows: | | | |
| Within 1 year | 598 | 9,178 | 14,559 |
| Between 1 and 2 years | 457 | 7,039 | 5,337 |
| Between 2 and 5 years | 145 | 6,873 | 8,255 |
| **Minimum lease payments receivables** | 1,200 | 23,090 | 28,151 |
| Less: unearned finance income | (89) | (262) | (1,064) |
| **Total lease receivables** | 1,111 | 22,828 | 27,087 |
| Loss allowance *(Note 3.1b)* | — | (110) | (109) |
| **Total lease receivables, net of loss allowance** | 1,111 | 22,718 | 26,978 |
| Less: portion classified as current receivables | (577) | (9,100) | (14,326) |
| Non-current lease receivables | 534 | 13,618 | 12,652 |

During the year ended 31 December 2020, the Group has entered into a lease arrangement with a customer where the scope of service comprises a large quantity of servers with an objective to replace them with their existing infrastructure. The servers to be leased were delivered by batches during the years ended 31 December 2020 and 2021. As a result, the carrying amounts of finance lease receivables have significantly increased during the year ended 31 December 2020 and 2021.

## 26 Financial liability for redeemable rights

| | **Total** |
|---|---|
| | *HK$'000* |
| At 1 January 2021 | — |
| Initial recognition at present value of expected redemption amount | 36,398 |
| Finance costs charged to consolidated statements of profit or loss *(Note 9)* | 1,502 |
| At 31 December 2021 | 37,900 |

On 23 March 2021, the Company entered into an investment agreement with one of the **[REDACTED]**, DHQ. In the agreement, the Company or Tai Wah had an obligation to repurchase the Company's ordinary shares issued to the aforementioned **[REDACTED]** and the redeemable rights are recognised as a financial liability. The relevant interest rate is assessed to be 5.25%.

The key terms of the redeemable rights are summarised as follows:

The Company or Tai Wah shall repurchase all newly issued shares from the aforementioned **[REDACTED]** if the Company fails to be **[REDACTED]** on the Main Board of The Stock Exchange of Hong Kong Limited on or before 31 December 2023. The **[REDACTED]** would have the right to exercise such redemption on or before 31 December 2025 with the following redeemable price.

The redeemable price equals to the relevant original consideration issued plus interest, depending on the exercise date for the redeemable rights, calculated at annual simple rate of 7% from the date of payment for the subscription price to 31 December 2023 and at annual simple rate of 4.75% from 1 January 2024 to 31 December 2025.

In the opinion of the directors of the Company, the financial liability for redeemable rights was determined under the condition of the objective reasons aforementioned and the exercise date used in the calculation is 1 January 2024, the earliest time the **[REDACTED]** could exercise.

## 27 Trade and other payables

### *(a) The Group*

| | At 31 December | | |
|---|---|---|---|
| | **2019** | **2020** | **2021** |
| | *HK$'000* | *HK$'000* | *HK$'000* |
| Trade payables *(i)* | 98,269 | 81,729 | 108,753 |
| Salaries payable | 9,985 | 3,771 | 7,472 |
| Accrued **[REDACTED]** | **[REDACTED]** | **[REDACTED]** | **[REDACTED]** |
| Accrued expenses | 2,395 | 4,351 | 1,690 |
| Other taxes payable | 571 | 481 | 539 |
| Other payables | 965 | 1,164 | 2,207 |
| | **[REDACTED]** | **[REDACTED]** | **[REDACTED]** |

Other than the bank guarantee requested by a supplier (Note 21), trade payables are unsecured and are usually paid within one to three months from recognition.

The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

(i) Trade payables primarily represent payables for inventories. The ageing analysis of the trade payables based on invoice date is as follows:

| | At 31 December | | |
|---|---|---|---|
| | **2019** | **2020** | **2021** |
| | *HK$'000* | *HK$'000* | *HK$'000* |
| Within 1 month | 38,142 | 32,203 | 81,940 |
| Over 1 month and within 3 months | 39,672 | 15,172 | 19,522 |
| Over 3 months and within 1 year | 19,326 | 31,850 | 6,916 |
| Over 1 year | 1,129 | 2,504 | 375 |
| Total trade payables | 98,269 | 81,729 | 108,753 |

### *(b) The Company*

| | At 31 December 2021 |
|---|---|
| | *HK$'000* |
| **Accruals** | |
| Accrued **[REDACTED]** | **[REDACTED]** |

## 28 Amounts due to/from shareholders and a subsidiary

### *(a) The Group*

The balances with shareholders are non-trade in nature, unsecured, interest-free and repayable on demand.

### *(b) The Company*

The balances with the subsidiary are non-trade in nature, unsecured, interest-free and repayable on demand.

## 29 Dividends

Dividends in respect of the years ended 31 December 2019 and 2020 amounting to MOP3,000,000 (approximately equivalent to HK$2,907,000) and MOP2,064,000 (approximately equivalent to HK$2,000,000) have been declared by the shareholders in one of the operating entities now comprising the Group on 31 March 2019 and 31 March 2020, respectively.

No dividends have been paid or declared by the Company in respect of the Track Record Period.

## 30 Cash flow information

(a) Reconciliation from profit before income tax to cash generated from/(used in) operating activities:

| | Year ended 31 December | | |
|---|---|---|---|
| | 2019 | 2020 | 2021 |
| | *HK$'000* | *HK$'000* | *HK$'000* |
| Profit before income tax | 29,070 | 34,150 | 30,002 |
| Adjustments for: | | | |
| Finance income | (363) | (262) | (765) |
| Finance costs | 978 | 1,116 | 2,491 |
| Exchange losses/(gains) | 35 | (175) | 61 |
| Net loss on disposal of property, plant and equipment | — | 113 | — |
| Depreciation of property, plant and equipment | 2,824 | 3,873 | 4,061 |
| Depreciation of right-of-use assets | 3,869 | 5,599 | 6,589 |
| Amortisation of intangible assets | 237 | 400 | 830 |
| Provision for impairment losses on financial assets and contract assets | 1,485 | 569 | 1,278 |
| Provision for impairment on inventories, net | 2,354 | 574 | 1,147 |
| Changes in working capital: | | | |
| Decrease/(increase) in trade receivables | 8,411 | 5,545 | (94,884) |
| Increase in contract assets | (3,974) | (14,122) | (32,782) |
| Increase in deposits and other receivables | (2,848) | (2,864) | (1,741) |
| Increase in prepayments and contract costs | (23,827) | (1,392) | (8,263) |
| (Increase)/decrease in inventories | (28,993) | 19,406 | 7,961 |
| Increase in finance lease receivables | (287) | (20,438) | (4,259) |
| Increase/(decrease) in trade and other payables | 41,868 | (19,905) | 36,755 |
| Increase in contract liabilities | 2,691 | 10,662 | 14,916 |
| Cash generated from/(used in) operating activities | 33,530 | 22,849 | (36,603) |

(b) This section sets out an analysis of net debt and the movements in net debt for each of the years presented:

| | At 31 December | | |
|---|---|---|---|
| | 2019 | 2020 | 2021 |
| | *HK$'000* | *HK$'000* | *HK$'000* |
| *Gross debt* | | | |
| — Loan from related parties | 3,000 | — | — |
| — Amounts due to shareholders | 17,533 | 16,722 | — |
| — Borrowings | 12,292 | 15,390 | 31,455 |
| — Lease Liabilities | 9,793 | 10,178 | 10,076 |
| — Financial liability for redeemable rights | — | — | 37,900 |
| | 42,618 | 42,290 | 79,431 |
| Less: cash and cash equivalents | (28,510) | (29,899) | (14,485) |
| Net debt | 14,108 | 12,391 | 64,946 |
| *Gross debt* | | | |
| — Interest free | 17,533 | 16,722 | — |
| — Fixed interest rates | 15,817 | 10,448 | 47,976 |
| — Variable interest rates | 9,268 | 15,120 | 31,455 |
| | 42,618 | 42,290 | 79,431 |
| Less: cash and cash equivalents | (28,510) | (29,899) | (14,485) |
| Net debt | 14,108 | 12,391 | 64,946 |

(c) Reconciliation of liabilities arising from financing activities is as follows:

| | Borrowings | Loan from a related party | Amounts due to shareholders | Lease liabilities | Financial liability for redeemable rights | Total |
|---|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **At 1 January 2019** | 24,238 | — | 19,582 | 2,743 | — | 46,563 |
| Cash flows | | | | | | |
| — Addition | — | 3,000 | 2,179 | — | — | 5,179 |
| — Repayment | (11,987) | — | (7,144) | (3,863) | — | (22,994) |
| — Interest paid | (668) | (1) | — | (292) | — | (961) |
| Non-cash changes | | | | | | |
| — Addition of lease liabilities | — | — | — | 10,898 | — | 10,898 |
| — Dividends declared | — | — | 2,907 | — | — | 2,907 |
| — Deemed distribution | — | — | 10 | — | — | 10 |
| — Early redemption impact | 41 | — | — | — | — | 41 |
| — Finance costs | 668 | 1 | — | 307 | — | 976 |
| — Exchange differences | — | — | (1) | — | — | (1) |
| **At 31 December 2019** | 12,292 | 3,000 | 17,533 | 9,793 | — | 42,618 |

| | Borrowings | Loan from a related party | Amounts due to shareholders | Lease liabilities | Financial liability for redeemable rights | Total |
|---|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **At 1 January 2020** | 12,292 | 3,000 | 17,533 | 9,793 | — | 42,618 |
| Cash flows | | | | | | |
| — Addition | 15,725 | — | 2,672 | — | — | 18,397 |
| — Repayment | (12,708) | (3,000) | (10,002) | (5,079) | — | (30,789) |
| — Interest paid | (432) | (30) | — | (527) | — | (989) |
| Non-cash changes | | | | | | |
| — Addition of lease liabilities | — | — | — | 5,428 | — | 5,428 |
| — Dividends declared | — | — | 2,000 | — | — | 2,000 |
| — Deemed distribution | — | — | 4,410 | — | — | 4,410 |
| — Finance costs | 513 | 30 | — | 554 | — | 1,097 |
| — Exchange differences | — | — | 109 | 9 | — | 118 |
| **At 31 December 2020** | 15,390 | — | 16,722 | 10,178 | — | 42,290 |
| **At 1 January 2021** | 15,390 | — | 16,722 | 10,178 | — | 42,290 |
| Cash flows | | | | | | |
| — Addition | 24,849 | — | 701 | — | — | 25,550 |
| — Repayment | (8,865) | — | (17,447) | (7,642) | — | (33,954) |
| — Interest paid | (352) | — | — | (568) | — | (920) |
| Non-cash changes | | | | | | |
| — Addition of lease liabilities | — | — | — | 7,673 | — | 7,673 |
| — Recognition of financial liability | — | — | — | — | 36,398 | 36,398 |
| — Disposal of lease liabilities | — | — | — | (179) | — | (179) |
| — Finance costs | 433 | — | — | 532 | 1,502 | 2,467 |
| — Exchange differences | — | — | 24 | 82 | — | 106 |
| **At 31 December 2021** | 31,455 | — | — | 10,076 | 37,900 | 79,431 |

## 31 Commitments

### *(a) Capital commitments*

Capital expenditure contracted for at the end of each reporting period but not recognised as liabilities is as follows:

| | At 31 December | | |
|---|---|---|---|
| | 2019 | 2020 | 2021 |
| | *HK$'000* | *HK$'000* | *HK$'000* |
| Property, plant and equipment | — | 598 | 938 |
| Intangible assets | 630 | — | — |
| | 630 | 598 | 938 |

***(b) Operating lease commitments***

*As lessee*

The future aggregate minimum lease payments related to short term leases under non-cancellable operating leases are as follows:

| | At 31 December | | |
|---|---|---|---|
| | **2019** | **2020** | **2021** |
| | *HK$'000* | *HK$'000* | *HK$'000* |
| **Staff quarters** | | | |
| Within 1 year | 81 | 22 | 116 |
| **Office properties** | | | |
| Within 1 year | — | — | 5 |

*As lessor*

There were no future minimum lease receipts under non-cancellable operating leases as at 31 December 2019, 2020 and 2021.

## 32 Related party transactions

Related parties are those parties that have the ability to control, jointly control or exercise significant influence over the other party in holding power over the investee; exposure or rights, to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect the amount of the investor's returns. Parties are also considered to be related if they are subject to common control or joint control. Related parties may be individuals or other entities.

The directors of the Group are of the view that the following company was a related party that had transactions or balances with the Group during the Track Record Period:

| Name of the related party | Description of the relationship |
|---|---|
| Hellmann Cyber Information System Limited | Entity controlled by Ms. Chiu, an executive director of the Company |

***(a) Year end balances with related parties***

*(i) Due to a related company*

| | At 31 December | | |
|---|---|---|---|
| | **2019** | **2020** | **2021** |
| | *HK$'000* | *HK$'000* | *HK$'000* |
| **Loans from a related party** | | | |
| Hellmann Cyber Information System Limited | 3,000 | — | — |

As at 31 December 2019, the Group had a borrowing amounted to HK$3,000,000 from a related party on business operation, i.e. Hellmann Cyber Information System Limited, non-trade in nature and at an interest rate of 1% per annum. The interest expenses during the years ended 31 December 2019 and 2020 were HK$1,000 and HK$30,000 respectively. The Group has repaid such borrowing during the year ended 31 December 2020.

*(ii) Amounts due to shareholders*

The balances with shareholders of the Group, Mr. Chao and Ms. Chiu, are non-trade in nature which do not arise out of the primary business and disclosed in Note 28.

***(b) Key management compensation***

The compensation paid or payable to key management for employment services during the Track Record Period is shown below:

| | Year ended 31 December | | |
|---|---|---|---|
| | **2019** | **2020** | **2021** |
| | *HK$'000* | *HK$'000* | *HK$'000* |
| Salaries, wages and bonuses | 4,350 | 4,595 | 5,145 |
| Sales commission expenses | 1,979 | 2,372 | 1,937 |
| Pension costs — defined contribution plan | 52 | 49 | 56 |
| Social security fund, housing and other employee benefits | — | — | 20 |
| Total | 6,381 | 7,016 | 7,158 |

## 33 Benefits and interests of directors

***(a) Directors' and chief executive's emoluments***

Remuneration of every director is set out below:

| | Year ended 31 December 2019 | | | | | |
|---|---|---|---|---|---|---|
| | **Director's fee** | **Salaries, wages and bonus** | **Pension costs – defined contribution plan** | **Social security fund, allowances and other employee benefits** | **Other emoluments paid or receivable in connection with the management of the Group or its subsidiaries** | **Total** |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Executive directors | | | | | | |
| Mr. Chao | — | 1,530 | — | 1,017 | — | 2,547 |
| Ms. Chiu | — | 882 | — | 2 | — | 884 |
| Ms. Lei | — | 634 | — | 620 | — | 1,254 |
| Mr. Ng | — | 674 | — | 161 | — | 835 |
| | — | 3,720 | — | 1,800 | — | 5,520 |

| | Year ended 31 December 2020 | | | | | |
|---|---|---|---|---|---|---|
| | **Director's fee** | **Salaries, wages and bonus** | **Pension costs – defined contribution plan** | **Social security fund, allowances and other employee benefits** | **Other emoluments paid or receivable in connection with the management of the Group or its subsidiaries** | **Total** |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Executive directors | | | | | | |
| Mr. Chao | — | 879 | — | 2,039 | — | 2,918 |
| Ms. Chiu | — | 656 | — | 3 | — | 659 |
| Ms. Lei | — | 592 | — | 377 | — | 969 |
| Mr. Ng | — | 592 | — | 253 | — | 845 |
| | — | 2,719 | — | 2,672 | — | 5,391 |

| | Year ended 31 December 2021 | | | | | |
|---|---|---|---|---|---|---|
| | **Director's fee** | **Salaries, wages and bonus** | **Pension costs – defined contribution plan** | **Social security fund, allowances and other employee benefits** | **Other emoluments paid or receivable in connection with the management of the Group or its subsidiaries** | **Total** |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Executive directors | | | | | | |
| Mr. Chao | — | 772 | — | 2,907 | — | 3,679 |
| Ms. Chiu | — | — | — | — | — | — |
| Ms. Lei | — | 696 | — | 279 | — | 975 |
| Mr. Ng | — | 778 | — | 721 | — | 1,499 |
| | — | 2,246 | — | 3,907 | — | 6,153 |

*Note (i)* Mr. Chao, Ms. Chiu, Ms. Lei and Mr. Ng were appointed as the Company's executive directors on 19 February 2021.

*Note (ii)* Mr. Li Haodong was appointed as the Company's non-executive director on 1 April 2021 and did not receive any directors' remuneration during the Track Record Period.

*Note (iii)* [Mr. Man Wing Pong], [Mr. U Seng Pan] and [Mr. Suen Chi Wai] were appointed as the Company's independent non-executive directors on [date]. During the Track Record Period, the independent non-executive directors have not yet been appointed and did not receive any directors' remuneration in the capacity of independent non-executive directors.

The remunerations shown above represent remunerations received from the Operating Companies by these directors in their capacity as employees to Operating Companies and no directors waived any emoluments during the Track Record Period.

No director fees were paid to these directors in their capacity as directors of the Company or the Operating Companies and no emoluments were paid by the Operating Companies to the directors as an inducement to join the Operating Companies, or as compensation for loss of office during the Track Record Period.

***(b) Directors' retirement and termination benefits***

No retirement benefits were paid to or receivable by any directors, and no payments were made to the directors as compensation for early termination of appointment during the Track Record Period.

***(c) Consideration provided to third parties for making available directors' services***

No consideration was provided to or receivable by third parties for making available directors' services during the Track Record Period.

***(d) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporates by and connected entities with such directors***

There were no loans, quasi-loans and other dealing arrangements in favour of the directors, or controlled body corporates and connected entities of such directors during the Track Record Period.

***(e) Directors' material interests in transactions, arrangements or contracts***

Except for mentioned above, there were no significant transactions, agreements and contracts in relation to the Group's business to which the Company or any of the Operating Companies were a party and in which a director of the Company had material interest, whether directly or indirectly, subsisted during the Track Record Period.

## 34 Contingent liabilities

As at 31 December 2019, 2020 and 2021, the Group did not have any material contingent liabilities.

## 35 Subsequent events

There have been no other events subsequent to 31 December 2021 which require adjustment or disclosure in the Historical Financial Information.

## III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2021 and up to the date of this report. No dividend or distribution has been declared or made by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2021.