



The Capital Markets Company
Limited

Directors' Report and Financial Statements
Year ended 31 December 2021

Directors' Report

The directors submit herewith their annual report together with the audited financial statements for the year ended 31 December 2021.

Principal place of business

The Capital Markets Company Limited ("the company") is a company incorporated and domiciled in Hong Kong and has its registered office and principal place of business at Level 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong and Unit 1A & 2, 13th Floor, North Tower, Skyway House, 3 Sham Mong Road, Tai Kok Tsui, Kowloon, Hong Kong, respectively.

Principal activity

The principal activity of the company is the provision of business and IT consulting services.

Share capital

Details of the share capital of the company are set out in note 14(b) to the financial statements. There were no movements during the year.

Directors

The directors during the financial year and up to the date of this report were:

Venugopal BHUVANAGIRI	(appointed on 27 April 2022)
Balaji RAMAKOTI	(appointed on 27 April 2022)
Gavin Keith James	(resigned on 27 April 2022)
Thomas Joseph Keenan IV	(resigned on 27 April 2022)

In accordance with Article 7 of the company's Articles of Association, all directors retire from the board at the forthcoming Annual General Meeting, and, being eligible, offers themselves for re-election.

Indemnity of directors

A permitted indemnity provision (as defined in section 469 of the Hong Kong Companies Ordinance) for the benefit of the directors of the company is currently in force and was in force throughout this year.

Directors' interests in transactions, arrangements or contracts

No transaction, arrangement or contract of significance to which the company, any of its holding companies or fellow subsidiaries was a party, and in which a director of the company had a material interest, subsisted at the end of the year or at any time during the year.

Auditors

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

Sd/-

Venugopal BHUVANAGIRI

Director

Hong Kong,

Date: 14 June 2022



Independent auditor's report to the members of The Capital Markets Company Limited

(Incorporated in Hong Kong with limited liability)

Opinion

We have audited the financial statements of The Capital Markets Company Limited ("the company") set out on pages 6 to 33, which comprise the company's statement of financial position as at 31 December 2021, the company's statement of profit or loss and other comprehensive income, statement of changes in equity and cash flow statement for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for opinion

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

Information other than the financial statements and auditor's report thereon

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Independent auditor's report to the members of The Capital Markets Company Limited (continued)

(Incorporated in Hong Kong with limited liability)

Responsibilities of the directors for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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



Independent auditor's report to the members of
The Capital Markets Company Limited (continued)
(Incorporated in Hong Kong with limited liability)

Auditor's responsibilities for the audit of the financial statements (continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Sd/-

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

Date: 14 June 2022

Statement of profit or loss and other comprehensive income
 for the year ended 31 December 2021
 (Expressed in Hong Kong dollars)

	Note	2021	2020
Revenue	2	\$ 128,065,579	\$ 119,470,331
Other net income	3	5,186,871	3,808,889
Staff costs	4(a)	(133,413,431)	(101,903,114)
Administrative expenses		<u>(24,564,615)</u>	<u>(19,705,590)</u>
(Loss)/profit from operations		\$ (24,725,596)	\$ 1,670,516
Finance costs	4(b)	<u>(3,807,673)</u>	<u>(4,153,821)</u>
Loss before taxation	4	\$ (28,533,269)	\$ (2,483,305)
Income tax	5	<u>4,318,158</u>	<u>393,104</u>
Loss and total comprehensive income for the year		<u>\$ (24,215,111)</u>	<u>\$ (2,090,201)</u>

The notes on pages 12 to 33 form part of these financial statements.

Statement of financial position at 31 December 2021

(Expressed in Hong Kong dollars)

	Note	2021	2020
Non-current assets			
Property, plant and equipment	7	\$ 1,361,753	\$ 1,960,557
Properties leased for own use	7	2,267,617	4,219,693
Investment in subsidiary	16	-	-
Deferred tax assets	5(c)	7,744,664	3,426,506
		<u>\$ 11,374,034</u>	<u>\$ 9,606,756</u>
Current assets			
Trade and other receivables and contract assets	10	\$ 26,390,430	\$ 16,585,841
Amounts due from fellow subsidiaries	8	30,356,427	108,541,838
Amount due from a subsidiary	8	-	522,626
Amount due from a shareholder	8	65,449,263	-
Loans to fellow subsidiaries	9	5,874,718	12,418,634
Cash and cash equivalents		6,180,424	28,832,101
		<u>\$ 134,251,262</u>	<u>\$ 166,901,040</u>
Current liabilities			
Trade and other payables and contract liabilities	11	\$ (20,586,999)	\$ (14,783,180)
Amount due to a shareholder	8	-	(15,655,646)
Amounts due to fellow subsidiaries	8	(9,429,323)	(1,401,318)
Amount due to immediate holding company	8	(210,801)	(893,906)
Loan from a shareholder	9	(3,590,314)	(4,035,870)
Loan from immediate holding company	9	(27,258,055)	(29,374,022)
Loans from fellow subsidiaries	9	(27,179,864)	(26,462,706)
Provision for asset reinstatement obligation		(1,421,400)	(1,421,400)
Lease liabilities	13	(2,231,482)	(2,315,322)
		<u>\$ (91,908,238)</u>	<u>\$ (96,343,370)</u>
Net current assets		<u>\$ 42,343,024</u>	<u>\$ 70,557,670</u>
Total assets less current liabilities		<u>\$ 53,717,058</u>	<u>\$ 80,164,426</u>

Statement of financial position at 31 December 2021
 (continued)
 (Expressed in Hong Kong dollars)

	Note	2021	2020
Non-current liabilities			
Lease liabilities	13	\$ (511,956)	\$ (2,744,213)
NET ASSETS		<u>\$ 53,205,102</u>	<u>\$ 77,420,213</u>
CAPITAL AND RESERVE	14		
Share capital		\$ 100	\$ 100
Retained profits		<u>53,205,002</u>	<u>77,420,113</u>
TOTAL EQUITY		<u>\$ 53,205,102</u>	<u>\$ 77,420,213</u>

Approved and authorised for issue by the board of directors on

Sd/-)	
)	
Venugopal BHUVANAGIRI)	
)	Directors
Sd/-)	
)	
Balaji RAMAKOTI)	

Date: 14 June 2022

The notes on pages 12 to 33 form part of these financial statements.

Statement of changes in equity
for the year ended 31 December 2021
(Expressed in Hong Kong dollars)

	<i>Share capital</i> (note 14(b))	<i>Retained profits</i>	<i>Total</i>
Balance at 1 January 2020	\$ 100	\$ 79,510,314	\$ 79,510,414
Change in equity for the year:			
Loss and total comprehensive income for the year	-	(2,090,201)	(2,090,201)
Balance at 31 December 2020 and 1 January 2021	\$ 100	\$ 77,420,113	\$ 77,420,213
Change in equity for the year:			
Loss and total comprehensive income for the year	-	(24,215,111)	(24,215,111)
Balance at 31 December 2021	<u>\$ 100</u>	<u>\$ 53,205,002</u>	<u>\$ 53,205,102</u>

The notes on pages 12 to 33 form part of these financial statements.

Cash flow statement for the year ended 31 December 2021 (Expressed in Hong Kong dollars)

	Note	2021	2020
Operating activities			
Loss before taxation		\$ (28,533,269)	\$ (2,483,305)
Adjustments for:			
Depreciation	7	3,091,419	5,779,759
Interest expense	4(b)	3,807,673	4,153,821
Interest income	3	(2,301,310)	(5,789,816)
Reversal of interest income from a fellow subsidiary	3	4,556,095	-
Gain on disposal of property, plant and equipment	3	-	(72,404)
Impairment loss on trade receivables	4(c)	-	100,339
Unrealised exchange (gain)/loss, net		(2,208,686)	3,071,033
Changes in working capital:			
(Increase)/decrease in trade and other receivables and contract assets		\$ (9,804,589)	\$ 16,881,170
Decrease/(increase) in amounts due from fellow subsidiaries		77,949,289	(16,410,834)
Decrease in amount due from a subsidiary		522,626	-
Increase/(decrease) in trade and other payables and contract liabilities		5,770,490	(6,898,670)
(Decrease)/increase in amount due to a shareholder		(81,104,909)	17,484,602
Increase in amounts due to fellow subsidiaries		10,620,227	287,973
(Decrease)/increase in amount due to immediate holding company		(2,121,374)	33,770
Cash (used in)/generated from operations		<u>\$ (19,756,318)</u>	<u>\$ 16,137,438</u>
Taxation			
Tax paid		<u>\$ -</u>	<u>\$ (2,786,200)</u>
Net cash (used in)/generated from operating activities		<u>\$ (19,756,318)</u>	<u>\$ 13,351,238</u>

Cash flow statement
for the year ended 31 December 2021 (continued)
(Expressed in Hong Kong dollars)

	Note	2021	2020
Investing activities			
Interest received		\$ -	\$ 12
Payment for purchase of property, plant and equipment		(540,539)	(81,003)
Proceeds from sales of fixed assets		-	87,186
Payment of loans to fellow subsidiaries		-	(4,798,971)
Net cash used in investing activities		<u>\$ (540,539)</u>	<u>\$ (4,792,776)</u>
Financing activities			
Capital element of lease rentals paid	12	(2,285,102)	\$ (2,934,983)
Interest element of lease rentals paid	12	(69,718)	(40,669)
Proceeds from loans from fellow subsidiaries	12	-	25,867,375
Repayment of loan from immediate holding company	12	-	(10,914,721)
Net cash (used in)/generated from financing activities		<u>\$ (2,354,820)</u>	<u>\$ 11,977,002</u>
Net (decrease)/increase in cash and cash equivalents		\$ (22,651,677)	\$ 20,535,464
Cash and cash equivalents at 1 January		<u>28,832,101</u>	<u>8,296,637</u>
Cash and cash equivalents at 31 December		<u>\$ 6,180,424</u>	<u>\$ 28,832,101</u>

Cash and cash equivalents represent cash at bank and on hand.

The notes on pages 12 to 33 form part of these financial statements.

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 Significant accounting policies

(a) Statement of compliance

For the purposes of compliance with sections 379 and 380 of the Hong Kong Companies Ordinance (Cap. 622), these financial statements have been prepared to present a true and fair view of the financial position and financial performance of the company only.

Consequently, they have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs, which term collectively includes Hong Kong Accounting Standards (HKASs) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance (Cap. 622) that are relevant to the preparation of company level financial statements by an intermediate parent company.

As the company is a holding company that is a wholly-owned subsidiary of another body corporate, it satisfies the exemption criteria set out in section 379(3)(a) of the Hong Kong Companies Ordinance (Cap. 622), and is therefore not required to prepare consolidated financial statements. The company also satisfies the exemption criteria set out in paragraph 4(a) of HKFRS 10, *Consolidated financial statements*, as Wipro Limited, the company's ultimate parent, produces consolidated financial statements in accordance with IFRSs which can be obtained from its registered office at Doddakannelli, Sarjapur Road, Bengaluru – 560 035, Karnataka, India or www.wipro.com. Consequently, the financial statements do not give all the information about the economic activities of the company of which the company is the parent which would have been disclosed had the company prepared consolidated financial statements.

A summary of the significant accounting policies adopted by the company is set out below.

The HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the company. None of these have an impact on the accounting policies of the company.

The company has not applied any new standard or interpretation that is not yet effective for the current accounting period (note 19).

(b) Basis of preparation of the financial statements

The measurement basis used in the preparation of the financial statements is the historical cost basis.

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

1 Significant accounting policies (continued)

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

(c) *Subsidiary*

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

In the company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 1(f)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(d) *Property, plant and equipment*

Property, plant and equipment, including right-of-use assets arising from leases of underlying property, plant and equipment (see note 1(e)) are stated at cost less accumulated depreciation and impairment losses (see note 1(f)).

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

- Leasehold improvements	Shorter of lease period or 5 years
- Furniture and fixtures	7 years
- Office equipment	3-5 years
- Properties leased for own use	4 years

Both the useful life of an asset and its residual value, if any, are reviewed annually.

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

1 Significant accounting policies (continued)

(e) Leased assets

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

As a lessee

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

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

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

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see note 1(f)).

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

In the statement of financial position, the company presents right-of-use assets within the same line item as similar underlying assets and presents lease liabilities separately.

1 Significant accounting policies (continued)

(f) Impairment of assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment; and
- investment in subsidiary.

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

- Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- Recognition of impairment losses

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

- Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

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

1 Significant accounting policies (continued)

(g) Trade and other receivables and contract assets

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

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortised cost, using the effective interest method and including an allowance for credit losses as determined below:

The loss allowance is measured at an amount equal to lifetime expected credit losses (ECLs), which are those losses that are expected to occur over the expected life of the trade receivables and contract assets. For other financial instruments, the company recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs. The loss allowance is estimated using a provision matrix based on the company's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

ECLs are remeasured at each reporting date with any changes recognised as an impairment gain or loss in profit or loss. The company recognises an impairment gain or loss with a corresponding adjustment to the carrying amount of trade and other receivables through a loss allowance account.

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

(h) Interest-bearing borrowings

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

1 Significant accounting policies (continued)

(i) Trade and other payables and contract liabilities

(i) Trade and other payables

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

(ii) Contract liabilities

A contract liability would be recognised if the company has an unconditional right to receive non-refundable consideration before the company recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 1(g)).

(j) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(k) Employee benefits

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

(l) Income tax

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

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

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits. Apart from differences which arise on initial recognition of assets and liabilities, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised.

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

1 Significant accounting policies (continued)

(m) Provisions and contingent liabilities

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

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

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

(n) Revenue recognition

Revenue from provision of service in the ordinary course of business is recognised when the company satisfies a performance obligation ("PO") by transferring control of a promised service to the customer. The amount of revenue recognised is the amount of the transaction price allocated to the satisfied PO.

The transaction price is allocated to each PO in the contract on the basis of the relative stand-alone selling prices of the promised services. The individual standalone selling price of a service that has not previously been sold on a stand-alone basis, or has a highly variable selling price, is determined based on the residual portion of the transaction price after allocating the transaction price to services with observable stand-alone selling prices. A discount or variable consideration is allocated to one or more, but not all, of the performance obligations if it relates specifically to those performance obligations.

The transaction price is the amount of consideration in the contract to which the company expects to be entitled in exchange for transferring the promised services. The transaction price may be fixed or variable and is adjusted for time value of money if the contract includes a significant financing component. Consideration payable to a customer is deducted from the transaction price if the company does not receive a separately identifiable benefit from the customer. When consideration is variable, the estimated amount is included in the transaction price to the extent that it is highly probable that a significant reversal of the cumulative revenue will not occur when the uncertainty associated with the variable consideration is resolved.

Revenue may be recognised at a point in time or over time following the timing of satisfaction of the PO. If a PO is satisfied over time, revenue is recognised based on the percentage of completion reflecting the progress towards complete satisfaction of that PO.

1 Significant accounting policies (continued)

(o) Translation of foreign currencies

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

(p) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the company will comply with the conditions attaching to them. Grants that compensate the company for expenses incurred are deducted in reporting the related expense.

(q) Related parties

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

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

2 Revenue

The principal activity of the company is the provision of business and IT consulting services. Revenue represents consultancy service fee income.

Revenue from contracts with customers within the scope of HKFRS 15 is further analysed as follows:

	2021	2020
Disaggregated by geographical location of the customers		
Hong Kong	\$ 121,833,108	\$ 109,526,191
Thailand	504,821	1,361,216
Others	5,727,650	8,582,924
	<u>\$ 128,065,579</u>	<u>\$ 119,470,331</u>

3 Other net income

	2021	2020
Exchange gain/(loss), net	\$ 1,897,953	\$ (4,005,871)
Interest received	-	12
Gain on disposal of property, plant and equipment	-	72,404
Support service revenue received/receivable from a shareholder	6,431,677	2,436,648
Interest income from group companies	2,301,310	5,789,804
Reversal of interest income from a fellow subsidiary	(4,556,095)	-
Other miscellaneous loss	(887,974)	(484,108)
	<u>\$ 5,186,871</u>	<u>\$ 3,808,889</u>

4 Loss before taxation

Loss before taxation is arrived at after charging/(crediting):

	2021	2020
(a) Staff costs		
Salaries, wages and other benefits	\$ 129,042,340	\$ 105,584,271
Contributions to Mandatory Provident Fund	4,371,091	3,652,826
Employment Support Scheme subsidy from the Hong Kong government	-	(7,333,983)
	<u>\$ 133,413,431</u>	<u>\$ 101,903,114</u>

5 Income tax (continued)

(b) Reconciliation between tax expense credited to profit or loss and accounting loss at applicable tax rates:

	2021	2020
Loss before taxation	\$ (28,533,269)	\$ (2,483,305)
Notional tax on loss before taxation calculated at 16.5% with first \$2 million at 8.25%	\$ (4,707,989)	\$ (574,745)
Tax effect of non-deductible expenses	1,368,133	679,435
Tax effect of non-taxable income	(379,716)	(955,320)
Over-provision in prior years	(598,586)	235,243
Overseas withholding tax	-	222,283
Actual tax credit to profit or loss	\$ (4,318,158)	\$ (393,104)

(c) Deferred tax

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

	<i>Depreciation charge of right- of-use asset</i>	<i>Future benefits of tax losses</i>	<i>Related depreciation in excess of the depreciation allowances</i>	<i>Total</i>
Deferred tax arising from:				
At 1 January 2020	\$ 10,513	\$ (2,604,947)	\$ (216,685)	\$ (2,811,119)
Credited to profit or loss	(10,513)	(217,499)	(387,375)	(615,387)
At 31 December 2020	\$ -	\$ (2,822,446)	\$ (604,060)	\$ (3,426,506)
At 1 January 2021	\$ -	\$ (2,822,446)	\$ (604,060)	\$ (3,426,506)
(Credited)/charged to profit or loss	-	(4,350,067)	31,909	(4,318,158)
At 31 December 2021	\$ -	\$ (7,172,513)	\$ (572,151)	\$ (7,744,664)

6 Directors' emoluments

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

	2021	2020
Directors' fees	\$ -	\$ -
Salaries, allowances and benefits in kind	-	-
Discretionary bonuses	-	-
Retirement scheme contributions	-	-

7 Property, plant and equipment and right-of-use assets

	<i>Leasehold improvements</i>	<i>Furniture and fixtures</i>	<i>Office equipment</i>	<i>Properties leased for own use</i>	<i>Total</i>
Cost:					
At 1 January 2020	\$ 5,773,587	\$ 732,927	\$ 9,665,777	\$ 6,565,227	\$ 22,737,518
Additions	-	-	81,003	3,689,373	3,770,376
Written-off/disposals	-	(8,230)	(2,131,479)	-	(2,139,709)
At 31 December 2020 and 1 January 2021	\$ 5,773,587	\$ 724,697	\$ 7,615,301	\$ 10,254,600	\$ 24,368,185
Additions	139,131	53,770	347,638	-	540,539
At 31 December 2021	<u>\$ 5,912,718</u>	<u>\$ 778,467</u>	<u>\$ 7,962,939</u>	<u>\$ 10,254,600</u>	<u>\$ 24,908,724</u>
Accumulated depreciation:					
At 1 January 2020	\$ (3,929,435)	\$ (258,924)	\$ (7,196,429)	\$ (3,030,105)	\$ (14,414,893)
Charge for the year	(1,731,064)	(104,409)	(939,484)	(3,004,802)	(5,779,759)
Written back on disposal/written-off assets	-	6,858	1,999,859	-	2,006,717
At 31 December 2020 and 1 January 2021	\$ (5,660,499)	\$ (356,475)	\$ (6,136,054)	\$ (6,034,907)	\$ (18,187,935)
Charge for the year	(139,047)	(263,010)	(737,286)	(1,952,076)	(3,091,419)
At 31 December 2021	<u>\$ (5,799,546)</u>	<u>\$ (619,485)</u>	<u>\$ (6,873,340)</u>	<u>\$ (7,986,983)</u>	<u>\$ (21,279,354)</u>
Net book value:					
At 31 December 2021	<u>\$ 113,172</u>	<u>\$ 158,982</u>	<u>\$ 1,089,599</u>	<u>\$ 2,267,617</u>	<u>\$ 3,629,370</u>
At 31 December 2020	<u>\$ 113,088</u>	<u>\$ 368,222</u>	<u>\$ 1,479,247</u>	<u>\$ 4,219,693</u>	<u>\$ 6,180,250</u>

7 Property, plant and equipment and right-of-use assets (continued)

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	Note	2021 \$	2020 \$
Properties leased for own use, carried at depreciated cost	(i)	2,267,617	4,219,693
Office equipment, carried at depreciated cost	(ii)	596,498	973,234
		<u>2,864,115</u>	<u>5,192,927</u>

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

	2021 \$	2020 \$
Depreciation charge of right-of-use assets by class of underlying asset:		
Properties leased for own use	1,952,076	3,004,802
Office equipment	376,736	330,565
	<u>2,328,812</u>	<u>3,335,367</u>
Interest on lease liabilities (note 4(b))	72,052	36,031
Expense relating to short-term leases and other leases not capitalised	12,858	84,319

Details of total cash outflows for leases and the maturity analysis of lease liabilities are set out in notes 12 and 13 respectively.

(i) Properties leased for own use

The company has obtained the right to use properties as its office through a tenancy agreement. The lease typically runs for an initial period of 2 years. During the year ended 31 December 2020, the company renewed the tenancy agreement. As a result, an addition of \$3,689,373 was recorded. The lease is not subject to an option to renew for an additional period after the end of the contract term.

(ii) Other leases

The company leases office equipment under leases expiring in 3 years. The lease includes an option to renew the lease when same terms are extended, while it also includes an option to purchase the leased equipment at the end of the lease term at a price deemed to be a bargain purchase option. None of the leases includes variable lease payments.

8 Amounts due (to)/from immediate holding company, fellow subsidiaries, a subsidiary and a shareholder

The amounts due to immediate holding company, fellow subsidiaries and a shareholder are unsecured, interest-bearing at 4.79% plus movement in London Interbank Offered Rate (“LIBOR”) per annum (2020: 4.79%) and have no fixed terms of repayment. The amounts due from fellow subsidiaries, a subsidiary and a shareholder are unsecured, interest-bearing at 4.79% plus movement in LIBOR per annum (2020: 4.79%) and have no fixed terms of repayment.

9 Loans to/(from) immediate holding company, a shareholder and fellow subsidiaries

Loans from immediate holding company, a shareholder and fellow subsidiaries are unsecured, interest-bearing at 4.79% plus movement in LIBOR per annum and repayable on demand. Loans to fellow subsidiaries are unsecured, interest-bearing at 4.79% plus movement in LIBOR per annum and recoverable on demand (2020: 4.79%).

10 Trade and other receivables and contract assets

	2021	2020
Trade receivables	\$ 15,578,532	\$ 8,180,961
Contract assets	7,831,826	5,668,627
	<u>\$ 23,410,358</u>	<u>\$ 13,849,588</u>
Other receivables, deposits and prepayments	2,980,072	2,736,253
	<u>\$ 26,390,430</u>	<u>\$ 16,585,841</u>

Trade and other receivables are expected to be recovered or recognised as expense within one year. Details on the company’s credit policy are set out in note 15(a).

11 Trade and other payables and contract liabilities

Trade and other payables are expected to be settled within one year, or are repayable on demand. The contract liabilities for the year ended 31 December 2021 of \$1,136,312 (2020: \$1,395,464) represent deferred revenue not recognised pending customer acceptance.

Movements in contract liabilities	2021	2020
	\$	\$
Balance at 1 January	1,395,464	908,000
Decrease as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(1,395,464)	(908,000)
Increase as a result of billing in advance for services not yet provided or pending customer acceptance	1,136,312	1,395,464
Balance at 31 December	<u>1,136,312</u>	<u>1,395,464</u>

12 Reconciliation of liabilities arising from financing activities

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

	<i>Loan from a shareholder (note 9)</i>	<i>Loan from immediate holding company (note 9)</i>	<i>Loans from fellow subsidiaries (note 9)</i>	<i>Lease liabilities (note 13)</i>	<i>Total</i>
At 1 January 2020	\$ 3,217,721	\$ 33,146,209	\$ 3,580,374	\$ 4,461,667	\$ 44,405,971
Changes from financing cash flows:					
Proceeds from loan from fellow subsidiaries	-	-	25,867,375	-	25,867,375
Repayment of loan from immediate holding company	-	(10,914,721)	-	-	(10,914,721)
Capital element of lease rentals paid	-	-	-	(2,934,983)	(2,934,983)
Interest element of lease rentals paid	-	-	-	(40,669)	(40,669)
Total changes from financing cash flows	\$ -	\$ (10,914,721)	\$ 25,867,375	\$ (2,975,652)	\$ 11,977,002
Exchange adjustments	\$ 233,995	\$ 2,943,302	\$ 211,850	\$ -	\$ 3,389,147
Other changes:					
Intercompany balances reclassification (note)	(57,379)	2,595,580	(3,950,003)	-	(1,411,802)
Interest expense on loans from group companies (note 4(b))	641,533	1,603,652	1,639,543	-	3,884,728
Interest income on loans to group companies	-	-	(886,433)	-	(886,433)
Written-off	-	-	-	(118,210)	(118,210)
Reclassification from other payables	-	-	-	(33,674)	(33,674)
Interest on lease liabilities (note 4(b))	-	-	-	36,031	36,031
Increase in lease liabilities from renewing leases during the year	-	-	-	3,689,373	3,689,373
Total other changes	\$ 584,154	\$ 4,199,232	\$ (3,196,893)	\$ 3,573,520	\$ 5,160,013
At 31 December 2020	\$ 4,035,870	\$ 29,374,022	\$ 26,462,706	\$ 5,059,535	\$ 64,932,133

Note: During 2020, the company reclassified (i) loan from a shareholder of \$57,379 to amount due to a shareholder, (ii) amount due to immediate holding company of \$2,595,580 to loan from immediate holding company, and (iii) amounts due to fellow subsidiaries of \$3,950,003 to loan from fellow subsidiaries respectively.

12 Reconciliation of liabilities arising from financing activities (continued)

	<i>Loan from a shareholder (note 9)</i>	<i>Loan from immediate holding company (note 9)</i>	<i>Loans from fellow subsidiaries (note 9)</i>	<i>Lease liabilities (note 13)</i>	<i>Total</i>
At 1 January 2021	\$ 4,035,870	\$ 29,374,022	\$ 26,462,706	\$ 5,059,535	\$ 64,932,133
Changes from financing cash flows:					
Capital element of lease rentals paid	-	-	-	(2,285,102)	(2,285,102)
Interest element of lease rentals paid	-	-	-	(69,718)	(69,718)
Total changes from financing cash flows	\$ -	\$ -	\$ -	\$ (2,354,820)	\$ (2,354,820)
Exchange adjustments	\$ (48,038)	\$ (2,052,778)	\$ (104,657)	\$ -	\$ (2,205,473)
Other changes:					
Intercompany balances reclassification (note)	-	(1,438,269)	(7,700)	-	(1,445,969)
Interest expense on loans from group companies (note 4(b))	791,701	1,375,080	1,440,418	-	3,607,199
Interest income on loans to group companies	(1,189,219)	-	(610,903)	-	(1,800,122)
Reclassification from other payables	-	-	-	(33,329)	(33,329)
Interest on lease liabilities (note 4(b))	-	-	-	72,052	72,052
Total other changes	\$ (397,518)	\$ (63,189)	\$ 821,815	\$ 38,723	\$ 399,831
At 31 December 2021	\$ 3,590,314	\$ 27,258,055	\$ 27,179,864	\$ 2,743,438	\$ 60,771,671

Note: During 2021, the company reclassified (i) loan from immediate holding company of \$1,438,269 to amount due to immediate holding company, and (ii) loan from fellow subsidiaries of \$7,700 to amounts due to fellow subsidiaries in order to reflect the nature of the balance more relevantly.

Total cash outflow for leases

Amounts included in the cash flow statement for leases comprise the following:

	2021 \$	2020 \$
Within operating cash flows	12,858	84,319
Within financing cash flows	2,354,820	2,975,652
	<u>2,367,678</u>	<u>3,059,971</u>

13 Lease liabilities

The following table shows the remaining contractual maturities of the company's lease liabilities at the end of the current and previous reporting periods.

	31 December 2021		31 December 2020	
	Present value of the lease payments \$	Total lease payments \$	Present value of the lease payments \$	Total lease payments \$
Within 1 year	<u>2,231,482</u>	<u>2,276,522</u>	<u>2,315,322</u>	<u>2,387,374</u>
After 1 year but within 2 years	511,956	528,497	2,231,482	2,276,522
After 2 years but within 5 years	-	-	512,731	529,272
	<u>511,956</u>	<u>528,497</u>	<u>2,744,213</u>	<u>2,805,794</u>
	<u>2,743,438</u>	<u>2,805,019</u>	<u>5,059,535</u>	<u>5,193,168</u>
Less: total future interest expenses		(61,581)		(133,633)
Present value of lease liabilities		<u>2,743,438</u>		<u>5,059,535</u>

14 Capital and reserve

(a) Components of the company's capital and reserve

The opening and closing balances of each component of the company's equity and a reconciliation between these amounts are set out in the statement of change in equity.

(b) Issued share capital

	2021		2020	
	No. of shares	Amount	No. of shares	Amount
Ordinary shares, issued and fully paid:				
At 1 January and 31 December	<u>100</u>	<u>\$ 100</u>	<u>100</u>	<u>\$ 100</u>

In accordance with section 135 of the Hong Kong Companies Ordinance, the ordinary shares of the company do not have a par value.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per ordinary share at general meetings of the company. All ordinary shares rank equally with regard to the company's residual assets.

14 Capital and reserve (continued)

(c) Capital management

The company's primary objective when managing capital is to safeguard the company's ability to continue as a going concern, so that it can continue to provide returns for shareholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost. As the company is part of a larger group, the company's sources of additional capital and policies for distribution of excess capital may also be affected by the group's capital management objectives.

The company defines "capital" as including all components of equity. Trading balances that arise as a result of trading transactions with other group companies are not regarded by the company as capital.

The company's capital structure is regularly reviewed and managed by Cardinal Holdings, L.P., the ultimate holding company for the group.

15 Financial risk management and fair values of financial instruments

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the company's business. The company's exposure to these risks and the financial risk management policies and practices used by the company to manage these risks are described below.

(a) Credit risk

The company's credit risk is primarily attributable to trade receivables and amounts due from group companies. The company has a credit policy in place and the exposures to credit risks are monitored on an ongoing basis.

Amounts due from group companies mainly represent receivables relating to cash pool and income receivables from provision of consultancy services, and is current in nature and repayable on demand. Any credit risk associated with this receivable is expected to be low, as the ultimate holding company provide any necessary financial support.

The company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. At the end of the reporting period, the company has a concentration of credit risk as 95% of trade and other receivables (2020: 95% of trade and other receivables) were due from the company's three largest customers.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These take into account the customer's past payment history, financial position and other factors. Trade receivables are due within 30 days from the billing date. Normally, the company does not obtain collateral from customers.

The company measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the company's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the company's different customer bases.

15 Financial risk management and fair values of financial instruments (continued)

The following table provides information about the company's exposure to credit risk and ECLs for trade receivables:

	<i>Expected loss rate</i>	<i>Gross carrying amount</i>	<i>Loss allowance</i>
<i>2021</i>			
Current (not past due)	-	\$ 14,711,568	\$ -
1 - 30 days past due	-	866,964	-
		<u>\$ 15,578,532</u>	<u>\$ -</u>
<i>2020</i>			
Current (not past due)	-	\$ 8,070,063	\$ -
1 - 30 days past due	-	110,898	-
		<u>\$ 8,180,961</u>	<u>\$ -</u>

Movement in the loss allowance account in respect of trade receivables during the year is as follows:

	<i>2021</i>	<i>2020</i>
At 1 January	\$ -	\$ 19,893
Impairment loss recognised during the year	-	100,339
Bad debt written off	-	(120,232)
	<u>\$ -</u>	<u>\$ -</u>
At 31 December	\$ -	\$ -

(b) Liquidity risk

The company's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The earliest settlement dates of the company's financial liabilities at the end of the reporting period are all within one year or on demand and the undiscounted contractual outflows of the financial liabilities are equal to their carrying amounts, except lease liabilities of which the payment term and future interests are disclosed in note 13.

(c) Interest rate risk

The company's interest rate risk arises from amounts due (to)/from and loans to/(from) the immediate holding company, fellow subsidiaries and a shareholder. Borrowings were issued at variable rates and expose the company to cashflow interest rate risk. The company has not used any interest rate swap to hedge its exposure to interest rate risk. Note 8 and note 9 contain information about the intercompany balances and loans.

The company continuously monitors the interest rate risk and does not anticipate significant impact resulting from changes in interest rates.

15 Financial risk management and fair values of financial instruments (continued)

As at 31 December 2021, it is estimated that a general decrease/increase of 100 basis points in interest rates, with all other variables held constant, would increase/decrease the company's loss after taxation and decrease/increase total equity by approximately \$284,001 (2020: \$360,194).

(d) Currency risk

The company's functional currency is Hong Kong dollars ("HKD"). The company is exposed to currency risk primarily through sales and purchases giving rise to receivables, payables and cash balances that are denominated in other currencies, being primarily Euro ("EUR"), United States Dollars ("USD"), British Pounds ("GBP"), Swiss Franc ("CHF"), Singapore Dollars ("SGD") and Thai baht ("THB").

As HKD is pegged to the USD, the company considers the risk of movements in exchange rates between HKD and USD to be insignificant. In respect of balances denominated in EUR, GBP, CHF, SGD and THB, the company ensures that the net exposure is kept to an acceptable level.

(i) Exposure to currency risk

The following table details the company's exposure at the end of the reporting period to major currency risk arising from recognised assets or liabilities denominated in a currency other than the company's functional currency of HKD. For presentation purpose, the amounts of the exposure are expressed in HKD.

	2021				
	EUR	GBP	THB	CHF	SGD
Loans from fellow subsidiaries	\$ -	\$ -	\$ (1,154,564)	\$ -	\$ -
Amounts due to fellow subsidiaries	(442,897)	-	-	(444,859)	(8,531,752)
Amount due to immediate holding company	(210,801)	-	-	-	-
Loan from immediate holding company	(27,258,055)	-	-	-	-
Loan from a shareholder	-	(3,590,314)	-	-	-
Net exposure to currency risk	<u>\$ (27,911,753)</u>	<u>\$ (3,590,314)</u>	<u>\$ (1,154,564)</u>	<u>\$ (444,859)</u>	<u>\$ (8,531,752)</u>
	2020				
	EUR	GBP	THB	CHF	SGD
Loans from fellow subsidiaries	\$ (6,679)	\$ -	\$ (1,807,114)	\$ -	\$ -
Amount due to a shareholder	-	(15,655,646)	-	-	-
Amounts due to fellow subsidiaries	(451,956)	-	-	-	(927,494)
Amount due to immediate holding company	(893,906)	-	-	-	-
Loan from immediate holding company	(29,374,022)	-	-	-	-
Loan from a shareholder	-	(4,035,870)	-	-	-
Net exposure to currency risk	<u>\$ (30,726,563)</u>	<u>\$ (19,691,516)</u>	<u>\$ (1,807,114)</u>	<u>\$ -</u>	<u>\$ (927,494)</u>

15 Financial risk management and fair values of financial instruments (continued)

(ii) Sensitivity analysis

The following table indicates the instantaneous change on the company's loss after taxation and retained profits that would arise if foreign exchange rates to which the company has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant. In this respect, it is assumed that the pegged rate between the HKD and the USD would be materially unaffected by any changes in movement in value of the USD against other currencies.

	2021		2020	
	Increase/ (decrease) in foreign exchange rates	Effect on loss after taxation and retained profits	Increase/ (decrease) in foreign exchange rates	Effect on loss after taxation and retained profits
EUR	10% (10%)	\$ (2,330,631) 2,330,631	10% (10)%	\$ (2,565,688) 2,565,688
GBP	10% (10%)	\$ (299,791) 299,791	10% (10)%	\$ (1,644,242) 1,644,242
THB	10% (10%)	\$ (96,406) 96,406	10% (10)%	\$ (150,894) 150,894
CHF	10% (10%)	\$ (37,146) 37,146	10% (10)%	\$ - -
SGD	10% (10%)	\$ (712,401) <u>712,401</u>	10% (10)%	\$ (77,446) <u>77,446</u>

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments which expose the company to foreign currency risk at the end of the reporting period. The analysis is performed on the same basis for 2020.

(e) Fair values

All financial assets and liabilities are carried at amounts not materially different from their fair values as at 31 December 2021 and 2020.

16 Commitments

Capital commitments outstanding at 31 December 2021 not provided for in the financial statements were as follows:

As at 31 December 2021, the company has committed to invest RMB1 million into a wholly-owned subsidiary, Capco Consulting Services (Guangzhou) Limited. The subsidiary was incorporated on 16 August 2019 and approved for an operating period of 50 years. The principal activity of the subsidiary will be provision of business consulting services. The subsidiary has not started operation yet. The capital injection of the subsidiary remained outstanding up to the date of this report.

17 Material related party transactions

(a) Transactions with key management personnel

All members of key management personnel are directors of the company, and their remuneration is disclosed in note 6.

(b) Transactions with other related parties

In addition to the transactions and balances disclosed elsewhere in the financial statements, the company entered into the following material related party transactions during the year:

	2021	2020
Consultancy service fee income receivable/received from group companies	\$ 6,232,471	\$ 9,612,388
Support service revenue receivable/received from a shareholder	6,452,810	2,436,648
Management fee payable/paid to a shareholder	(7,440,876)	(5,779,170)
Reimbursements of staff costs to group companies	(2,958,820)	(2,931,940)
Interest expense on loans from group companies	(3,735,621)	(4,117,790)
Interest income on loan to group companies	2,301,310	5,789,804
Reversal of interest income from a fellow subsidiary	(4,556,095)	-
Delivery centre expense to fellow subsidiaries	(1,398,107)	(1,866,063)
Mobility professional fees recharged from a shareholder	(574,079)	(687,511)
	<u> </u>	<u> </u>

18 Immediate and ultimate controlling party

At 31 December 2021, the directors consider the ultimate holding company to be Wipro Limited, an entity incorporated in India and listed on the New York Stock Exchange, and The Capital Markets Company BVBA, a company incorporated in Belgium, remains the company's immediate parent. Both Wipro Limited and The Capital Markets Company BVBA produce financial statements available for public use.

19 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2021

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and a new standard, which are not yet effective for the year ended 31 December 2021 and which have not been adopted in these financial statements.

So far, the company considers that the adoption of them is unlikely to have a significant impact on the company's financial statements.