

**INFORMATION TECHNOLOGY RESOURCE
CENTRE LIMITED**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH, 2019**



李 湯 陳 會 計 師 事 務 所
LI, TANG, CHEN & CO.
Certified Public Accountants (Practising)
Hong Kong

INFORMATION TECHNOLOGY RESOURCE CENTRE LIMITED

DIRECTORS' REPORT

The directors submit to the sole member of the company their report together with the audited financial statements for the year ended 31st March, 2019.

PRINCIPAL ACTIVITIES

The principal activities of the company during the year were the sales and provision of information technology products and services and related software development and consultancy project management services.

FINANCIAL STATEMENTS

The financial performance of the company for the year ended 31st March, 2019 and the financial position of the company at that date are set out in the financial statements on pages 6 to 24.

The directors do not recommend the payment of a dividend in respect of the year ended 31st March, 2019.

DIRECTORS

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

LIU Tat Yin, Kennedy
CHUA Hoi Wai
KWOK Lam Kwong, Larry

In accordance with article 95 of the company's articles of association, all the existing directors retire but, being eligible, offer themselves for re-election.

No contracts of significance to which the company or any of its fellow subsidiaries or its holding company was a party and in which the directors of the company had a material interest subsisted at the end of the year or at any time during the year.

At no time during the year was the company or any of its fellow subsidiaries or its holding company a party to any arrangements to enable the directors of the company to acquire benefits by means of the acquisition of shares in, or debentures of, the company or any other body corporate.

PERMITTED INDEMNITY PROVISIONS

At no time during the year and up to the date of this directors' report, there was or is, any permitted indemnity provision being in force for the benefit of any of the directors of the company (whether made by the company or otherwise).

INFORMATION TECHNOLOGY RESOURCE CENTRE LIMITED

DIRECTORS' REPORT

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the company were entered into or existed during the year.

AUDITORS

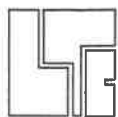
The financial statements have been audited by Messrs. Li, Tang, Chen & Co., who retire but, being eligible, offer themselves for re-appointment.

On behalf of the Board



.....
CHUA Hoi Wai
Director

Hong Kong, 23rd September, 2019



**INDEPENDENT AUDITOR'S REPORT
TO THE SOLE MEMBER OF
INFORMATION TECHNOLOGY RESOURCE CENTRE LIMITED**
(incorporated in Hong Kong with limited liability)

OPINION

We have audited the financial statements of Information Technology Resource Centre Limited (the "company") set out on pages 6 to 24, which comprise the statement of financial position as at 31st March, 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes on 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 31st March, 2019, 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 ("HKSAs") 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.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the directors' report, but does not include 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.

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

The directors are responsible for the preparation of 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.

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

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 HKSA's 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 HKSA's, we exercise professional judgment and maintain professional skepticism 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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**AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS
(CONT'D)**

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


Li, Tang, Chen & Co.
Certified Public Accountants (Practising)
10/F Sun Hung Kai Centre
30 Harbour Road
Wanchai
Hong Kong

23rd September, 2019

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INFORMATION TECHNOLOGY RESOURCE CENTRE LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31ST MARCH, 2019

| | Note | HK\$ | 2019 HK\$ | 2018 HK\$ |
|--|------|------------|--------------|--------------|
| NON-CURRENT ASSETS | | | | |
| Property, plant and equipment | 9 | | 127,482 | 45,549 |
| CURRENT ASSETS | | | | |
| Accounts receivable | 10 | 5,528,642 | | 4,741,130 |
| Deposits and other receivable | | 171,022 | | 11,000 |
| Cash and bank balances | 11 | 5,610,117 | | 3,358,035 |
| | | 11,309,781 | | 8,110,165 |
| CURRENT LIABILITIES | | | | |
| Receipts in advance | | 5,399,162 | | 616,426 |
| Amount due to The Hong Kong Council of Social Service | 12 | 1,090,862 | | 1,354,360 |
| Accounts payable | | 2,272,378 | | 4,342,573 |
| Other payables and accrued expenses | | 1,105,788 | | 596,767 |
| Provision for profits tax | | 131,706 | | 126,045 |
| | | 9,999,896 | | 7,036,171 |
| NET CURRENT ASSETS | | | 1,309,885 | 1,073,994 |
| NET ASSETS | | | 1,437,367 | 1,119,543 |
| CAPITAL AND RESERVE | | | | |
| Share capital | 13 | | 10,000 | 10,000 |
| Unappropriated profits | | | 1,427,367 | 1,109,543 |
| TOTAL EQUITY | | | 1,437,367 | 1,119,543 |

The financial statements on pages 6 to 24 were approved and authorised for issue by the board of directors on 23rd September, 2019.


.....
LIU Tat Yin, Kennedy
Director


.....
CHUA Hoi Wai
Director

INFORMATION TECHNOLOGY RESOURCE CENTRE LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31ST MARCH, 2019

| | <u>Note</u> | <u>2019</u> HK\$ | <u>2018</u> HK\$ |
|---|-------------|---------------------|---------------------|
| REVENUES | 6 | 30,922,712 | 33,234,245 |
| COST OF REVENUES | | <u>(20,718,848)</u> | <u>(20,136,159)</u> |
| GROSS PROFIT | | 10,203,864 | 13,098,086 |
| OTHER INCOME | 6 | 141,668 | 525 |
| ADMINISTRATIVE AND OTHER OPERATING EXPENSES | | <u>(10,022,047)</u> | <u>(10,554,903)</u> |
| PROFIT BEFORE TAXATION | 7 | 323,485 | 2,543,708 |
| INCOME TAX EXPENSE | 8(a) | <u>(5,661)</u> | <u>(126,045)</u> |
| PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR | | <u>317,824</u> | <u>2,417,663</u> |

INFORMATION TECHNOLOGY RESOURCE CENTRE LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31ST MARCH, 2019

| | 2019 HK\$ | 2018 HK\$ |
|--|--------------|--------------|
| OPERATING ACTIVITIES | | |
| Profit before taxation | 323,485 | 2,543,708 |
| Adjustments for: | | |
| Depreciation | 84,406 | 33,660 |
| Bank interest income | (537) | (25) |
| Operating profit before working capital changes | 407,354 | 2,577,343 |
| Increase in accounts receivable | (787,512) | (1,900,536) |
| Increase in deposits and other receivable | (160,022) | - |
| Increase in receipts in advance | 4,782,736 | 616,426 |
| Decrease in amount due to The Hong Kong Council of Social Service | (263,498) | (1,079,917) |
| (Decrease)/increase in accounts payable | (2,070,195) | 1,640,746 |
| Increase/(decrease) in other payables and accrued expenses | 509,021 | (570,157) |
| Net cash generated from operating activities | 2,417,884 | 1,283,905 |
| | ----- | ----- |
| INVESTING ACTIVITIES | | |
| Interest received | 537 | 25 |
| Purchase of property, plant and equipment | (166,339) | (49,766) |
| Net cash used in investing activities | (165,802) | (49,741) |
| | ----- | ----- |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 2,252,082 | 1,234,164 |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR | 3,358,035 | 2,123,871 |
| CASH AND CASH EQUIVALENTS AT THE END OF YEAR | 5,610,117 | 3,358,035 |
| | ===== | ===== |
| ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS | | |
| Bank balances | 5,610,117 | 3,358,035 |
| | ===== | ===== |

INFORMATION TECHNOLOGY RESOURCE CENTRE LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31ST MARCH, 2019

| | <u>Share capital</u> HK\$ | (Accumulated losses)/ unappropriated profits HK\$ | <u>Total</u> HK\$ |
|--|------------------------------|---|----------------------|
| Balance at 1 st April, 2017 | 10,000 | (1,308,120) | (1,298,120) |
| Profit and total comprehensive income for the year | <u>-</u> | <u>2,417,663</u> | <u>2,417,663</u> |
| Balance at 31 st March, 2018 and 1 st April, 2018 | 10,000 | 1,109,543 | 1,119,543 |
| Profit and total comprehensive income for the year | <u>-</u> | <u>317,824</u> | <u>317,824</u> |
| Balance at 31 st March, 2019 | <u>10,000</u> | <u>1,427,367</u> | <u>1,437,367</u> |

INFORMATION TECHNOLOGY RESOURCE CENTRE LIMITED

NOTES ON THE FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

e) Taxation:

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from accounting profit because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or deductible. The company's liability for current tax is calculated using tax rates that are enacted or substantially enacted at the end of reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to other comprehensive income and equity, in which case the deferred tax is also dealt with in other comprehensive income and equity.

f) Revenue recognition:

Revenue is recognised when the company satisfies a performance obligation by transferring promised good or service to a customer obtains control over the good or service. When the performance obligation is satisfied, revenue is recognised at the amount of the transaction price that is allocated to that performance obligation. Further details of the company revenue recognition is as follows:

- i) Sales of goods is recognised at a point in time when the customer takes significant risks and rewards of ownership, which generally coincides with the time of delivery to customer and title has passed.
- ii) Broadband service income is recognised at a point in time when the performance of the broadband service is completed.
- iii) Core application programme, management service, training course, system and networking service, secondment service and E-flag service income are recognised when services are provided.
- iv) Bank interest income is recognised as it accrues using the effective interest method.

INFORMATION TECHNOLOGY RESOURCE CENTRE LIMITED

NOTES ON THE FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

g) Operating leases:

Leases where substantially all the rewards and risks of ownership of assets, other than legal title, remain with the leasing company are accounted for as operating leases. Rentals applicable to such operating leases are charged to the statement of comprehensive income on a straight-line basis over the lease term.

h) Foreign currencies:

Foreign currency transactions are recorded at the applicable rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are translated at the applicable rates of exchange ruling at that date. Exchange differences are dealt with in the statement of comprehensive income.

i) 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 a 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 the group of which it is a part, provided key management services to the group or to the parent of the group.

INFORMATION TECHNOLOGY RESOURCE CENTRE LIMITED

NOTES ON THE FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

i) Related parties: (cont'd)

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

j) Retirement benefits scheme:

The company participates in the Mandatory Provident Fund retirement benefits scheme ("the MPF Scheme"). The company's contributions to the MPF Scheme are made based on a percentage of the employees' relevant remuneration and are charged to the statement of comprehensive income as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the company in an independently administered fund. The employer's contributions vest fully with the employees when contributed into the MPF Scheme.

k) Cash and cash equivalents:

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the company's cash management.

l) Impairment of non-financial assets:

Non-financial assets such as property, plants and equipment are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not exceed the recoverable amount. An impairment loss is recognised in profit or loss 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. An impairment loss is reversed if there has been favourable change in the estimates used to determine the recoverable amount. A reversal of an impairment loss is credited to profit or loss and is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years.

m) Credit losses and impairment of financial assets:

The company recognises a loss allowance for expected credit losses ("ECLs") on financial assets measured at amortised cost.

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

INFORMATION TECHNOLOGY RESOURCE CENTRE LIMITED

NOTES ON THE FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

m) Credit losses and impairment of financial assets: (cont'd)

Loss allowances for receivables are always measured at an amount equal to lifetime ECLs based on the company's historical credit loss experience, adjusted for factors that are specific to debtors and the current and forecast general economic conditions at the reporting date.

Lifetime ECLs are losses that are expected to result from all possible default events over the expected lives of the financial assets.

n) Applications of new and revised HKFRSs:

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the company. The company has initially applied the following HKFRSs at 1st April, 2018.

i) HKFRS 9 *Financial Instruments*

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the "expected credit loss" (ECL) model with the result that a loss event will no longer need to occur before an impairment allowance is recognised. Prior to 1st April, 2018, incurred loss model was used to measure impairment losses on receivables. Impairment loss was recognized when there was objective evidence of impairment. Upon adoption of HKFRS 9, the company used the new model to measure expected credit losses and changes in expected credit losses. The amount of ECLs is updated at each reporting date to reflect changes in credit risk since initial recognition. The new model requires an ongoing measurement of credit risk and therefore recognizes credit losses earlier than the "incurred loss" model.

The adoption of HKFRS 9 has resulted in changes in accounting policies. The company has applied HKFRS 9 retrospectively. The adoption to HKFRS 9 does not have any material effects on the company's financial performance and position.

ii) HKFRS 15 *Revenue from contracts with customers*

Prior to 1st April, 2018, revenue was recognised under HKAS 18 upon the completion of the performance of services. Upon adoption of HKFRS 15, the company recognises revenue when the performance obligation is satisfied and the customer obtains control over the good or service. When the performance obligation is satisfied, revenue is recognised at the amount of the transaction price that is allocated to that performance obligation.

The adoption of HKFRS 15 has resulted in changes in accounting policies. The company has applied HKFRS 15 retrospectively. The adoption to HKFRS 15 does not have any material effects on the company's financial performance and position.

INFORMATION TECHNOLOGY RESOURCE CENTRE LIMITED

NOTES ON THE FINANCIAL STATEMENTS

4. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets

| | At amortised costs 2019 HK\$ |
|-------------------------------|--|
| Accounts receivable | 5,528,642 |
| Deposits and other receivable | 171,022 |
| Cash and bank balances | <u>5,610,117</u> |
| | <u>11,309,781</u> |
| | Loans and receivables 2018 HK\$ |
| Accounts receivable | 4,741,130 |
| Deposits | 11,000 |
| Cash and bank balances | <u>3,358,035</u> |
| | <u>8,110,165</u> |

Financial liabilities

| | Financial liabilities at amortised cost 2019 HK\$ | 2018 HK\$ |
|---|--|------------------|
| Amount due to the Hong Kong Council of Social Service | 1,090,862 | 1,354,360 |
| Accounts payable | 2,272,378 | 4,342,573 |
| Other payables and accrued expenses | <u>1,105,788</u> | <u>596,767</u> |
| | <u>4,469,028</u> | <u>6,293,700</u> |

INFORMATION TECHNOLOGY RESOURCE CENTRE LIMITED

NOTES ON THE FINANCIAL STATEMENTS

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The company's principal financial instruments comprise accounts receivable, deposits, cash and bank balances, amount due to The Hong Kong Council of Social Service, accounts payable, other payables and accrued expenses. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below.

The management manages and monitors these exposures to ensure appropriate measure are implemented on a timely and effective manner.

a) Credit risk

The company has designed its credit policies with an objective to minimise their exposure to credit risk. In respect of accounts receivables, individual credit evaluations are performed on all customers enquiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Further quantitative data in respect of the exposure to credit risk arising from trade receivable are disclosed in note 10 on the financial statements.

At the end of the reporting period, 46.57% (2018: 23.21%) and 60.34% (2018: 45.19%) of the total accounts receivables was due from the company's largest customer and the five largest customers respectively.

b) Liquidity risk

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

The following table details the contractual maturities at the end of the reporting period of the company's non-derivative financial liabilities, which are based on contractual undiscounted cash flows and the earliest date the company can be required to pay:

| | 2019 | | |
|--|--------------------|---|----------------------------------|
| | Carrying amount | Total contractual undiscounted cash flow | Within 1 year or on demand |
| | HK\$ | HK\$ | HK\$ |
| Amount due to The Hong Kong Council of Social Service | 1,090,862 | (1,090,862) | (1,090,862) |
| Accounts payable | 2,272,378 | (2,272,378) | (2,272,378) |
| Other payables and accrued expenses | 1,105,788 | (1,105,788) | (1,105,788) |
| | <u>4,469,028</u> | <u>(4,469,028)</u> | <u>(4,469,028)</u> |

INFORMATION TECHNOLOGY RESOURCE CENTRE LIMITED

NOTES ON THE FINANCIAL STATEMENTS

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

b) Liquidity risk (cont'd)

| | | 2018 | |
|--|--------------------|---|----------------------------------|
| | Carrying amount | Total contractual undiscounted cash flow | Within 1 year or on demand |
| | HK\$ | HK\$ | HK\$ |
| Amount due to The Hong Kong Council of Social Service | 1,354,360 | (1,354,360) | (1,354,360) |
| Accounts payable | 4,342,573 | (4,342,573) | (4,342,573) |
| Other payables and accrued expenses | 596,767 | (596,767) | (596,767) |
| | <u>6,293,700</u> | <u>(6,293,700)</u> | <u>(6,293,700)</u> |

c) Interest rate risk

As the company has no significant interest-bearing assets and liabilities, the company's income and operating cash flows are substantially independent of changes in market interest rates.

d) Fair value estimation

The directors considered that all financial instruments are carried at amounts not materially different from their respective fair values.

e) Capital management

The company's objectives when managing capital are:

- To safeguard the company's ability to continue as a going concern, so that it continues to provide returns for shareholders;
- To support the company's stability and growth; and
- To provide capital for the purpose of strengthening the company's risk management capability.

The company actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the company and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities.

As in prior years, the company monitors capital by reviewing the level of capital that is at the disposal of the company. Capital comprises all components of total equity.

The company is not subject to externally imposed capital requirements.

INFORMATION TECHNOLOGY RESOURCE CENTRE LIMITED

NOTES ON THE FINANCIAL STATEMENTS

6. REVENUES AND OTHER INCOME

| | <u>2019</u> HK\$ | <u>2018</u> HK\$ |
|--------------------------------------|---------------------|---------------------|
| Revenues | | |
| Sales of goods | 11,209,078 | 13,556,889 |
| Core application programme income | 2,068,318 | 2,236,379 |
| Broadband service income | 8,301,539 | 5,321,420 |
| Management service income | 3,713,440 | 5,833,300 |
| Training course income | 243,762 | 150,200 |
| System and networking service income | 4,606,813 | 5,289,849 |
| Secondment service income | 629,740 | 723,678 |
| E-flag service income | <u>140,022</u> | <u>122,530</u> |
| | <u>30,922,712</u> | <u>33,234,245</u> |
| Other income | | |
| Bank interest income | 537 | 25 |
| Sundry income | <u>141,131</u> | <u>500</u> |
| | <u>141,668</u> | <u>525</u> |

7. PROFIT BEFORE TAXATION

Profit before taxation is stated after charging:

| | <u>2019</u> HK\$ | <u>2018</u> HK\$ |
|---|---------------------|---------------------|
| Salaries, allowances and other benefits (note 15) | 7,037,733 | 7,804,204 |
| Depreciation | 84,406 | 33,660 |
| Auditors' remuneration | <u>49,000</u> | <u>47,800</u> |

INFORMATION TECHNOLOGY RESOURCE CENTRE LIMITED

NOTES ON THE FINANCIAL STATEMENTS

8. INCOME TAX EXPENSE

- a) Income tax expense in the statement of comprehensive income represents:-

| | <u>2019</u> HK\$ | <u>2018</u> HK\$ |
|--|---------------------|---------------------|
| Hong Kong profit tax - current year | 5,661 | 126,045 |

Provision for Hong Kong profits tax has been made at the rate of 8.25% on the first HK\$2 million of the estimated assessable profits and 16.5% on the estimated assessable profits above HK\$2 million for the year ended 31st March, 2019 (2018: Provision for Hong Kong profits tax had been made in the financial statements at the rate of 16.5% on the estimated assessable profit for the year ended 31st March, 2018 after deducting tax loss brought forward from prior year).

- b) The income tax expense for the year can be reconciled to the profit before taxation per statement of comprehensive income at the statutory income tax rate as follow:

| | <u>2019</u> HK\$ | <u>2018</u> HK\$ |
|---|---------------------|---------------------|
| Profit before taxation | 323,485 | 2,543,708 |
| Tax at applicable profits tax rates | 26,687 | 419,711 |
| Tax effect of non-taxable income | (443) | (4) |
| Tax effect of temporary differences not recognised | (3,601) | (4,186) |
| Tax effect of utilisation of tax losses not previously recognised | - | (259,476) |
| Tax concession | (16,982) | (30,000) |
| Income tax expense for the year | 5,661 | 126,045 |

- c) No deferred tax asset has been recognised as the effect of temporary difference is not material.

INFORMATION TECHNOLOGY RESOURCE CENTRE LIMITED

NOTES ON THE FINANCIAL STATEMENTS

9. PROPERTY, PLANT AND EQUIPMENT

| | Office equipment HK\$ | Furniture and fixtures HK\$ | Computer equipment HK\$ | Total HK\$ |
|--------------------------------|-----------------------------|-----------------------------------|-------------------------------|---------------|
| As at 31.3.2017 | | | | |
| Cost | - | 8,857 | 100,323 | 109,180 |
| Accumulated depreciation | - | (8,857) | (70,880) | (79,737) |
| Net book value | - | - | 29,443 | 29,443 |
| Year ended 31.3.2018 | | | | |
| Net book value as at 1.4.2017 | - | - | 29,443 | 29,443 |
| Additions | - | - | 49,766 | 49,766 |
| Depreciation for the year | - | - | (33,660) | (33,660) |
| Net book value as at 31.3.2018 | - | - | 45,549 | 45,549 |
| As at 31.3.2018 | | | | |
| Cost | - | 8,857 | 150,089 | 158,946 |
| Accumulated depreciation | - | (8,857) | (104,540) | (113,397) |
| Net book value | - | - | 45,549 | 45,549 |
| Year ended 31.3.2019 | | | | |
| Net book value as at 1.4.2018 | - | - | 45,549 | 45,549 |
| Additions | 127,700 | - | 38,639 | 166,339 |
| Depreciation for the year | (42,566) | - | (41,840) | (84,406) |
| Net book value as at 31.3.2019 | 85,134 | - | 42,348 | 127,482 |
| As at 31.3.2019 | | | | |
| Cost | 127,700 | 8,857 | 188,728 | 325,285 |
| Accumulated depreciation | (42,566) | (8,857) | (146,380) | (197,803) |
| Net book value | 85,134 | - | 42,348 | 127,482 |

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NOTES ON THE FINANCIAL STATEMENTS

10. ACCOUNTS RECEIVABLE

| | <u>2019</u> HK\$ | <u>2018</u> HK\$ |
|---------------------|---------------------|---------------------|
| Accounts receivable | 5,528,642 | 4,741,130 |

The aging analysis of accounts receivable is as follows:

| | <u>2019</u> HK\$ | <u>2018</u> HK\$ |
|---|---------------------|---------------------|
| Neither past due nor impaired | 4,332,059 | 3,226,298 |
| Less than 1 month past due | 413,056 | 690,091 |
| More than 1 month but less than 3 months past due | 245,289 | 470,336 |
| More than 3 months but less than 1 year past due | 353,463 | 186,989 |
| More than 1 year past due | 184,775 | 167,416 |
| | <u>1,196,583</u> | <u>1,514,832</u> |
| | 5,528,642 | 4,741,130 |

Accounts receivable that were neither past due nor impaired relate to a number of customers for whom there was no recent history of default. Accounts receivable that were past due but not impaired relate to receivables from a number of independent customers that have a good track record with the company.

11. CASH AND BANK BALANCES

Cash at banks earns interest at floating rates based on daily bank deposit rates.

12. AMOUNT DUE TO THE HONG KONG COUNCIL OF SOCIAL SERVICE

This account represents non-interest bearing advances which are unsecured and have no fixed terms of repayment.

13. SHARE CAPITAL

| | <u>2019</u> HK\$ | <u>2018</u> HK\$ |
|--|---------------------|---------------------|
| Issued and fully paid: | | |
| 10,000 ordinary shares with no par value | 10,000 | 10,000 |

INFORMATION TECHNOLOGY RESOURCE CENTRE LIMITED

NOTES ON THE FINANCIAL STATEMENTS

14. DIRECTORS' REMUNERATION

No directors received any fees or other remuneration for serving as a director during the current and prior years.

15. SALARIES, ALLOWANCES AND OTHER BENEFITS

| | 2019 HK\$ | 2018 HK\$ |
|--|------------------|------------------|
| Salaries and allowances | 6,562,024 | 7,322,248 |
| Contribution to Mandatory Provident Fund | <u>475,709</u> | <u>481,956</u> |
| | <u>7,037,733</u> | <u>7,804,204</u> |

16. RELATED PARTY TRANSACTIONS

The company had the following material transactions with related parties during the year:

- a) The company paid administration charges to its ultimate holding company, The Hong Kong Council of Social Service, amounting to HK\$1,005,843 (2018: HK\$945,875).
- b) The company received service income from its ultimate holding company, The Hong Kong Council of Social Service and a fellow subsidiary, Internet Learning Resource Centre Limited, amounting to HK\$1,289,020 (2018: HK\$3,291,343) and HK\$609,000 (2018: HK\$1,724,899) respectively.
- c) The company received training course income from its fellow subsidiary, Internet Learning Resource Centre Limited, amounting to HK\$Nil (2018: HK\$46,255).
- d) The company sold goods and provided IT consultancy service to its fellow subsidiary, Internet Learning Resource Centre Limited amounting to HK\$300,426 (2018: HK\$1,121,124), in the ordinary course of business and on an arm's length basis.
- e) Balance with The Hong Kong Council of Social Service is described in note (12) on the financial statements.
- f) Included in accounts receivable was an amount of HK\$2,574,832 (2018: HK\$1,100,598) due from its ultimate holding company, The Hong Kong Council of Social Service) and HK\$147,000 (2018: HK\$26,214) due from its fellow subsidiary, Internet Learning Resource Centre Limited, which represents sales of IT supplies and services.

INFORMATION TECHNOLOGY RESOURCE CENTRE LIMITED

NOTES ON THE FINANCIAL STATEMENTS

16. RELATED PARTY TRANSACTIONS (CONT'D)

- g) The company sold IT supplies and services to certain executive committee members and member agencies of its ultimate holding company, The Hong Kong Council of Social Service. Certain executive committee members of the ultimate holding company are directors or executive members of these member agencies. The transactions were conducted on an arm's length basis.
- h) The company's key management personnel included directors of the company and a general manager. No remuneration was payable to the directors except for the remuneration of the general manager was borne by its ultimate holding company, The Hong Kong Council of Social Service during the year.

In the opinion of the directors, the above-mentioned transactions were conducted on normal commercial terms.

17. ULTIMATE HOLDING COMPANY

The ultimate holding company of the company is The Hong Kong Council of Social Service, a company incorporated in Hong Kong under The Hong Kong Council of Social Service Incorporation Ordinance.